NINTH CANADIAN EDITION

MANAGING
HUMAN
RESOURCES

BELCOURT   SINGH   SNELL   MORRIS

NINTH CANADIAN EDITION

MANAGING
HUMAN RESOURCES

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**Managing Human Resources,
Ninth Canadian Edition**

by Monica Belcourt, Parbudyal Singh,
Scott A. Snell, and Shad S. Morris

To my son Brooker Belcourt, who engages me in stimulating discussions about the role of HR in the world of high tech and finance.

To my wife, Nirmala Singh, and our children, Alysha, Amelia, and Aren, for all their love and support.

Features
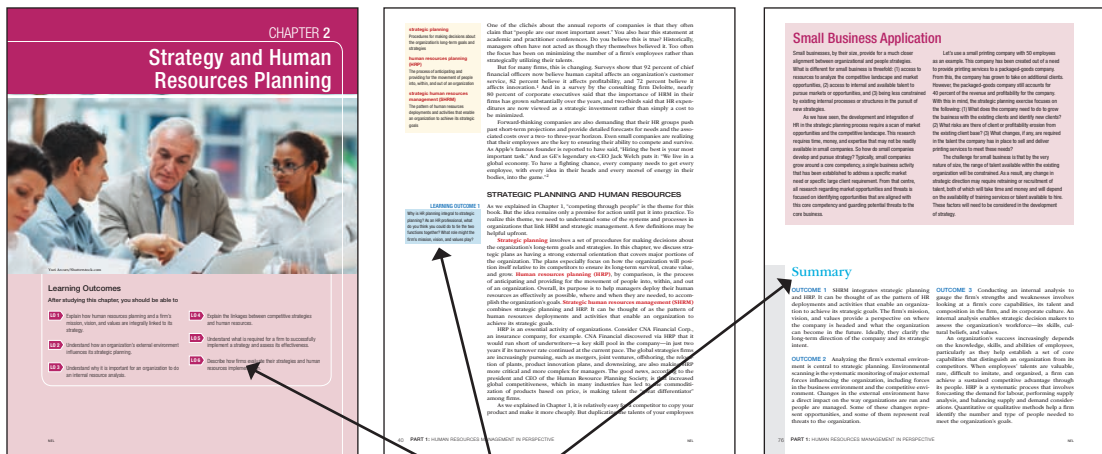
THE INTEGRATED LEARNING SYSTEM

The Integrated Learning System (ILS) anchors chapter concepts and provides a framework for study.

Learning Outcomes listed at the beginning of each chapter provide the basis for the Integrated Learning System. Each outcome is also listed in the margin of the chapter in which it appears, along with a thought-provoking question designed to get students thinking about how the related content applies to them personally.

The ILS provides structure for instructors preparing lectures and exams and helps students learn quickly and study efficiently.
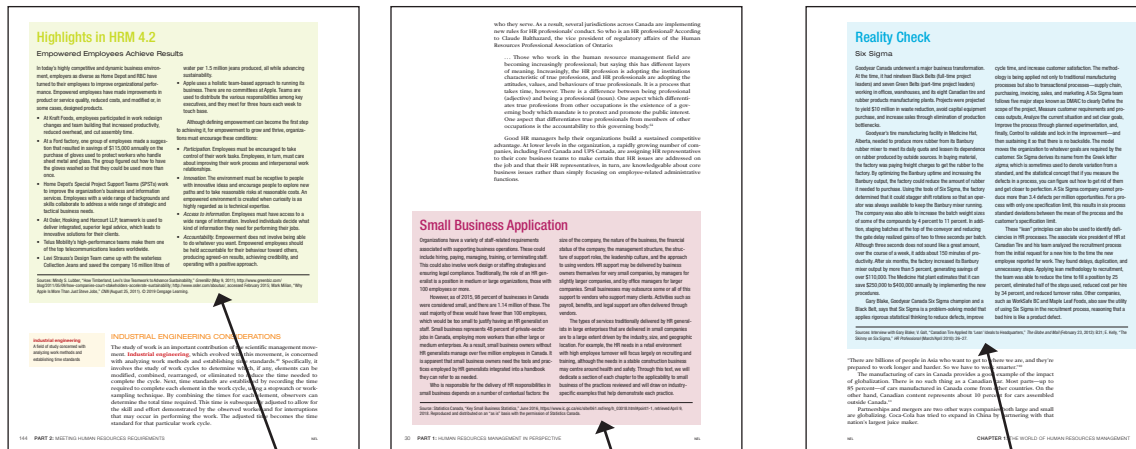
HIGHLIGHTS IN HRM

This popular boxed feature provides real-world examples of how organizations perform HR functions. Highlights are introduced in the text discussion and include topics such as small business and international issues.

SMALL BUSINESS APPLICATION

Small Business Application takes the principles and prescriptions of a functional area, such as recruitment, and demonstrates how these can be applied in a small business setting.

REALITY CHECK

Reality Check presents an interview with a Canadian expert in the field, illustrating how the material in the chapter is used in the real world.

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THE BUSINESS CASE

The Business Case features the business or financial implications of the adoption of HR practices. It also helps students build the skills necessary to recommend practices and projects, based on the projected costs and benefits, to senior management.

ETHICS IN HRM

Ethics in HRM provokes debate and discussion among students around the often grey areas of human resources management, including drug testing of employees and electronic surveillance of employees at work.

FIGURES

Chapters include an abundance of graphic materials and flowcharts, which provide a visual, dynamic presentation of concepts and HR activities. All figures are systematically referenced in the text discussion.

KEY TERMS IN MARGIN

Key terms appear in boldface and are defined in margin notes next to the text discussion. The key terms are also listed at the end of each chapter and in the glossary at the end of the text.

SUMMARY

At the end of each chapter, a brief description of each learning outcome provides a focused review of the chapter material.

DISCUSSION QUESTIONS

Discussion questions following the chapter summary offer an opportunity to focus on each of the learning outcomes in the chapter and to stimulate critical thinking. Many of these questions allow for group analysis and class discussion.

HRM EXPERIENCE EXERCISES

These skill-building exercises help students gain practical experience when dealing with employee/management concerns. Students can work through the exercises on either an individual or a team basis.

CASES

Two or more case studies per chapter present current HRM issues in real-life settings that encourage consideration and critical analysis.

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Brief Contents

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PART 6
EXPANDING HUMAN RESOURCES MANAGEMENT HORIZONS

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Preface

The ninth Canadian edition of *Managing Human Resources* will place students at the forefront in understanding how organizations can gain sustainable competitive advantage through people. The role of human resources (HR) professionals is no longer limited to service functions such as recruiting and selecting employees. Today, HR managers assume an active role in the strategic planning and decision making in their organizations. Those managers who are good at it can have a major impact on the success of their firms. And human resources management (HRM) is not limited to HR staff. The best organizations recognize that managing people is the job of every manager, working in partnership with HR.

Each edition of the book highlights the ways in which the environment for managing human resources is changing but reveals that the goal of utilizing an organization's talent in the best way possible never changes. The purpose of this book is twofold: (1) to equip students with the tools and practices of HRM and an appreciation for the changes that they can effect by understanding how best to manage people, and (2) to present the most current challenges and opportunities graduating students will face when it comes to today's HRM environment. These challenges exist both for those who will become HR managers and those who will become other types of managers.

Toward that end, the book lays out in broad terms the key challenges in HRM today. It includes a discussion of the HR strategies pursued by firms. Other aspects include how social media are affecting HRM and employees' privacy rights.

Strategy and talent have become such central concerns of HR today that we continue to emphasize these topics, as well as core HR areas, such as compensation and benefits, employee relations, performance management, and international HRM. The detailed coverage of these topics solidifies *Managing Human Resources* as perhaps the premier text for thought leadership, especially regarding the global talent pool. Relating to this central theme of managing talent are such themes as employee diversity and how organizations can leverage all types of differences among their workers to their strategic advantage.

Whether the reader becomes a manager, a supervisor, or an HR specialist or is employed in other areas of the organization, *Managing Human Resources* provides a functional and practical understanding of HR programs to enable readers to see how HR affects all employees, the organization, the community, and the larger society.

Organizations in today's competitive world are discovering that it is how the individual HR functions are combined that makes all the difference. Managers typically do not focus on HR issues such as staffing, training, and compensation in isolation from one another. Each of these HR practices is combined into an overall system to enhance employee involvement and productivity.

WHAT'S NEW IN THE NINTH CANADIAN EDITION

For each edition, updates are made to laws, regulations, guidelines, and HR practices to reflect current contexts. To help instructors incorporate the new material into their courses, the following is a list of significant chapter-by-chapter changes:

Chapter 1: The World of Human Resources Management

- new coverage of Generation Z
- updated discussion on free trade
- updated all demographic statistics based on the 2016 Census
- new material on automation, big data, and workforce analytics
- updated Highlights in HRM 1.2 and the Business Case

Chapter 2: Strategy and Human Resources Planning

- new case study on how strategy change led to the formation of Nike
- new section on the firm's stakeholders
- revised/updated Highlights in HRM 2.2 and the Business Case

Chapter 3: Equity and Diversity in Human Resources Management

- updated and new diversity/population data, including the 2016 Census
- new discussion on pay equity
- new examples and cases, including the RCMP sexual harassment case
- updated Highlights in HRM 3.9

Chapter 4: Job Analysis and Work Design

- new discussion on workflow analysis and how a firm's strategy affects work-flows, job analysis, and job design
- new subsection on functional job analysis
- new discussion on employee empowerment and job crafting
- new material on teams at Google and Project Aristotle
- new case study on how Zappos moved to a self-management model

Chapter 5: Expanding the Talent Pool: Recruitment and Careers

- new discussion on employer branding through social networks and online games
- new material on Internet recruiting
- new discussion on applicant tracking systems
- new section on retaining talent

Chapter 6: Employee Selection

- new discussion on name-blind résumés
- new discussion on drug testing and cannabis legalization
- updated case study on the "Pros and Cons of Cleaning up the "Resu-Mess"

Chapter 7: Training and Development

- new information on mandatory training in Canada
- new discussion on experiential learning
- new discussion on gamification and virtual reality
- new material on the use of social media in training

Chapter 8: Performance Management

- new Highlights in HRM 8.7 on continual performance feedback and crowd-sourcing feedback for millennials
- revised Ethics in HRM on stretch goals
- new material on machine learning to give feedback
- new case study on why Adobe ended formal appraisals and what the company replaced them with

Chapter 9: Managing Compensation

- new discussion on total rewards
- new examples of strategic compensation, including Zappos, and new salary survey data

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- new discussion on minimum wages
- new material on the gender pay gap and pay equity

Chapter 10: Pay for Performance: Incentive Rewards
- new discussion of pay-for-performance and fraudulent practices, including Wells Fargo
- new material on measuring performance for incentives
- new discussion on how companies are gamifying incentives and rewards to improve performance
- updated information on executive pay controversies in Canada and the United States

Chapter 11: Employee Benefits
- new discussion on flexible benefits and meeting the needs of different generations at work
- updated material on benefits fraud and communicating benefits
- updates in examples of benefits at major Canadian organizations, including Loblaws
- new discussion on trends in pension plans in Canada and the concessions by Unifor in the auto sector on defined-benefit plans

Chapter 12: Promoting Safety and Health
- new data on workplace accidents and fatalities across Canada
- new discussion on workplace health and safety legislation in Canada, including Bill 132 in Ontario, and accident investigations and reporting in British Columbia
- updated research on the effects of workplace violence and bullying

Chapter 13: Employee Rights and Discipline
- updated discussion on employee privacy rights and social media
- new discussion on court case, *R v. Cole*
- update of Ethics in HRM and Highlights in HRM 13.4

Chapter 14: The Dynamics of Labour Relations
- updated data and new discussion on unionization rates and trends in Canada and the United States
- new discussion on how millennials relate to unionization
- updated discussion on union bargaining power and the formation of Unifor

Chapter 15: International Human Resources Management
- new discussion on pressures on trading agreements with Brexit and the new US administration
- updated discussion on language and cultural problems in international settings
- updated data and statistics on HRM practices globally

FEATURES OF THE BOOK

We have introduced overall text improvements that more accurately reflect HRM in today's business world and help the reader understand HRM issues more effectively.

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The ninth Canadian edition reflects the body of knowledge required by students to pass the national knowledge exam, given by the Canadian Council of Human Resources Associations, as one of the steps toward the granting of the HR designation, the Certified Human Resources Professional (CHRP). The book also covers the material needed for the examinations conducted by the Human Resources Professionals Association of Ontario (HRPA) and related certification. The lead author, Dr. Monica Belcourt, participated in the development of the standards for the national certification process. This text covers much of the material being tested on the national knowledge exam. As a CHRP herself, Dr. Belcourt is very familiar with the competencies required for the profession and has written the text with these professional competencies as the foundation for learning about HR. The second author, Dr. Parbudyal Singh, was a member of the task force that developed the competencies required for professional certification in Ontario. He continues to prepare material for HRPA for certification purposes, including the examinations and preparatory courses.

- **Learning Outcomes.** Learning Outcomes listed at the beginning of each chapter provide the basis for the Integrated Learning System. Each outcome is also listed in the margin of the chapter in which it appears, along with a thought-provoking question designed to get students thinking about how the related content applies to them personally. The outcomes are revisited in the chapter summary and discussion questions and in all of the book's ancillaries.

- **Small Business Application.** Continuing in this edition is the inclusion of a section in each chapter that takes the principles and prescriptions of a functional area, such as recruitment, and demonstrates how these can be applied in a small business, of which there are about one million in Canada. This feature was initiated by Angus Duff, a graduate from the PhD program in Human Resources Management at York University and a former HR manager with extensive experience in small and large businesses. Revisions to these cases and new cases have been added.

- **HRM Experience.** We build on a popular feature in previous editions of *Managing Human Resources* by including many new experiential exercises to explore significant issues in HR. These skill-building exercises will help students gain practical experience when dealing with employee/management concerns such as pay for performance, effective team building, employee benefits, reducing employee stress, employee rights, balancing competitive challenges and employee concerns, customizing HR for different types of human capital, designing selection criteria and methods, and assessing the strategic fit of high-performance work systems. Students can work through the new exercises on either an individual or a team basis.

- **Human resources information systems (HRIS).** Throughout the text, we have specifically highlighted the use of HRIS to facilitate the managing of employees and the efficient performance of HR functions. For example, the impact of information technology on HR and the role of HRIS in such areas as compensation, recruitment and selection, training, job analysis, and safety are discussed.

- **Diversity.** Because we believe that diversity issues are an integral part of every HRM activity, updated and expanded coverage is included throughout the text.

- **HRM strategy.** The increasingly important role HRM plays in strategic planning is covered in Chapter 2. However, many of the chapters on functional areas such as recruitment, training, and compensation are now approached from a strategic perspective.

- **Coverage of global issues.** Global and international concerns are covered in greater detail. This includes issues such as the impact of globalization on HR, multidomestic corporations, and global rights issues such as data protection and intellectual property. Although these issues have perhaps been peripheral to HRM in the past, they are increasingly seen as front and centre by many organizations.

- **Up-to-date HRM legislation and court cases.** A complete and thorough review and update of legislation and court cases governing HRM was written for a previous edition by Dr. David Doorey, a professor of employment and labour law at the School of Human Resource Management at York University. Dr. Doorey has a BA and an MIR (Industrial Relations) from the University of Toronto, an LLM from the London School of Economics, and an LLB and a PhD from Osgoode Hall Law School. He practised labour and employment law in British Columbia and Ontario. Check out his blog at http://lawofwork .ca for current insights into these issues.

- **Updated boxed elements.** Many new Highlights in HRM boxes, Reality Checks, Ethics in HRM boxes, and Business Cases have been added. As a former president of HRPA, Dr. Monica Belcourt is very involved in the HR profession, with access to some of the thought leaders in HR in Canada.

- **Internet.** The ever-growing role of the Internet in HR activities is evident throughout the text. A few examples include social networking and mobile recruiting in Chapter 5, Web-based training and e-learning in Chapter 7, and online 360-degree evaluation in Chapter 8.

- **End-of-chapter cases.** The end-of-chapter case studies highlight chapter content that provide students with both current and practical HR problems and issues.

INSTRUCTOR RESOURCES

The **Nelson Education Teaching Advantage (NETA)** program delivers research-based instructor resources that promote student engagement and higher-order thinking to enable the success of Canadian students and educators. Visit Nelson Education's **Inspired Instruction** website at nelson.com/inspired to find out more about NETA.

The following instructor resources have been created for *Managing Human Resources*, Ninth Canadian Edition. Access these ultimate tools for customizing lectures and presentations at nelson.com/instructor.

NETA TEST BANK

This resource was written by one of the text authors, Parbudyal Singh at York University, and has been extensively revised in the ninth edition. It includes over 850 multiple-choice questions written according to NETA guidelines for effective construction and development of higher-order questions. Also included are true/false and essay questions.

The NETA Test Bank is available in a new, cloud-based platform. **Testing Powered by Cognero®** is a secure online testing system that allows instructors to author, edit, and manage test bank content from anywhere Internet access is available. No special installations or downloads are needed, and the desktop-inspired interface, with its drop-down menus and familiar intuitive tools, allows instructors to create and manage tests with ease. Multiple test versions can be created in an instant, and content can be imported or exported into other systems. Tests can be delivered from a learning management system, the classroom, or wherever an

instructor chooses. Testing Powered by Cognero for *Managing Human Resources* can also be accessed through nelson.com/instructor.

NETA POWERPOINT

Microsoft® PowerPoint® lecture slides for every chapter have been created by Ann Hrabok at NAIT. Each chapter has an average of 25 to 30 slides, many featuring key figures, tables, and photographs from *Managing Human Resources*. NETA principles of clear design and engaging content have been incorporated throughout, making it simple for instructors to customize the deck for their courses.

IMAGE LIBRARY

This resource consists of digital copies of figures, short tables, and photographs used in the book. Instructors may use these jpegs to customize the NETA PowerPoint or to create their own PowerPoint presentations.

VIDEOS

Instructors can enhance the classroom experience with the exciting and relevant videos provided directly to students through MindTap. These videos have been selected to accompany *Managing Human Resources*. CBC videos can be used in class for discussion and activity purposes.

NETA INSTRUCTOR GUIDE

The Instructor's Manual to accompany *Managing Human Resources* contains sample lesson plans, learning objectives, suggested classroom activities, and a resource integration guide to give instructors the support they need to engage their students within the classroom.

MINDTAP

Offering personalized paths of dynamic assignments and applications, **MindTap** is a digital learning solution that turns cookie cutter into cutting edge, apathy into engagement, and memorizers into higher-level thinkers. MindTap enables students to analyze and apply chapter concepts within relevant assignments and allows instructors to measure skills and promote better outcomes with ease. A fully online learning solution, MindTap combines all student learning tools—readings, multimedia, activities, and assessments—into a single Learning Path that guides the students through the curriculum. Instructors personalize the experience by customizing the presentation of these learning tools to their students, even seamlessly introducing their own content into the Learning Path.

STUDENT ANCILLARIES

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• ReadSpeaker will read the text to you.

• Flashcards are prepopulated to provide you with a jump start for review—or you can create your own.

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- You can highlight text and make notes in your MindTap Reader. Your notes will flow into Evernote, the electronic notebook app that you can access anywhere when it's time to study for the exam.
- **Adaptive Test Prep** reduces exam anxiety and allows you to create practice quizzes covering multiple lessons in a low-stakes environment. You receive immediate feedback so you know where you need additional help, and the test bank–like questions prepare you for what to expect on the exam. With an average of 55 questions per lesson, you can create multiple unique practice quizzes.
- **You Make the Decision:** To help you focus on thinking critically, these activities place you in interactive scenarios and ask you to make decisions on behalf of the company. The scenario changes at each decision point so that you receive a unique experience based on the choices you make. The effectiveness of the business decisions you make along the way will result in success, failure, or something in between.
- **CBC Video Cases** selected to accompany *Managing Human Resources* enhance the classroom experience and further contextualize chapter concepts.
- **Industry Interviews:** HR professionals and managers from a cross-section of industries reinforce the chapter concepts.

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ACKNOWLEDGEMENTS FOR THE NINTH CANADIAN EDITION

In preparing the manuscript for this edition, we have drawn on not only the current literature but also the current practices of organizations that furnished information relating to their HR programs. We are indebted to the leaders in the field who have influenced us through their writings and personal associations. We have also been aided by our present and former students, by our colleagues at HRPA with whom we have been associated, by HR managers, and by our academic colleagues. We are particularly appreciative of the review of legislation and court cases by Dr. David Doorey. Dr. Doorey also revised Chapter 13, Employee Rights and Discipline. Because of his feedback and contribution, the reader is assured that the "legal content" is accurate and current.

Although the HRM principles outlined in each chapter apply to both large and small organizations, the delivery of HR practices in small organizations is largely by managers and business owners rather than by HR practitioners. The Small Business Application feature was initiated by Angus Duff, a PhD graduate in Human Resources Management at York University and a former HR manager. As an HR practitioner, Mr. Duff has provided HR support to organizations as small as 25 employees and as large as 20,000. Using the material discussed in each chapter, Angus outlined how it could be used in a small business, of which there are over one million in Canada. Small business represents nearly 50 percent of all private-sector jobs, and we estimate that managers in small businesses are managing over 5 million employees, without the assistance of an HR generalist. Thus, this feature is extremely useful for this segment.

We would like to express our appreciation to the following reviewers who have helped shape this and previous editions of the text:

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Our greatest indebtedness is to our spouses—Michael Belcourt, Nirmala Singh, Marybeth Snell, and Mindi Morris—who have contributed in so many ways to this book. They are always sources of invaluable guidance and assistance. Furthermore, by their continued enthusiasm and support, they have made the process a more pleasant and rewarding experience. We are most grateful to them for their many contributions to this publication, to our lives, and to our families.

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About the Authors

MONICA BELCOURT

Monica Belcourt is the founding Director of the School of Human Resource Management at York University. Additionally, she is a Full Professor, Human Resources Management, and founding Director of the Graduate Program in HRM at the Faculty of Liberal Arts and Professional Studies, York University. She has an extensive and varied background in HRM. After receiving a BA in psychology from the University of Manitoba, she joined the Public Service Commission as a recruitment and selection specialist. During her tenure with the federal government, she worked in training, HRM research, job analysis, and HR planning.

Dr. Belcourt alternated working in HRM with graduate school, obtaining an MA in psychology from York University, an MEd in adult education from the University of Ottawa, and a PhD in management from York University. Her research is grounded in the experience she gained as Director of Personnel for the 63,000 employees at CP Rail; as Director of Employee Development at the National Film Board; and as a functional HR specialist for the federal government. She has taught HRM at Concordia University, Université du Québec à Montréal, McGill University, and York University, where she founded and managed the largest undergraduate program in HRM in Canada. She created Canada's first degrees in HRM: a Bachelor's in HRM, a Bachelor's in HRM (honours), and a Master's in HRM. A full description of these degrees can be found at http://www.yorku.ca/laps/shrm.

Dr. Belcourt was Director of the International Alliance for Human Resources Research (IAHRR), which was a catalyst for the discovery, dissemination, and application of new knowledge about HRM. This research centre has now been moved to HRPA, where it is called the Human Resources Research Institute. Her research interests focus on strategic HRM, and she has published more than 100 articles, several of which received best paper awards. Dr. Belcourt is Series Editor for the Nelson Series in Human Resources Management: *Managing Performance through Training and Development; Management of Occupational Health and Safety; Recruitment and Selection in Canada; Strategic Compensation in Canada; Strategic Human Resources Planning; Research, Measurement and Evaluation in HRM; International Human Resources Management: A Canadian Perspective;* and *Industrial Relations in Canada*.

Active in many professional associations and not-for-profit organizations, Dr. Belcourt was the President of HRPA of Ontario, served on the national committee for HR certification, and was a board member of CIBC Insurance and the Toronto French School. She is a frequent commentator on HRM issues for Workopolis, CTV, *Canada AM, CBC, The Globe and Mail, Canadian HR Reporter*, and other media. She has been recognized as a champion of HR by *Canadian HR Reporter*. In 2009, HRPA honoured Dr. Belcourt with the award of Right Management HR Academic of the Year—an award given for outstanding contributions to the HR profession and for thoughtful leadership. The following year, the Association recognized her outstanding contribution to the HR profession by awarding her the Fellow Certified HR Leader designation (FCHRL). Dr. Belcourt was only the fourth person to receive the award since its inception in 1936. The award is given to CHRPs who have promoted best practices in the field, upheld the reputation, and made significant contributions in innovative ideas.

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PARBUDYAL SINGH

Parbudyal Singh is Full Professor and a former Director of the School of Human Resource Management at York University. Prior to this, he was the Associate Dean of the School of Business, University of New Haven, Connecticut. He also taught at McMaster University. His PhD studies, completed in 1998 at McMaster University, focused on the effects of organizational strategy on executive compensation.

Dr. Singh has won numerous scholastic awards and national research grants. Among other awards, at York University he won the Atkinson Alumni Teaching Award, the Dean's Award for Excellence in Research, and the Dean's Award for Excellence in Teaching. He has supervised more than 40 graduate students (PhD and Master's).

Dr. Singh's research covers a broad array of management issues, especially those related to the effects of the changing business environment on HRM and industrial relations. He has more than 100 publications, including articles in top refereed journals such as *Industrial Relations, British Journal of Industrial Relations, Human Resource Management, The Leadership Quarterly, Human Resource Management Review, Journal of Business Ethics, Journal of Labor Research, Management International Review, International Journal of Human Resource Management,* and the *Journal of Vocational Behavior.* He serves on the editorial boards of several journals.

Dr. Singh has worked as an HR manager in a large manufacturing company. He has offered advice to more than 30 of Canada's leading organizations. He is actively involved with projects with both the Human Resources Professional Association and the Pay Equity Commission (Ontario). He was appointed by the Minister of Labour (Ontario) to the Gender Pay Gap Steering Committee in March 2015; the committee made recommendations to the government on how to close the gender pay gap in Ontario. In 2018, he became the first recipient of the Distinguished Human Resource Professional Award given by the Human Resources Professional Association for outstanding contributions to the academic and practitioner communities.

SCOTT A. SNELL

Scott Snell is the E. Thayer Bigelow Research Chair of Business Administration and former Senior Associate Dean for Executive Education at the University of Virginia's Darden Graduate School of Business. Dr. Snell teaches courses in leadership and strategic management and works with management teams on aligning their human resource investments to better execute their strategies. He is the author of four books and was recently listed among the top 100 most-cited authors in scholarly journals of management. He currently serves on the board of HR People + Strategy (SHRM), and previously has served on the boards of the Strategic Management Society's Human Capital Group, the Society for Human Resource Management Foundation, the Academy of Management's Human Resource Division, the *Academy of Management Journal*, and the *Academy of Management Review.*

Prior to joining the Darden faculty in 2007, Dr. Snell was Professor and Director of Executive Education at Cornell University's Center for Advanced Human Resource Studies and a Professor of Management in the Smeal College of Business at Pennsylvania State University. He received a BA from Miami University, as well as an MBA and PhD in business from Michigan State University. Originally from Ohio, Dr. Snell now lives in Charlottesville, Virginia.

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SHAD S. MORRIS

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Dr. Morris's research focuses on strategic human resource management in a global environment. His research has been published in a number of journals, such as the *Harvard Business Review, MIT Sloan Management Review, Academy of Management Review, Journal of International Business Studies, Strategic Management Journal, Journal of Management,* and *Human Resource Management*. He has worked for the World Bank, Management Systems International, and Alcoa. He has consulted with numerous companies on their HR and knowledge practices. He is the recipient of the International HRM Scholarly Research Award from the Academy of Management and is currently a faculty fellow at Cambridge University's Centre for International Human Resource Management. In addition, Dr. Morris currently serves on the board of the *International Journal of Human Resources Management* and is a founding editor of the *Journal of Microfinance*. He received a BS in psychology and a Master's in organizational behavior from Brigham Young University, as well as a PhD in human resources management from Cornell University.

The World of Human Resources Management

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Explain how human resources managers and other managers can have rewarding careers by helping their firms gain a sustainable competitive advantage through the strategic utilization of people.

LO 2 Explain how good human resources practices can help a firm's globalization, corporate social responsibility, and sustainability efforts.

LO 3 Describe how technology can improve how people perform their work and how they are managed.

LO 4 Explain the dual goals human resources managers have in terms of increasing productivity and controlling costs.

LO 5 Discuss how firms can leverage employee differences to their strategic advantage and how educational and cultural changes in the workforce are affecting how human resources managers engage employees.

LO 6 Provide examples of the roles and competencies of today's human resources professionals.

human resources management (HRM)
The process of managing human talent to achieve an organization's objectives

We can describe how important people are to organizations in several ways. You hear such phrases as "our people are our most important assets" and "without our people, we would be nothing" all the time. The terms *human resources*, *human capital*, *intellectual assets*, and *talent management* imply that people drive the performance of their organizations (along with other resources, such as money, materials, and information). Successful organizations are particularly adept at bringing together different kinds of people to achieve a common purpose. This is the essence of **human resources management (HRM)**. HRM involves a wide variety of activities, including analyzing a company's competitive environment and designing jobs so that a firm's strategy can be successfully implemented to beat the competition. This, in turn, requires identifying, recruiting, and selecting the right people for those jobs; training, motivating, and appraising these people; developing competitive compensation policies to retain them; grooming them to lead the organization in the future—the list goes on.

WHY STUDY HUMAN RESOURCES MANAGEMENT?

Think of a firm you are familiar with that is facing dramatic changes in order to survive (Toys R Us Canada and Blackberry are examples). How do you think the firm's personnel can help it adapt? What role will the company's human resources staff play in helping with that goal?

In your career, would you like to

- establish the strategic direction your firm should take?
- attract top-notch people to come to work for you and your firm?
- determine the right people to hire so your team and company are a success?
- help and coach people so they become top-notch performers?
- make pay decisions that may influence peoples' lives?

If you answered yes to these questions, a job managing people might be a rewarding career for you and an excellent reason why you should study HRM.

An article in *Canadian Business* lists "human resources manager" as one of the best jobs in Canada for 2015, with a positive change in salary by 14 percent between 2008 and 2014. Randstad, a multinational consulting firm, lists human resource management jobs, such as recruiters, as among the top 15 in Canada in 2018.[1] Other HRM-related jobs, such as compensation specialists and talent managers, are also rewarding jobs, psychologically and financially.

Having a good understanding of HRM is important for managers and entrepreneurs of all types, not just human resources (HR) personnel. All managers are responsible for at least some of the activities that fall into the category of HRM. Managers play a key role in selecting, training, motivating, appraising, and promoting employees.

What if you do a poor job of these activities? Believe it or not, many businesspeople with great business strategies, business plans, and products and services fail because they do not fully grasp the importance of HRM. Laments one entrepreneur: "My first year after investing in a small business that was failing, I tripled the amount of business that company did, and made a lot of money. But I didn't pay my personnel enough or motivate them. They eventually abandoned me, and a larger competitor muscled me out of the marketplace. I now understand the important role personnel play in a business. They can make or break it."

In addition, great business plans and products and services can easily be copied by your competitors. Great personnel cannot. Their knowledge and abilities are among the most distinctive and renewable resources upon which a company can draw. As Thomas J. Watson, the founder of IBM, said, "You can get capital and erect buildings, but it takes people to build a business."[2]

Lastly, even if you never become a manager, understanding human resources management can help you understand your responsibilities and rights as an employee. For example, what if your employer asks for your passwords to Facebook or other social media sites? Do you need to provide the

manager with that information? This textbook can help you answer questions such as these.

HUMAN CAPITAL AND HRM

The idea that organizations "compete through people" highlights the fact that achieving success increasingly depends on an organization's ability to manage talent, or **human capital**. The term *human capital* describes the economic value of employees' knowledge, skills, and capabilities. Although the value of these assets might not show up directly on a company's balance sheet, it nevertheless has a tremendous impact on an organization's performance. The following quotations from notable and former chief executive officers (CEOs) illustrate this point:

- "If you look at our semiconductors and melt them down for silicon, that's a tiny fraction of the costs. The rest is intellect and mistakes." (Gordon Moore, Intel)
- "An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive business advantage." (Jack Welch, General Electric [GE])
- "Human resources isn't a thing we do. It's the thing that runs our business." (Steve Wynn, Wynn Las Vegas)
- "You gotta build a team that is so talented, they almost make you uncomfortable." (Brian Chesky, AirBnB)
- "Successful companies of the twenty-first century will be those who do the best jobs of capturing, storing, and leveraging what their employees know." (Lew Platt, Hewlett-Packard [HP])[3]

Human capital is intangible and cannot be managed the way organizations manage jobs, products, and technologies. One reason why is because employees, not the organization, own their own human capital. If valued employees leave a company, they take their human capital with them, and any investment the company has made in training and developing these people is lost. However, HRM practices such as selection and training can develop replacements for these people, so the real strategic advantage for organizations is high-quality HRM systems.

To build human capital in organizations, managers must continue to develop superior knowledge, skills, and experience within their workforces and retain and promote top performers.[4] Beyond the need to invest in employee development, organizations have to find ways to better utilize the knowledge of their workers. Too often employees have knowledge that goes unused. As Dave Ulrich, a professor of business at the University of Michigan, notes: "Learning capability is *g* times *g*—a business's ability to *generate* new ideas multiplied by its adeptness at *generalizing* them throughout the company."[5]

HRM and programs are often the conduit through which knowledge is developed and transferred among employees. A survey by the Human Resource Planning Society (HRPS) revealed that 65 percent of responding companies believe that their HR groups play a key role in developing human capital. Arvinder Dhesi, the head of talent management at Towers Watson, a leading HR consulting firm with operations globally, including Canada, explains that his firm's goal is to treat everyone as talent and not just focus on a few. "We talk about the sum of people's experiences as well as their skills," says Dhesi.

Although "competing through people" is a major theme of HRM, on a day-to-day basis, managers of all types have to carry out the specific activities for a company to effectively do so. Figure 1.1 provides an overall framework of these activities. From this figure, we can see that managers have to help blend many aspects of management; at this point, we will simply classify them as either "competitive drivers" (challenges) or "employee concerns." We will use Figure 1.1 as a basis for our discussion throughout this chapter.

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FIGURE 1.1

OVERALL FRAMEWORK FOR HUMAN RESOURCES MANAGEMENT

COMPETITIVE CHALLENGES	HUMAN RESOURCES	EMPLOYEE CONCERNS AND ISSUES
• Changes in the marketplace and economy • Globalization • Sustainability • Technology • Productivity and cost challenges • Leveraging employee differences	• Planning • Job design • Recruitment • Staffing • Training and development • Appraisal • Communications • Compensation • Benefits • Labour relations • International HR	• Job security • Healthcare • Diversity issues • Age, gender, and generational issues • Retirement issues • Education levels • Employee rights and privacy • Work attitudes and employee engagement • Work–life balance

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COMPETITIVE ISSUES AND HUMAN RESOURCES MANAGEMENT

LEARNING OUTCOME 2

Does a company's HRM function need to be an integral part of its sustainability and corporate social responsibility efforts? Why or why not?

Professional organizations such as provincial HR associations, consulting organizations, and HRPS conduct ongoing studies of the most pressing competitive issues facing firms. By seeking the input of chief executives and HR managers, these organizations keep a finger on the pulse of major trends. The top trends, or competitive issues/challenges, they name today include those outlined in the sections that follow.

ISSUE 1: RESPONDING STRATEGICALLY TO CHANGES AND DISRUPTIONS IN THE LOCAL AND GLOBAL MARKETPLACE

Given the pace of commerce, organizations can rarely stand still for long. In today's highly competitive environments, in which competition is global and innovation is continuous, the ability to adapt has become the key to capturing opportunities and overcoming obstacles, as well as the very survival of organizations. As one pundit put it, "No change means chance." Successful companies, says Harvard Business School professor Rosabeth Moss Kanter, develop a culture that just keeps moving all the time.[6]

Consider what happened to the parts suppliers for automakers when the bankruptcy of General Motors (GM), Chrysler, and Ford looked imminent in 2008–2009. Most of the suppliers sold exclusively to the three automakers. As a result, they had to rapidly find other markets, products to make for those markets, and ways to sell them—all of which required significant HR changes and challenges.

HR Managers and Business Strategies

In decades past, HR departments were often focused on performing administrative tasks, dealing with unions, and complying with labour laws. But HR management is vastly different today. Astute executives know that HR professionals can help them improve, comply with the law, and aid the bottom line by streamlining

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employment costs. HR professionals can improve the top line by redesigning work to foster innovation, forecasting labour trends, recruiting and motivating employees, and measuring their effectiveness. HR managers also help their firms with business strategies, as well as mergers, acquisitions, and ways to enter new and global markets. "If you look at the evolution going back to when we called HR 'personnel,' it's come a long way as a function," says Art Mazor, with Deloitte Consulting. New HR tools and technologies are allowing the HR function to look outside the tactical, administrative reporting and data gathering to bring insights and to drive business strategy and results, Mazor says.[7]

HR managers need an intimate understanding of their firms' competitive business operations and strategies, whatever they may be. During what has been called the "Great Recession," which began in 2008, many companies pursued cost-cutting strategies, often in part by trimming workers' benefits. Other companies took a different strategy: they improved their benefit programs to attract top talent from other companies and expanded to be ready when the economy began growing again.

Total quality improvement, reengineering, downsizing, and outsourcing are also examples of the means organizations use to modify the way they operate to be more successful. **Six Sigma** is a set of principles and practices whose core ideas include understanding customer needs, doing things right the first time, and striving for continuous improvement (see Reality Check).

Reengineering has been described as "the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, service, and speed."[8] **Downsizing** is the planned elimination of jobs, and **outsourcing** simply means hiring someone outside the company to perform business processes that were previously done within the firm.

A common denominator of these strategies is that they require companies to engage in **change management**. Change management is a systematic way of bringing about and managing both organizational changes and changes on the individual level. According to a survey by the research institute Roffey Park, two-thirds of firms believe that managing change is their biggest challenge. Although most employees understand that change is continuous—responsibilities, job assignments, and work processes change—people often resist it because it requires them to modify or abandon ways of working that have been successful or at least familiar to them. Successful change rarely occurs naturally or easily.

Six Sigma
A set of principles and practices whose core ideas include understanding customer needs, doing things right the first time, and striving for continuous improvement

reengineering
The fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, service, and speed

downsizing
Planned elimination of jobs

outsourcing
Contracting out work that was formerly done by employees

change management
Change management is a systematic way of bringing about and managing both organizational changes and changes on the individual level

shaunl/iStock Unreleased/Getty Images Plus

Some changes are reactive, such as those experienced by Volkswagen when it was revealed the company had cheated on its vehicles' emission tests.

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To manage change, executives and managers, including those in HR, have to envision the future, communicate this vision to employees, set clear expectations for performance, and develop the capability to execute by reorganizing people and reallocating assets. Organizations that have been successful in engineering change

- link the change to the business strategy;
- show how the change creates quantifiable benefits;
- engage key employees, customers, and their suppliers early when making a change; and
- make an investment in implementing and sustaining change.[9]

Some of the strategic changes companies pursue are **reactive changes** that result when external forces, such as the competition, a recession, a law change, or an ethical crisis (e.g., the backlash Volkswagen experienced in 2016 for cheating on its vehicles' emissions tests), have already affected an organization's performance. Other strategies are **proactive change**, initiated by managers to take advantage of targeted opportunities, particularly in fast-changing industries in which followers are not successful.

Good HR managers know that they can be key players when it comes to driving the business strategies of their organizations to make changes. That is why forward-looking CEOs such as Gregg Saretsky at WestJet, Howard Schultz at Starbucks, and Jeff Immelt at GE make certain that their top HR executives report directly to them and help them address key issues.

A rapidly growing number of companies, including Ford, Intel, and United Technologies, are assigning HR representatives to their core business teams to ensure that the HR department is knowledgeable about core business issues. Companies are increasingly rotating non-HR managers *into* HR positions and vice versa to give them exposure to different areas of the organization. Rather than emphasizing the administrative aspects of HR, forward-thinking companies develop and promote their HR personnel and provide them with key business statistics and numbers they can use to measure the effectiveness of the workforce. We will discuss more about competitive HR strategies and HR in Chapter 2. Meanwhile, keep in mind that HR's role is not all about providing advice to CEOs and supervisors. In addition to serving as strategic partners to management, HR managers are also responsible for listening to and advocating on behalf of employees to make sure their interests are aligned with those of the firm and vice versa. A good deal of evidence suggests that this is one of the toughest parts of an HR manager's job. We will discuss more about this aspect of the job later in the chapter.

Competing, Recruiting, and Staffing Globally

The strategies companies are pursing today increasingly involve one or more elements of **globalization**. The integration of world economies and markets has sent businesses abroad to look for opportunities and fend off foreign competitors domestically. Consumers around the world want to be able to buy "anything, anytime, anywhere," and companies are making it possible for them to do so. Want to buy a Coke in Pakistan? No problem. Coca-Cola has an elaborate delivery system designed to transport its products to some of the remotest places on the planet. In fact, the company has long generated more of its revenues abroad than it does in the United States. But globalization is not of interest only to large firms such as Coca-Cola. Although estimates vary widely, approximately 70 to 85 percent of the Canadian economy today is affected by international competition, including small companies.

China could surpass the United States to become the largest economy in the world by 2041, and India could be the third largest. These countries can produce goods and provide services at a fraction of the cost of Canadian workers. As the vice president and chief economist of the Conference Board of Canada stated,

Reality Check

Six Sigma

Goodyear Canada underwent a major business transformation. At the time, it had nineteen Black Belts (full-time project leaders) and seven Green Belts (part-time project leaders) working in offices, warehouses, and its eight Canadian tire and rubber products manufacturing plants. Projects were projected to yield $10 million in waste reduction, avoid capital equipment purchase, and increase sales through elimination of production bottlenecks.

Goodyear's tire manufacturing facility in Medicine Hat, Alberta, needed to produce more rubber from its Banbury rubber mixer to meet its daily quota and lessen its dependence on rubber produced by outside sources. In buying material, the factory was paying freight charges to get the rubber to the factory. By optimizing the Banbury uptime and increasing the Banbury output, the factory could reduce the amount of rubber it needed to purchase. Using the tools of Six Sigma, the factory determined that it could stagger shift rotations so that an operator was always available to keep the Banbury mixer running. The company was also able to increase the batch weight sizes of some of the compounds by 4 percent to 11 percent. In addition, staging batches at the top of the conveyor and reducing the gate delay realized gains of two to three seconds per batch. Although three seconds does not sound like a great amount, over the course of a week, it adds about 150 minutes of productivity. After six months, the factory increased its Banbury mixer output by more than 5 percent, generating savings of over $110,000. The Medicine Hat plant estimates that it can save $250,000 to $400,000 annually by implementing the new procedures.

Gary Blake, Goodyear Canada Six Sigma champion and a Black Belt, says that Six Sigma is a problem-solving model that applies rigorous statistical thinking to reduce defects, improve cycle time, and increase customer satisfaction. The methodology is being applied not only to traditional manufacturing processes but also to transactional processes—supply chain, purchasing, invoicing, sales, and marketing. A Six Sigma team follows five major steps known as DMAIC to clearly Define the scope of the project, Measure customer requirements and process outputs, Analyze the current situation and set clear goals, Improve the process through planned experimentation, and, finally, Control to validate and lock in the improvement—and then sustaining it so that there is no backslide. The model moves the organization to whatever goals are required by the customer. Six Sigma derives its name from the Greek letter *sigma*, which is sometimes used to denote variation from a standard, and the statistical concept that if you measure the defects in a process, you can figure out how to get rid of them and get closer to perfection. A Six Sigma company cannot produce more than 3.4 defects per million opportunities. For a process with only one specification limit, this results in six process standard deviations between the mean of the process and the customer's specification limit.

These "lean" principles can also be used to identify deficiencies in HR processes. The associate vice president of HR at Canadian Tire and his team analyzed the recruitment process from the initial request for a new hire to the time the new employee reported for work. They found delays, duplication, and unnecessary steps. Applying lean methodology to recruitment, the team was able to reduce the time to fill a position by 25 percent, eliminated half of the steps used, reduced cost per hire by 34 percent, and reduced turnover rates. Other companies, such as WorkSafe BC and Maple Leaf Foods, also saw the utility of using Six Sigma in the recruitment process, reasoning that a bad hire is like a product defect.

Sources: Interview with Gary Blake; V. Galt, "Canadian Tire Applied Its 'Lean' Ideals to Headquarters," *The Globe and Mail* (February 23, 2012): B21; E. Kelly, "The Skinny on Six Sigma," *HR Professional* (March/April 2010): 26–27.

"There are billions of people in Asia who want to get to where we are, and they're prepared to work longer and harder. So we have to work smarter."[10]

The manufacturing of cars in Canada provides a good example of the impact of globalization. There is no such thing as a Canadian car. Most parts—up to 85 percent—of cars manufactured in Canada come from other countries. On the other hand, Canadian content represents about 10 percent for cars assembled outside Canada.[11]

Partnerships and mergers are two other ways companies both large and small are globalizing. Coca-Cola has tried to expand in China by partnering with that nation's largest juice maker.

Many Canadian companies use business process reengineering to improve productivity at their plants.

Gideon Mendel/Corbis Documentary/Getty Images

As a result of globalization, the national identities of products are blurring too. BMW has traditionally been a German brand, but now the automaker builds cars in the United States, China, and elsewhere. Likewise, you probably think of Budweiser as an American beer, but would it surprise you to know that the maker of Budweiser (Anheuser-Busch) is owned by a Belgian company called InBev? Like many other companies, Anheuser-Busch InBev is now looking for factories and brands in China to purchase to expand its sales.[12]

Numerous free-trade agreements forged among nations in the last half-century have helped quicken the pace of globalization. The first major trade agreement of the twentieth century was made in 1948, following World War II. Called the General Agreement on Tariffs and Trade (GATT), it established rules and guidelines for global commerce among nations and groups of nations. Although the Great Recession temporarily caused a sharp drop in the amount of world trade, since GATT began, world trade has exploded, increasing nearly 30 times the dollar volume of what it once was. This is three times faster than the world's overall output has grown during the same period. GATT paved the way for the formation of many major trade agreements and institutions, including the European Union (EU) in 1986 and the North American Free Trade Agreement (NAFTA) in 1994, encompassing the United States, Canada, and Mexico. The World Trade Organization (WTO), headquartered in Lausanne, Switzerland, now has more than 153-member countries, and new free-trade agreements seem to be forged annually.

Free trade has, however, come under the microscope in many countries and has experienced some roll-back, as political leaders try to protect the businesses and jobs in their countries. The United Kingdom voted to leave ("Brexited") the European Union in 2016. In the United States, the Donald Trump administration has been critical of free-trade agreements, including NAFTA (and at the time of writing this textbook there were talks underway to renegotiate the agreement, including the implementation of tariffs on Canadian products into the United States). Nonetheless, even the most vocal opponents of global trade are anxious to complete new free-trade deals with such countries as India so as to increase business opportunities for firms.[13] Although they have come under fire from people and politicians around the world, new free-trade agreements continue to be forged.

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How Globalization Affects HRM

For all of the opportunities afforded by international business, when managers talk about "going global," they have to balance a complicated set of issues related to different geographies, including different cultures, employment laws, and business practices. HR issues underlie each of these concerns. They include such things as dealing with employees today who, via the Internet, are better informed about global job opportunities and are willing to pursue them, even if it means working for competing companies. Gauging the knowledge and skill base of international workers and figuring out how best to hire and train them, sometimes with materials that must be translated into a number of different languages, are also issues for firms. Relocating managers and other workers to direct the efforts of an international workforce is a challenge as well. HR personnel are frequently responsible for implementing training programs and enhancing their firms' managers' understanding of other cultures and practices, as well as dealing with the culture shock these workers might experience and pay differentials that must be adjusted, depending on the country. The international arena for HRM has become so crucial and so involved that we have devoted an entire chapter (Chapter 15) to discussing its competitive, cultural, and practical implications.

ISSUE 2: SETTING AND ACHIEVING CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY GOALS

Globalization has led to an improvement in people's living standards in the last half-century. As a result of free trade, Canadians are able to buy products made abroad more cheaply. Conversely, people in low-wage countries that make those goods and services are becoming wealthier and are beginning to buy North American–made products. Nonetheless, globalization stirs fierce debate—especially when it comes to jobs. Since the turn of the century, thousands of Canadian jobs—both white and blue collar—have been exported to low-wage nations all around the world. Some people worry that free trade is creating a "have/have not" world economy, in which the people in developing economies and the world's environment are being exploited by companies in richer, more developed countries. This has sparked anti-free-trade protests in many nations.

Concerns such as these, coupled with corporate scandals over the years, including the use of sweatshop labour in third-world countries, risky lending tactics that fuelled a worldwide banking crisis, and a class action lawsuit alleging that Walmart discriminated against hundreds of thousands of female employees over the years, have led to a new focus on **corporate social responsibility**, or good citizenship. In a recent survey, the *Chronicle of Philanthropy* found that 16 percent of companies were making more donations of products and services and that 54 percent of companies were encouraging more employees to volunteer their time.[14] Companies are learning (sometimes the hard way) that being socially responsible both domestically and abroad can not only help them avoid lawsuits but also improve their earnings. For example, researchers at the Boston College's Center for Corporate Citizenship found that as a company's reputation improved, so did the percentage increase in the number of people who would recommend that firm. Nearly two-thirds of the members of the 80 million–strong millennial generation (people born in the 1980s and 1990s) consider a company's social reputation when deciding where to shop, and 9 out of 10 of them say they would switch brands based on their perceptions of a company's commitment to social responsibility.[15] Moreover, prospective workers are saying that corporate responsibility is now more important to their job selection.

Sustainability is closely related to corporate social responsibility. It refers to a company's ability to produce a good or service without damaging the environment or depleting a resource. Achieving complete sustainability is nearly impossible, but companies are making strides to reduce their "carbon footprints." Those that are not are finding themselves under pressure from consumers and groups determined that they do. Consider what happened to HP. After HP broke

corporate social responsibility
The responsibility of the firm to act in the best interests of the people and communities affected by its activities

sustainability
Doing business in a way that does as little harm to the environment and depletes as few natural resources as possible

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a promise to eliminate toxic materials in its computers by 2009, Greenpeace activists painted the words "Hazardous Products" on the roof of the company's headquarters in Palo Alto, California. Meanwhile, a voice-mail message from *Star Trek* actor William Shatner was delivered to all of the phones in the building. "Please ask your leader [CEO Mark Hurd] to make computers that are toxin free like Apple has done," Shatner said in the recording. The stunt and publicity it generated worked. HP got the message and later delivered on its promise.[16] One of HR's leadership roles is to spearhead the development and implementation of corporate citizenship throughout their organizations, especially the fair treatment of workers.[17]

ISSUE 3: ADVANCING HRM WITH TECHNOLOGY

Advancements in information technology have enabled organizations to take advantage of the information explosion. Computer networks and "cloud computing" (Internet computer services and data storage) have made it possible for nearly unlimited amounts of data to be stored, retrieved, and used in a wide variety of ways. **Collaborative software** that allows workers anywhere, anytime to interface and share information with one another electronically—wikis, document-sharing platforms such as Google Docs, online chat and instant messaging, Web and videoconferencing, and electronic calendar systems—have changed how and where people and companies do business. For example, Boeing Satellite Systems has a "lessons learned" site on its intranet where people from all areas of the company can store the knowledge they have and others can access it. Executives at Boeing estimate that the measure has reduced the cost of developing a satellite by as much as $25 million.[18]

The Internet and social media are also having an impact on HRM. Social media networking has become the new way to attract employees and check them out to see if they are acceptable candidates. Companies are hiring firms such as Social Intelligence, which combs through Facebook, LinkedIn, Twitter, Flickr, YouTube, and "thousands of other sources" to create reports about the "real you"—not the "you" you have presented in your résumé.[19] (Care to change your Facebook page, anyone?) Social media has become a power tool for organizations, providing them with an array of positive options. Social media can be used for external purposes to attract the right employees and gather information about them, build the company's brand, and give a face to a company. Internally, key social media leaders by default become more engaged and connected to the organization's culture, mission/vision, and overall goals. Organizations can also use social media to manage talents, address mobility issues, and allow for greater collaboration with employees and suppliers. This technology can also be used to build work teams that are diverse in nature given the flexibility that social media brings to the table.[20]

HR managers are also grappling with whether or not to develop blogging and social media policies and whether or not to establish rules about the amount of time employees can spend online or to install software that cuts them off after a certain amount of time. These are important considerations for HR managers as organizations must be mindful to manage the risks associated with social media.

From Touch Labour to Knowledge Workers

Advanced technology tends to reduce the number of jobs that require little skill and to increase the number of jobs that require considerable skill. In general, this transformation has been referred to as a shift from "touch labour" to **knowledge workers**, in which employee responsibilities expand to include a richer array of activities, such as planning, decision making, and problem solving.[21]

The workplace of the knowledge worker is described in Highlights in HRM 1.1. Technology, transportation, communications, and utilities industries

Highlights in HRM 1.1

The Future of Work

The world of work has been undergoing rapid change, and all indications are that this trend will continue well into the future. According to experts such as Richard Florida, who teaches at the Rotman School of Management at the University of Toronto; Nick Bontis, who teaches knowledge management at McMaster University; Canadian futurist Dan Tapscott; and Andrew Laing, contributor to *Fortune*, the workplace of the future will look like this:

- The days of working in a traditional office at your desk will be replaced by the virtual work environment.
- A combination of physical and virtual space will increase flexibility, decrease cost, and increase productivity while maintaining organizational culture and individual motivation.
- Freedom, flexibility, teamwork, coordination, and respect will be valued more than compensation.
- Showing up to work from 9 to 5 will be replaced by workers chained by technology to their workplaces, working 24/7.
- Information technology will be utilized to support a variety of virtual collaborations.

- Coffee break at Starbucks becomes coffee break in your home office.
- You will work with people whom you never meet and create goods and services online.
- Workers will have to read faster—up to 300 words a minute.
- Education will be lifelong; jobs won't.
- Learning another language will be essential as five billion more people access the Net from Asia, Africa, and the Middle East.
- Clearing your inbox will be time consuming as you will get emails not just from people but also from your car ("need electricity"), your refrigerator ("need cheese"), and your store ("shoes you like just arrived").
- Over the next decade, about half of Canadian jobs will undergo a massive change in the skills required.

Other experts predict that corporations will become mini-states and assume a socially responsible role by identifying workers at 16 and paying for their tuition and housing.

For an interesting take on the "future of work" in Canada, see the video from this Government of Canada link: http://www.horizons.gc.ca/en/content/future-work

tend to spend the most on training. Knowledge-based training has become so important that Manpower, the largest employment agency in the United States, offers free information technology training through its online university. The site features thousands of hours of instruction in technology applications, along with professional development, business skills, and telecommunications courses, seminars, and chat rooms with mentors. "Just-in-time" learning is delivered via the Internet to Manpowers employees' mobile phones, tablets, and computers.

Virtual learning is taking place as well. IBM, Cisco, Kelly Services, and Manpower are among the companies that have built training facilities, offices, and meeting rooms inside the online reality game Second Life. The spaces these companies build online enable them to do certain things more easily and cheaply than they can in the real world—for example, bringing people from several continents into one room for training.[22]

Automation is affecting not only blue-collar and routine jobs, but others as well. News organizations are using web robots ("bots") to gather information and write basic stories about corporate earnings and sports recaps. Many of the entries on Wikipedia aren't written by people but by bots that comb the Web for information and compile the information you see on the site. Or consider the IBM

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robot Jill Watson. In 2016, a university used Jill as an online teaching assistant in an experiment with an artificial intelligence class. Most students never figured out Jill wasn't human—although some of them said they were suspicious she was because she seemed to answer their questions way too fast![23]

Influence of Technology on HRM

Perhaps the most central use of technology in HRM is an organization's **human resources information system (HRIS)**. Because HR affects the entire workforce—everyone who works for the company must be hired, trained, paid, and promoted, usually through HR—the impact of the HRIS has been dramatic. It has become a potent weapon for lowering administrative costs, increasing productivity, speeding up response times, improving decision making, and tracking a company's talent.

The most obvious impact has been operational—that is, automating routine activities, alleviating administrative burdens, reducing costs, and improving productivity internal to the HR function itself. The most frequent uses include automating payroll processing, maintaining employee records, and administering benefits programs. "Self-service"—setting up systems, usually on an intranet—allows managers to access employee records themselves for administrative purposes and to access and change their own benefits and other personal information.

The second way in which information technology is affecting HRM is relational in nature—connecting people with one another and with HR data they need. For example, companies are using software to recruit, screen, and pretest applicants online before hiring them as well as to train, track, and promote employees once they have been hired. The drugmaker Merck's HRIS captures information from job-recruiting sites, scans applicants' résumés, and makes the information immediately accessible to managers so that they can search systematically for the people whose skills they want. Managers can search online for internal and external talent by running searches of candidates who have been categorized by skill set.[24]

The third effect of the HRIS is transformational in nature—changing the way HR processes are designed and executed. Corning, Inc. uses HR software, among other things, to set the developmental goals of its employees once they have been hired and to gauge how well they are meeting them. Employees can look online to see their own goals and mark their progress as well as see everyone else's goals in the command chain, from the CEO down to their immediate supervisors. This "cascading" of goals has helped Corning's employees align their personal goals with the organization's overall objectives to reach higher levels. "Like any large company, we tended to get 'silo-ed' and fragmented the more we grew," said one vice president at a company using a system similar to Corning's. "We needed a better way to pull our global team together and get people focused on what the priorities are for our business."[25]

One of the newer HRIS applications is the use of big data. *Big data* is a buzzword that describes the massive amounts of data available online and offline today that can be "crunched" to make decisions. Marketing departments have very successfully used big data to detect people's buying patterns. By analyzing its customers' buying habits, Target was able to predict which of them were pregnant, sometimes before they had even told their families. The company then sent the customers ads and coupons for baby products. Now companies are doing the same thing to analyze HR information, a process that's referred to as **workforce (HR) analytics**. Using HR data, such as employee demographic information, performance ratings, pay, employee surveys, academic history, years of service, and so on, a firm can definitely answer questions like the following:

- Do employees with a degree perform better—or not—versus those without a degree?

- Exactly how much more do top performers need to be paid to stay with our firm?

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- Which job applicants are likely to perform better?
- Which employees are most likely to quit?

Traditionally, questions such as these have been answered based on anecdotal evidence or the "gut" feelings of HR professionals. But workforce analytics can provide more definitive answers. For example, a major customer service provider analyzed more than 7,000 of its employees and found that "relevant job experience" in the customer service area had no impact on how well they performed and stayed with the company. As a result, the company altered its hiring criteria.[26] Gathering and analyzing HR data may sound like a daunting task, but HR software providers are including data analysis tools in their programs that make it easier to gather and visualize HR data in a meaningful way.

So what sort of system should HR professionals choose among the many options available to them? Prepackaged, or "canned," HR Web-based solutions are as commonly used as custom-designed systems. Generally, companies also have the choice of hosting the applications on their own servers or having software vendors such as IBM or PeopleSoft do it for them. Experts say the first step in choosing an HRIS is for HR personnel to evaluate the biggest "headaches" they experience, or the most time-consuming tasks, and then choose the applications that can have the strongest impact on the firm's financial measures—that is, the ones that get the "biggest bang for the buck." These applications are more likely to get "buy-in" from the firm's top managers. HR managers should then calculate the costs based on average salaries, or HR hours, that could be saved by using an HRIS, along with the hours of increased productivity that would occur as a result. Highlights in HRM 1.2 shows the other factors that need to be evaluated.

When an effective HRIS is implemented, perhaps the biggest advantage gained is that HR personnel can concentrate more effectively on the firm's strategic direction instead of on routine tasks. This can include forecasting personnel needs (especially for firms planning to expand, contract, or merge), planning for career and employee promotions, and evaluating the impact of the firm's policies—those related to both HR and other functions—to help improve the firm's earnings and strategic direction.

Although the initial drive to adopt HRISs was related to cutting HR costs, HR managers have since discovered that the systems have allowed them to share information with departmental managers, who, by having access to it, have been able to come up with better production practices and cost control solutions. As a result, HR managers are now requiring their application providers to provide them with software to meet certain goals, including lowering a company's total spending on employee healthcare and improving its customer service.[27]

However, companies simply cannot turn over their strategic talent issues to an HRIS. Researchers Douglas Ready and Jay Conger found that despite such systems—electronic or otherwise—most of the firms they examined lacked high-potential employees to fill strategic management roles. Although companies had talent management processes in place, they were no longer synchronized with the company's strategic direction. In addition, managers often get sidetracked by priorities other than identifying talent.[28]

Procter & Gamble (P&G) is an exception, noted Ready and Conger. P&G's HRIS makes good internal candidates visible to managers instead of the managers having to scour the company to find them. The system contains information about its 135,000 employees worldwide for promotion purposes at the country, business category, and regional levels. It contains employees' career histories and capabilities, as well as their education, community affiliations, and development needs, and tracks the diversity of candidates. Perhaps most importantly, managers are evaluated and compensated on their ability to find and groom talented employees. P&G's results are consistent with Ready and Conger's findings that firms do a better job of fostering talent when there is commitment, involvement, and accountability by a company's supervisors to do so rather than when the task is "owned" by the HR department.[29]

Highlights in HRM 1.2

Factors to Consider When Evaluating a Human Resources Information System

The following factors are key considerations for HR managers when their firms are evaluating a human resources information system (HRIS).

- *Fit of the application to the firm's employee base.* If many of the firm's employees work on a factory floor, is the system appropriate, or does HR need to install kiosks in employee areas? Will employees be able to access the HRIS offsite on the Internet or on their mobile phones? How will the information be secured? Will employees need to be assigned passwords?

- *Ability to upgrade or customize the software.* What sorts of costs will be involved to upgrade the software in the coming years?

- *Compatibility with current systems.* Does the HRIS link into existing, or planned, information systems easily and inexpensively?

- *User friendliness.* Does the software provide additional features such as links to learning resources or help for managers who might need it?

- *Collaboration.* Does the system connect employees and allow them to collaborate on solutions to problems and projects?

- *Workforce analytics.* Does the system make it easy to gather HR data and visualize its implications?

- *Survey capabilities.* Does the system have an app that allows employees to be surveyed electronically?

- *Recruiting and applicant tracking.* Does the system make it easy to find, recruit, and track applicants and a company's current employees for hiring purposes?

- *Scheduling.* Does the system have scheduling ability to ensure employees are in the right places, working the right times, and on the right projects?

- *Availability of technical support.* Should the HRIS be supported internally, or should the vendor host it? What are the vendor's technical support capabilities? Will it be cloud-based?

- *Time required to implement and train staff members to use the HRIS, including HR and payroll personnel, managers, and employees.* Who is responsible for training employees, and how will it be done?

- *Initial costs and annual maintenance costs.* Is a "suite" of applications needed or just a few key applications? Experts advise HR managers to price each application separately and then ask vendors for a "bundled" price.

Sources: Dave Zielinski, "The Mobilization of HR Tech," *HR Magazine* 59, no. 2 (2014): 30–32; Drew Robb, "Building a Better Workforce," *HR Magazine* 49, no. 10 (2004): 86–92; "How to Implement an Effective Process for a New HR Management System," *HR Focus* (January 2005): 3–4; "New Study Finds HRIS Key to Reducing Costs," *Payroll Managers Report* 7, no. 5 (May 2007): 13.

ISSUE 4: CONTAINING COSTS WHILE RETAINING TOP TALENT AND MAXIMIZING PRODUCTIVITY

LEARNING OUTCOME 4

If you were an HR manager, do you think it would be possible to maintain the morale of your firm's employees in the face of shrinking budgets and benefits? How might you do so?

For years, most HR managers have been under pressure to cut labour costs. Stretching a company's labour dollars while gaining productivity from workers is a challenge for managers. Organizations take many approaches to lowering labour-related costs, including carefully managing employees' benefits, downsizing, outsourcing, offshoring, furloughing employees, and engaging in employee leasing in an attempt to enhance productivity.

Few jobs come with lifetime guarantees and benefits that will never change. Nonetheless, employees want to work for employers that can provide them with a certain amount of economic security. Layoffs and cuts in employee benefits have heightened these concerns. Some companies, such as Google, are able to hire talented employees by offering them a great deal of job security and very good benefits. However, most companies, especially small ones or ones that are struggling, find it hard to compete with bigger firms such as Google with deluxe benefit packages. What can they do? This is where an HR manager's expertise and creativity come in. Read on to see how firms are handling this challenge.

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Downsizing

Companies are becoming creative about solutions to the need to reduce costs and eliminate jobs. For example, Bombardier, with headquarters in Montreal, undertook what the company called "optimization site specialization actions" in 2016 following slow sales on an aircraft it produced. As part of its restructuring efforts, Bombardier planned to cut almost 15,000 jobs over two years. The company projected savings of about US$300 million once downsizing was completed. In a statement, the company's CEO said, "We need to become a very agile and flexible organization. We need to drive productivity day in and day out. We need to look at our cost structure every day."[30]

The pain of downsizing has been widespread throughout North America. Virtually every major corporation has undergone some cycle of downsizing. Historically, layoffs tended to affect manufacturing firms and line workers in particular, but beginning in the 1990s, the layoffs began to encompass white-collar workers in greater numbers in knowledge-intensive industries. Engineering, accounting, information technology, and architecture have been among the hardest hit professions.[31]

But downsizing is no longer being regarded as a short-term fix when times are tough. It has now become a tool continually used by companies to adjust to technological changes, globalization, and the firm's business direction. For example, in a study that surveyed 450 senior HR executives at companies that had downsized, only 21 percent said that financial difficulties had spurred the cutbacks. In fact, 34 percent of the executives said the downsizing was done to strengthen their companies' future positions; 21 percent said it was done to achieve fundamental staff realignment; and 17 percent said it was due to a merger or an acquisition.

Whatever the reason, whereas some firms improve efficiency (and lower costs) with layoffs, many others do not obtain such benefits.

Advocates of a no-layoff policy often note that layoffs may backfire after taking into account hidden costs, such as the following:

- severance and rehiring costs
- accrued vacation and sick-day payouts
- pension and benefit payoffs
- potential lawsuits from aggrieved workers
- loss of institutional memory and trust in management
- lack of staffers when the economy rebounds
- survivors who are risk averse, paranoid, and political

In contrast, companies that avoid downsizing say they get some important benefits from such policies:

- a fiercely loyal, more productive workforce
- higher customer satisfaction
- readiness to snap back with the economy
- a recruiting edge
- workers who are not afraid to innovate, knowing that their jobs are safe[32]

More than one executive has concluded that you do not get dedicated and productive employees if at the first sign of trouble you show them that you think they are expendable.

To approach downsizing more intelligently, some companies have made special efforts to reassign and retrain employees for new positions when their jobs are eliminated. Others, such as Rogers Communications, Inc., offered their employees a four-day work week for reduced pay on a voluntary basis.[33] This is consistent with a philosophy of employees as assets, as intellectual capital.

Furloughing

An alternative to downsizing is **furloughing**. When a company furloughs employees, it asks them to take time off for either no pay or reduced pay. Some companies are utilizing creative furlough strategies to avoid downsizing and losing talent to competitors. Instead of laying off people, the consulting firm Accenture instituted a voluntary sabbatical program known as "Flexleave." Employees received 20 percent of their salaries and continued benefits for 6 to 12 months, and their stock options remained in place. The workers could take other jobs during their sabbaticals as long as they did not work for a competitor. Cisco Systems offered 8,500 employees an unusual deal as well. Instead of a severance package, they received a third of their salaries, all benefits, and stock option awards while working for one year at a not-for-profit group already associated with the company. Likewise, when Texas Instruments (TI) had to lay off some of its employees, it did not just send them out the door. It found them jobs with its suppliers, with the agreement that the employees would return to TI when business picked up.[34]

Although furloughs might sound preferable to downsizing, they have their drawbacks too, say some HR experts. Costs are not cut as significantly as they would be with downsizing because employees generally retain their benefits while they are furloughed. Employees who are not furloughed often end up with more work and feel resentful, and product and service quality, as well as innovation, suffer as a result of the higher workloads. And as with downsizing, furloughing employees can hurt a company's recruiting efforts when the public discovers it has resorted to such a measure.[35]

More diligent workforce planning is a better solution, says John Sullivan, an HR expert and consultant. Business revenues seldom fall off overnight. Sullivan says the best managers look for warning signs and develop a process that pinpoints skills the company no longer needs, low-impact jobs, and poor performers in advance of a crisis. Instead, part-time or contract employees can be hired and their hours of service adjusted as needed.[36]

Outsourcing

Over the past 25 years, the employment relationship between companies and employees has shifted from relationship based to transaction based. Fewer people are working for one employer over the course of their lifetimes, and as we have explained, the Internet has created a workforce that is constantly scanning for new opportunities. In addition, more people are choosing to work on a freelance, or contract, basis or to work part-time, especially women and seniors. Outsourcing is evidence of this trend.[37] Companies hire accounting firms to take care of their financial services. They hire advertising firms to handle promotions, software firms to develop data-processing systems, and law firms to handle their legal issues. Maintenance, security, catering, and payroll (and, in small companies, sometimes entire HR departments) are outsourced to increase the organization's flexibility and lower its overhead costs.

The interest in outsourcing has been spurred on by executives who want to focus their organization's activities on what they do best. In fact, some management experts predict that companies will one day strip away every function not regarded as crucial. Even now, many firms are outsourcing what would seem to be their core functions. Drug companies such as GlaxoSmithKline are outsourcing their research and development functions to smaller firms that can more cheaply and nimbly create new products for them. P&G outsources a major portion of its product development. CIBC announced plans in 2017 to outsource more than 100 of its finance jobs in Toronto to India. Outsourcing has been one of the most prominent HR trends of the last 15 years and will continue to be.[38]

Offshoring

Offshoring, also referred to as "global sourcing," involves shifting work to overseas locations. Almost half of 500 senior finance and HR leaders surveyed said their firms are either offshoring or considering offshoring in the next three years,

according to a study by Hewitt Associates. Spending on offshore services has been rising worldwide.[39] Cost reduction is among the key motivators for these decisions—companies estimate that they can save 40 to 60 percent on labour costs by reallocating work to countries such as India, where highly educated workers can perform the same jobs as Canadian workers at half the price. Other labour markets include the Philippines, Russia, China, Mexico, Brazil, Hungary, and Bosnia.

But hidden costs can sometimes chew up much of the financial gains from offshoring, including those associated with finding foreign vendors, productivity lost during the transition, domestic layoff costs, language difficulties, international regulatory challenges, and political and economic instability that can threaten operations. In Chapter 2, you will learn about the other ways firms can gain a competitive edge besides just cutting labour costs. Nonetheless, offshoring will continue to be a key employment strategy as global economies continue to shift. The key is for top managers, finance departments, and the offshoring consulting firms they hire to begin working in conjunction with their companies' HR departments early in the game.

Another new trend is "nearshoring." **Nearshoring** is the process of moving jobs closer to one's home country. For example, rising labour costs in China are now making it attractive for North American firms to offshore work to Mexico and Central America. Shipping the finished goods made there is also cheaper, and the products get to sellers (and ultimately the buyers who want them) more quickly, which can provide a firm with a competitive advantage. Yet another new way companies are both economizing and bringing jobs back to their domestic markets is by "homeshoring." Call centre jobs are a notable example. When a company homeshores call centre jobs, it outsources the work to domestic independent contractors who work out of their homes.

Offshoring, nearshoring, and homeshoring are going to continue to be key employment strategies as global economies continue to shift. The key is for top managers, finance departments, and the offshoring consulting firms they hire to begin working in conjunction with their companies' HR departments prior to these activities occurring. "Companies can minimize hidden costs and maximize their returns by enabling HR to have a seat at the table early so they can carefully address issues such as the types of jobs that should and should not be outsourced, skill and language requirements, labour costs by market, alternative talent pools, workforce training, retraining, and change management," says Mark Arian,

MUNIR UZ ZAMAN/AFP/Getty Images

After an unsafe factory collapsed, killing hundreds of textiles workers in Bangladesh in 2013, approximately 70 retailers, mostly European, signed an agreement to inspect factories they offshore work to and finance safety upgrades for them.

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a corporate restructuring executive for the HR consulting group Hewitt.[40] To minimize problems, HR managers have to work together with the firm's other functional groups to define and communicate transition plans, minimize the number of unknowns, and help employees identify their employment options.

Employee Leasing

As an alternative to downsizing, outsourcing, offshoring, and furloughing, many companies, especially small ones, have decided to sign **employee leasing** agreements with professional employer organizations (PEOs). A PEO—typically a larger company—takes over the management of a smaller company's HR tasks and becomes a coemployer to its employees. The PEO performs all the HR duties of an employer—hiring, payroll, and performance appraisal. Because PEOs can coemploy a large number of people working at many different companies, they can provide employees with benefits that small companies cannot afford, such as vision care plans. In addition, many PEOs offer their employees flextime, job sharing, part-time employment, consulting arrangements, seasonal work, and on-call work. The value of employee leasing lies in the fact that an organization can essentially maintain its working relationships with its employees but shift some employment costs to the PEO, in return for a fee. More details on employee leasing will be discussed in Chapter 5.

Productivity Enhancements

The results of pure cost-cutting efforts such as downsizing, furloughing, outsourcing, and employee leasing can be disappointing, however, if managers use them as simple solutions to complex performance problems. Overemphasizing labour costs misses the broader issue of improving a firm's productivity. Employee productivity is the result of a combination of employees' abilities, motivation, and work environment and the technology they use to work. Since productivity can be defined as "the output gained from a fixed amount of inputs," organizations can increase their productivity either by reducing their inputs (the cost approach) or by increasing the amount that employees produce by adding more human and/or physical capital to the process (the investment approach). Companies such as Southwest Airlines, Nucor, and Toyota achieve low costs in their industries not because they scrimp on employees but because they are the most productive.

In terms of GDP per hour worked, Canada is not ranked in the top 10 globally (it was at #18 in 2015). If Canada's labour productivity had been the same as that of the leading countries, individual Canadians would be wealthier, profits would be higher, and governments would receive more taxes.[41] Apparel and textile manufacturing have decreased but have been replaced by industries that rely more on technological precision and brainpower than on low-skilled labour—industries for aircraft, sophisticated machinery, medical devices, and so on. However, the growth in output per worker is now climbing fast in less developed countries such as China that have lacked expertise and technology in the past but are making strides to close the gap. When the investment in faster computers and more efficient machine tools levels off, this limits how much assistance technology can offer employees in terms of their productivity. Any additional productivity will have to come from the enhanced ability of employees, their motivation, and their work environment, which makes the job of the HR manager in the coming years all the more crucial.[42]

Many companies are finding that providing work flexibility is a good way to improve the productivity and motivation of valuable employees, especially when giving them larger benefit packages is not an option. For example, when gasoline prices skyrocketed in 2008, most companies could not afford to automatically increase employees' pay because they were facing higher transportation costs themselves for the goods and services they had to buy. But some companies let employees either telecommute or work 10 hours per day, 4 days a week.

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ISSUE 5: RESPONDING TO THE DEMOGRAPHIC AND DIVERSITY CHALLENGES OF THE WORKFORCE

In a poll, almost half of organizations reported that the biggest investment challenge facing organizations is obtaining human capital and optimizing their human capital investments.[43] Why is this so? Changes in the demographic makeup of employees, such as their ages, education levels, and ethnicities, are part of the reason.

To forecast trends to support the strategies of their organizations, HR managers frequently analyze the capabilities of different demographic groups and how well each is represented in both fast-growing and slow-growing occupations. To accommodate shifts such as these, find qualified talent, and broaden their customer bases, businesses know it is absolutely vital to increase their efforts to recruit and train a more diverse workforce. And with a more diverse workforce come more diverse expectations on the part of employees for their employers to meet.

Demographic Changes

Among the most significant challenges to managers are the demographic changes occurring in Canada. Because they affect the workforce of an employer, these changes—in employee background, age, gender, and education—are important topics for discussion.

The Diversity/Immigration Challenge

Figure 1.2 shows the 2006 composition of the population of Canada. The 2016 census reports on the ethnocultural diversity and immigration numbers. Of the 34.5 million Canadian population, 22 percent reported that they were or had been

FIGURE 1.2

COMPOSITION OF THE POPULATION OF CANADA (MILLIONS)

- South Asian (2), 1.9
- Chinese, 1.6
- Black, 1.2
- Filipino, 0.8
- Latin American, 0.4
- Southeast Asian (3), 0.3
- Arab, 0.5
- Other visible minorities, 1.2
- White, 26.8
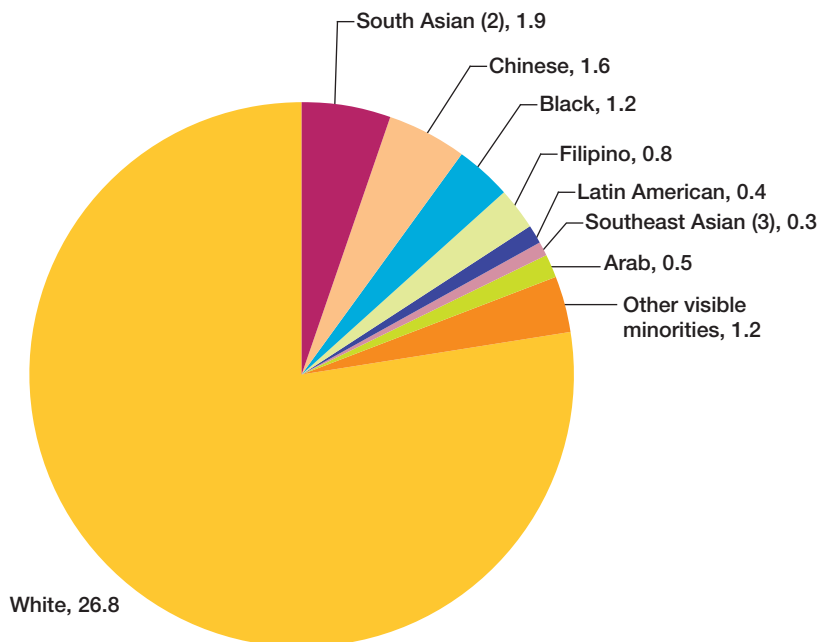
Sources: Statistics Canada. 2017. Canada [Country] and Canada [Country] (table). Census Profile. 2016 Census. Statistics Canada Catalogue no. 98-316-X2016001. Ottawa. Released November 29, 2017. https://www12 .statcan.gc.ca/census-recensement/2016/dp-pd/prof/index.cfm?Lang=E (accessed April 26, 2018). For new numbers, see http://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/details/page.cfm?Lang=E&G eo1=PR&Code1=01&Geo2=PR&Code2=01&Data=Count&SearchText=Canada&SearchType=Begins&SearchPR =01&B1=Visible%20minority&TABID=1. Reproduced and distributed on an "as is" basis with the permission of Statistics Canada.

a landed immigrant or permanent resident.[44] Over 250 ethnic origins are reported in the census. For the first time, Africa, with 13.4 percent of the new immigrants, ranked as second as the main continental source of immigrants, ahead of Europe, but far behind Asia (61.8 percent). The Philippines, India, China, Iran, Pakistan, Syria, and South Korea are the top country of births of recent immigrants. Toronto, Vancouver, and Montreal remain the top place of residence of new immigrants.

Minorities in Canada are increasing in numbers relative to the population; more than one-fifth (22.3 percent) or 7.7 million Canadians identify themselves as members of a visible minority, as defined by the *Employment Equity Act*. It is estimated that by 2036, visible minorities will make between 31.2 and 35.9 percent of the Canadian population. South Asians (1.9 million), Chinese (1.6 million), and Blacks (1.2 million) were the three largest minority groups. In 1981, only 4.7 percent of the Canadian population comprised of visible minorities. British Columbia and Ontario lead the country in the percentage of their visible minority populations.

How a shortage of immigrant labour could undercut competitiveness is not lost on Canadian businesses that need talent on both ends of the spectrum (low-level jobs as well as those requiring high levels of education). To accommodate the shift in demographics, demand, and labour trends, these businesses know it is absolutely vital to increase their efforts to recruit and train a more diverse workforce. They realize that immigrants not only are critical to their very survival but also add to their strength and allow them to better attract and serve a larger customer base. Hotel chain Marriott and Big Four accounting firm Deloitte & Touche are examples.[45]

Age Distribution of Employees

Canada's population was 35.2 million in 2016.[46] About 6 million people (19 percent) are 65 or over. The number of seniors in the Canadian population is expected to double over the next 10 years. Seniors accounted for 14.8 percent of the population in 2011, up from 13.7 percent five years earlier. In 2011, the Atlantic provinces, Quebec, and British Columbia accounted for the highest proportions of seniors, whereas Alberta had the lowest proportion.[47]

The echo boom generation in Canada, also known as millennials, include people born roughly between 1972 and 1992, and represents about 30 percent of the population of Canada. These workers will be needed to fill the workforce demands created by the retirement of 9.6 million baby boomers. Younger Canadians, between 0 and 14 years, account for about 17 percent (5.8 million) of the population, and those between 15 and 65 account for about 66 percent (23.4 million).[48]

The imbalance in the age distribution of the labour force is having a significant effect on employers. Companies are finding that large portions of their workforces are nearing retirement. Beyond the sheer number of employees they will have to replace, managers are concerned that the expertise of these employees is likely to be drained too rapidly from the company. As a stopgap measure, employers are making positive efforts to attract older workers, especially those who have taken early retirement. Workers are taking them up on the offer. Many baby boomers say they expect to work past traditional retirement age. Good health and longer life expectancies play the biggest role in extended work lives. But some retirees have returned to the workforce because of economic needs.

Home Depot and McDonald's Canada are among the companies making efforts to attract older workers. Recruiting older workers may sound counterintuitive because they incur higher healthcare costs. But older workers also have fewer dependants and offer other cost savings. As one HR professional states, "Our over-50 employee turnover is ten times less than those under 30. So when you think about the savings you have in training costs, transitions costs, and recruitment costs, you save a lot more on that for the over-50 workers than you do for others."[49] The aging population may lower the interest rates and affect the economy. There is also a decline in the number of business startups in Canada to the tune of 16.2 percent. This too is being blamed on the aging population.[50]

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The newest generation entering the workplace is Generation Z. The members of Generation Z were born in the mid-1990s and early 2000s. The 2016 Census data suggest that they will make up almost one-fifth of the workforce by 2020. These workers have never known life without smartphones and social media and they expect to be trained and managed with digital tools. They are also more comfortable with racial, cultural, and sexual diversity than other generations and want to change the world for the better. A large number of members of this generation say they want to start their own businesses. Others, having grown up during the last recession, want to go straight to work rather than incurring the cost of post-secondary education.

As mentioned earlier, the millennial generation, born between 1972 and 1992, represents about 30 percent of the Canadian population, is also having an effect on the labour market in Canada. It will also account for nearly half of the employees worldwide.[51] Also known as Generation Y, millennials are generally regarded as having good technological know-how and initiative, especially when it comes to starting their own businesses. (Facebook founder Mark Zuckerberg is a notable example.) They are particularly interested in meaningful work that will improve the world around them. Similar to the trends with baby boomers, those who constitute this new population bulge are experiencing greater competition for advancement from others of approximately the same age.

Another major generation in the workforce is Generation X, people born between 1964 and mid-1970s. Many members of Generation X watched their baby-boomer parents get downsized at some point in their lives. Consequently, now that they are raising children themselves, Generation Xers value job security. However, they are less likely to think of themselves as being wed to one employer as their parents were. The members of Generation X are also independent. They like challenging rather than repetitive work and dislike supervisors who look over their shoulders.

Managers can find themselves challenged in terms of getting the various generations to work well together. Baby boomers sometimes categorize younger workers as having a poorer work ethic. Some younger workers have the perception that older workers are set in their ways and technologically challenged. The situation can also create supervisory issues. How will a 55-year-old react to being managed by someone in their 20s or 30s? To help companies overcome these obstacles, HR departments and experts are developing programs to help the generations understand one another better so they can capitalize on one another's strengths rather than prey on one another's weaknesses.

Three generations work together in this setting.

Yuri_Arcurs/Digital Vision/Getty Images

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Keep in mind that the four generations of workers we have described here are generalizations. Individual employees are vastly different from one another and motivated by different factors, even if they belong to the same generation. It is up to managers to determine what drives each person so as to best utilize his or her talents and to meet the person's employment demands and career aspirations.

Gender Distribution of the Workforce

Women make up nearly half of the workforce in Canada, and the educational attainment of women is also increasing relative to men. Today, more than 60 percent of university graduates are women. Employers wanting to attract the talent that women have to offer are taking measures to ensure that they are treated equally in the workplace in terms of their advancement opportunities and compensation. In addition, more companies are accommodating working parents by offering them parental leave, part-time employment, flexible work schedules, job sharing, telecommuting, and childcare and eldercare assistance.

Companies are having trouble finding trained and certified workers such as pipe fitters, motorcycle mechanics, and air traffic controllers. As baby boomers retire, the problem will likely worsen. HR departments will have to offer higher compensation packages to attract qualified candidates, and recruiting and selection systems will have to function much more competitively to identify talent.

Demographic shifts can, and will, have a huge impact on HR and society. HR managers are interested in these trends because the economy and job market are critical to HR operations. For example, given that visible minorities and women have increased their share of the labour force, HR managers frequently analyze how each group is represented in both fast-growing and slow-growing occupations—a topic to which we will return in Chapter 3.

As we have suggested, harnessing a company's talent means being aware of characteristics *common* to employees while also managing these employees as *individuals*. It means not just tolerating or accommodating all sorts of differences but also supporting, nurturing, and utilizing these differences to the organization's advantage—in other words, strategically leveraging them rather than simply managing them so that people are treated equitably and "everyone gets along."[52] HR managers have to ask themselves the following question: What is it about the experiences, mindsets, and talents of different groups of people that can be utilized in a strategic way? After all, despite our similarities, *all* of us are different in one way or another, aside from the obvious differences we have outlined in this section. These differences, too, can be the source of organizational strength. Later in the book we will discuss more about the steps firms can take to leverage employee differences.

ISSUE 6: ADAPTING TO EDUCATIONAL AND CULTURAL SHIFTS AFFECTING THE WORKFORCE

Education of the Workforce

The 2016 Census shows that more than half (54.0 percent) of Canadians aged 25 to 64 had either college or university qualifications, up from 48.3 percent in 2006. Canada continues to rank at the top among the Organisation for Economic Co-operation and Development (OECD) countries in terms of the proportion of college and university graduates.

The 2016 Census confirmed that higher education is a gateway to higher earnings, as did all previous censuses. The data suggest that for women between 25 and 64 years old, who worked full-time, full-year, with a high school diploma earned $43,234; those with a college diploma earned $48,599, and those with a bachelor's degree earned $68,342. On the other hand, the comparative figures for men were $55,744, $67,965, and $82,082.[53] (Apart from the income–education differences, the male–female earnings gap is noticeable).

According to the Association of Universities and Colleges of Canada, the value of a college or university degree is $1 million over the course of a career. The unemployment rates of those with only high school education are on average 12 to 20 percent higher than those of degree holders of the same age. It is important to note, however, that whereas the complexity of jobs is increasing significantly, the skills gap is huge and widening. More than 3 million Canadians (aged 16 to 65) have problems reading printed material. Management at the BHP Ekati Diamond Mine in the Northwest Territories realized that a large number of candidates had not completed high school, so the company hired educators to deliver training in basic math and literacy, using actual workplace documents and manuals as teaching tools. Many employers are using a tool, the Test of Workplace Essential Skills (TOWES), developed at the Bow Valley College in Calgary, Alberta, to assess employee competence in three essential skills: reading text, document use, and numeracy. The test results provide managers with information about the gaps in existing skills sets in employees; managers can then turn to educators or institutions for remedial training. As a result of skills gaps, businesses now spend millions of dollars on basic skills training for their employees.[54]

Cultural Changes

The attitudes, beliefs, values, and customs of people in a society are an integral part of their culture. Naturally, their culture affects their behaviour on the job and the environment within the organization, influencing their reactions to work assignments, leadership styles, and reward systems. Like the external and internal environments of which it is a part, culture is undergoing continual change. HR policies and procedures therefore must be adjusted to cope with this change.

Employee Rights

Over the past few decades, federal legislation has radically changed the rules for management of employees by granting them many specific rights. Among these are laws granting employees the right to equal employment opportunity (Chapter 3), union representation if they desire it (Chapter 14), a safe and healthful work environment (Chapter 12), pension plans regulated by the government (Chapter 11), equal pay for men and women performing essentially the same job (Chapter 9), and privacy in the workplace (Chapter 13). An expanded discussion of the specific areas in which rights and responsibilities are of concern to employers and employees will be presented in Chapter 13.

Concern for Privacy

HR managers and their staffs, as well as line managers in positions of responsibility, generally recognize the importance of discretion in handling all types of information about employees. The *Personal Information Protection and Electronic Documents Act* (PIPEDA) is a federal law that deals with the collection, use, and disclosure of personal information (note that Quebec is the only province with similar laws, although Ontario, British Columbia, and others have draft legislation in place). This law requires federally regulated organizations holding personal information on customers or employees to obtain their consent before they use, collect, or disclose this information. Employer responses to the issue of information privacy vary widely. IBM was one of the first companies to show concern for how personal information about employees was handled. It began restricting the release of information as early as 1965 and in 1971 developed a comprehensive privacy policy. Royal Bank of Canada (RBC), Hudson's Bay Company, and Zero Knowledge Systems in Montreal are among other employers that have developed privacy programs.

Globalization has added another twist to privacy compliance. For example, EU countries prohibit the transfer of personal data to countries with inadequate data

protection laws, such as China. In addition to implementing privacy policies, most companies now try to limit the use of social insurance numbers on time sheets, log-in sheets, and other employment forms. Some companies lock up employee files, conduct background checks on employees who have access to others' files, educate employees in fraud prevention, and contract with outside firms specializing in identity theft.[55]

Although PIPEDA protects people's electronic communications, such as their email, the rules are different when it comes to the privacy that employees can expect with regard to their electronic communications at work. Workers are learning the hard way that their employers have a right to monitor their email and Internet use, for example. The information employees post on the Web—either on social networking sites or on job-hunting sites such as Monster.com—has also become subject to scrutiny by employers. Electronic surveillance in the workplace is also becoming an issue. In Chapter 13, we will discuss the content of privacy programs, along with the privacy employees can expect while on the job, and recommend some privacy guidelines.

The Business Case

Advantages and Disadvantages of Part-Time Workers

The trend in Canadian employment is definitely away from full-time, "permanent" jobs toward the use of part-time and temporary employees. The advantages of employing temporary workers are numerous:

- It reduces payroll costs because part-time and temporary workers seldom receive the same benefits as full-time workers.
- Businesses can respond to fluctuations in demand. Contingent workers can be hired or dismissed during periods of high or low demand (e.g., for retail stores—high demand during holiday seasons; low demand in January).
- Businesses can access specific expertise—when an organization enters a new business or needs specific expertise for a limited time (development of a website, for example), it makes economic sense to hire only for that need. Contingent workers may also be used to bring in new ideas and skills from other organizations and/or train regular employees.
- Organizations can "test" employees' skills and fit with the organization by specifying a limited work contract. In this way, productive employees can be hired and those who are underperformers can be released without costly termination costs.

Most employers recognize these advantages and so wish to employ more contingent and part-time employees. However, although these costs are easily assessed, there may be greater benefits to be achieved by hiring full-time employees. Loblaws thinks so. Canada's largest grocery store chain is planning to convert 10 percent of its part-time workforce to full-time work. Ten thousand full-time jobs will be created to increase productivity and improve retention. The assumption, backed by HR research, is that the use of full-time employees will increase employee engagement, which in turn will improve customer service (a key differentiator among retailers) and thus improve revenues and then profits. The increases in compensation (full-time workers make 50 percent more in benefits than part-time workers) will be offset by the savings of reduced turnover (the part-timer turnover rate is 50 percent).

Although hiring part-time workers has various benefits, there are several drawbacks:

- Employees often lack the type of commitment that full-time employees often possess. This is due in part to the lack of commitment demonstrated by the employer, in terms of benefits and hours.
- Due to limited hours and the nature of their work, particularly seasonal, they lack knowledge and familiarity with the organization, which can impact their performance.
- Higher training cost results, and health and safety are impacted.
- Turnover and absenteeism tend to be more of an issue with part-time workers.

Sources: M. Dunn, "Who Chooses Part-time Work and Why," *Monthly Labor Review* (March 2018): 1–25; T. Agovino, "Tinkering with Time," *HR Magazine* 62, no. 1 (2017): 46–52; G. White, "Finding the Best Temp Worker for the Job," *Canadian HR Reporter* 22, no. 9 (2009): 17; S. Klie, "Part-timers Could Go Full Time at Grocery Giant," *Canadian HR Reporter* 22, no. 6 (2009): 1, 8; Neil Kokemuller, "Advantages & Disadvantages of Part-time Employees," *Chron* (2015), http://smallbusiness.chron.com/advantages-disadvantages-parttime-employees-21870.html.

The Changing Nature of the Job

The era of the full-time, permanent job seems to have disappeared. The number of self-employed is also increasing, accounting for 15.6 percent of employment. The number of Canadians self-employed increased by 41,100 in January 2015, accounting for almost 54 percent of total new job growth.[56] Nearly half of all the jobs created in the last two decades have been nonstandard—that is, part-time, temporary, or contract work.[57]

As job security erodes, so do pension plans and healthcare benefits, especially for part-timers. Nonstandard jobs represent about 30 percent of all employment.[58] The Business Case outlines the advantages of employing temporary workers but also shows why a company has moved away from this strategy to reap higher benefits.

As shown in Ethics in HRM, labour force participants have become increasingly polarized into haves and have-nots. We return to the subject of changing employment options in Chapter 4.

Changing Attitudes toward Work

Employees today are less likely to define their personal success only in terms of financial gains. Many employees, especially younger ones, believe that satisfaction in life is more likely to result from balancing their work challenges and rewards with those in their personal lives. Although most people still enjoy work and want to excel at it, they tend to be focused on finding interesting work and are more inclined to pursue multiple careers rather than being satisfied with just "having a job." Figure 1.3 outlines the job features that are important to Canadian workers. People also appear to be seeking ways of living that are less complicated but more meaningful. These new lifestyles cannot help having an impact on the way employees must be motivated and managed. Consequently, HRM has become more complex than it was when employees were concerned primarily with economic survival.

Ethics in HRM

Skywalkers and Groundworkers

Canadian workers can be divided into two classes: skywalkers and groundworkers. Skywalkers, those working in white-collar jobs in high-rise buildings, are well educated and well trained and earn good incomes. Their jobs are secure, and they receive full benefits. For these knowledge workers, the employment prospects in computer programming, financial analysis, insurance, business services, and real estate are bright. Those working as managers in the high-rises on Bay Street, Howe Street, and rue St-Jacques earned relatively high incomes.

Below the high-rise buildings toil the groundworkers. Those with little education and outdated skills are suffering massive unemployment. Groundworkers suffer further from job insecurity and a lack of benefit programs. Look for these workers in restaurants, hotels, and shops. The "McJobs" they hold in the accommodation, food, and beverage industries are generally paid minimum wages. Those working part-time—a growing segment that now comprises 34 percent of the Canadian workforce—fare even worse. Companies have discovered cost savings by replacing full-time employees with part-time workers, thereby eliminating benefits and increasing staffing flexibility. This restructuring of the job market has produced winners and losers, but many would argue that all Canadians lose when the unemployment rate is high and citizens feel insecure about their futures.

Sources: Daniel Tenser, "'Permanent Damage' to Job Prospects as Canada Shifts to Low-Wage Hiring," *Huffington Post* (December 12, 2016), https://www.huffingtonpost.ca/2016/07/12/low-wage-jobs-canada-hiring_n_10945650.html, retrieved April 9, 2018; Heather Scoffield, "Hold the McJobs: Canada's High End Employment Boom," *The Globe and Mail* (February 17, 2006): B1, B4; Statistics Canada, "Statistics Canada Measures of Weekly Earnings," http://www4.hrsdc.gc.ca/.3ndic.1t.4r@-eng.jsp?iid518, retrieved May 11, 2009.

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FIGURE 1.3

WORK IS MORE THAN JUST A PAYCHEQUE

Percentage of Respondents Who Rank Item as "Very Important"

Item	Percentage
Job offers interesting work	90%
Gives a feeling of accomplishment	88%
People treat you with respect	83%
Lets you develop skills	79%
Allows work–life balance	71%
Good coworker communication	69%
Employer committed to you	59%
Receive training	55%
Receive recognition for job well done	53%
Scheduling flexibility	52%
People are friendly and helpful	49%
Good benefits	45%
Pays well	37%
Good job security	35%

Source: Jobquality.ca Online Survey, 2004, "What Do You Value in a Job?" *Canadian Policy Research Networks*, http://www.jobquality.ca/surveys/results_8.shtml, retrieved July 26, 2009.

Balancing Work and Family

Work and family are connected in many subtle and not-so-subtle social, economic, and psychological ways. Because of the forms that the family now takes—such as the two-wage earner and the single-parent family—work organizations are finding it advantageous to provide employees with more family-friendly options. "Family friendly" is a broad term that can include flexible work hours, daycare, eldercare, part-time work, job sharing, pregnancy leave, parental leave, executive transfers, spousal involvement in career planning, assistance with family problems, and telecommuting. A survey by HR consulting firm Hewitt Associates found that 86 percent of employers now offer flexible work hours, 54 percent permit job sharing, and 77 percent allow telecommuting.[59] Other companies are exploring the use of four-day workweeks to lessen their employees' commuting costs (particularly with rising gasoline prices).

Companies with programs such as these calculate that accommodating their employees' individual needs and circumstances is a powerful way to attract and retain top-calibre people. Aetna Life and Casualty, for example, cut its turnover by 50 percent after it began offering six-month parental leaves, coupled with an option for part-time work when employees return to the job.[60] With that said, family-friendly companies have to balance the benefits they provide to families versus their single employees. The majority of employees have no children under 18. A Conference Board survey of companies with family-friendly programs found that companies acknowledge that childless employees harbour resentment against employees with children who are able to take advantage of these programs.[61]

See Highlights in HRM 1.3 for a discussion with Nora Spinks, an expert in work–life harmony.

LEARNING OUTCOME 6

Explain the dual role HR managers play in terms of serving both management and staff. Have you ever found yourself in a similar situation at work or school? Were you able to keep both groups happy? How were the challenges you faced similar to those faced by HR managers?

THE PARTNERSHIP OF LINE MANAGERS AND HUMAN RESOURCES DEPARTMENTS

We have taken a good deal of time upfront in this book to outline today's competitive and social challenges to reinforce the idea that managing people is not something that occurs in a backroom called the HR department. Managing people

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Highlights in HRM 1.3

Work–Life Harmony

Nora Spinks, president and CEO of Work–life Harmony, a consulting company specializing in work–life balance issues, comments on the demographic issues affecting employee behaviour:

> Women are in the workplace to stay; they have fewer and shorter career breaks and have more opportunities to make or influence organizational decisions. There is a high proportion of the aging 'boomer' workforce that are asking, 'What is my legacy?' They are rethinking priorities and lifestyles and reducing the number of hours they are working. At the same time, the millennial generation [i.e., the generation born in the 1980s] is entering the workforce and managerial positions with a fresh perspective and different outlook on the work experience. They see work as a means to having a life, not as life in and of itself. The boomers tend to live to work; the nexus generation work to live. Growing up, they witnessed people give up a life for the sake of a job, only to see them ultimately lose employment in periods of downsizing and restructuring. They don't want the same experience.
>
> A recent international study of students found that young people about to enter the workforce wanted to have a challenging career with plenty of opportunity to grow personally and professionally, and they wanted to be able to take advantage of those opportunities while achieving work–life balance. It is up to organizations, executives, and managers to create the kinds of environments to make that possible. It is the only way for them to meet increasing customer/client demands, meet the challenges of global competition, and reach their organizational objectives.

Source: Interview with Nora Spinks.

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is every manager's business, and successful organizations combine the experience of **line managers** with the expertise of HR specialists to develop and utilize the talents of employees to their greatest potential. Addressing HR issues is rarely the exclusive responsibility of HR departments acting alone. Thus, HR managers must work side by side with line managers to address the people-related issues of the organization. Although this relationship has not always achieved its ideal, the situation is rapidly improving. HR managers are assuming a greater role in top management planning and decision making, a trend that reflects the growing awareness among executives that HRM can make important contributions to the success of an organization. But their importance is not isolated from the work of the line managers, who can now be seen as strategic partners. This is important in that line managers must not just act as leaders and enablers but must also train employees and provide an environment in which employees can develop their potential and reach maximum capacity to ensure productivity and overall organization success.[62]

> **line managers**
> Non-HR managers who are responsible for overseeing the work of other employees

Just as there are different types of line managers who specialize in different functions—operations, accounting, marketing, and so forth—there are different types of HR managers who specialize in different HR functions. Some of these workers specialize in employee training and development, recruitment, or compensation. Other HR employees specialize in studying the effects of industry and occupational trends or concentrate on labour relations and prepare information for managers to use during negotiations with labour unions. By contrast, an HR generalist can be responsible for handling all aspects of HR work depending on the employer's needs.[63]

Human Resources and Skills Development Canada is projecting an excess demand for HR managers and professions. Nonetheless, we understand that most readers of this book will be line managers and supervisors rather than HR

specialists. This text is, therefore, oriented to *helping people manage people more effectively*, whether they become first-line supervisors or CEOs. Students now preparing for careers in organizations will find that the study of HRM provides a background that will be valuable in managerial and supervisory positions. Becoming familiar with the role HR managers play should help facilitate closer cooperation between the different departments of firms and enable line and executive-level managers to fully utilize the assistance and services offered by their HR groups.

RESPONSIBILITIES OF THE HR MANAGER

Although line managers and HR managers need to work together, their responsibilities are different, as are their competencies and expertise. The major activities for which an HR manager is typically responsible are as follows:

1. *Strategic advice and counsel*. The HR manager often serves as an in-house consultant to supervisors, managers, and executives. Given their knowledge of internal employment issues (policies, labour agreements, past practices, ethics and corporate governance, and the needs of employees), as well as their awareness of external trends (such as economic outlooks, employment data, legal developments, and regulatory issues), HR managers can be an invaluable resource for making decisions. For example, larger companies have begun appointing "chief ethics officers" to help their employees wade through grey areas when it comes to right and wrong. The firm's top HR manager is in a good position for this job. In smaller companies, however, this task frequently falls on the shoulders of individual HR managers. HR managers are also being relied on more heavily to advise compensation committees, which are more closely scrutinizing executives' pay than they have in years past.

2. *Service*. HR managers also perform a host of service activities, such as recruiting, selecting, testing, planning and conducting training programs, and hearing employee concerns and complaints. Technical expertise in these areas is essential for HR managers and forms the basis of HR program design and implementation. Moreover, managers must be convinced that HR staff are there to help them increase their productivity rather than to impose obstacles to their goals. This requires not only the ability on the part of the HR executive to consider problems from the viewpoint of line managers and supervisors but also the skill in communicating with managers and supervisors.

3. *Policy formulation and implementation*. HR managers generally propose and draft new policies or policy revisions to address recurring problems or to prevent anticipated problems. Ordinarily, these are proposed to the senior executives of the organization, who issue the policies. HR managers may monitor performance of line departments and other staff departments to ensure conformity with established HR policies, procedures, and practices. Perhaps more importantly, they are a resource to whom managers can turn for policy interpretation.

4. *Employee advocacy*. One of the enduring roles of HR managers is to serve as an employee advocate—listening to employees' concerns and representing their needs to managers—to ensure that the interests of employees and the interests of the organization are aligned with one another. Effective employee relations provide a support structure when disruptive changes interfere with workers' normal daily activities.

COMPETENCIES OF THE HR MANAGER

As top executives expect HR managers to assume a broader role in overall organizational strategy, many of these managers will need to acquire a complementary set of competencies. These competencies are summarized here and shown in Figure 1.4.

FIGURE 1.4

HUMAN RESOURCE COMPETENCY MODEL

BUSINESS MASTERY
- Business acumen
- Customer orientation
- External relations

PERSONAL CREDIBILITY
- Trust
- Personal relationships
- Lived values
- Courage

HR MASTERY
- Staffing
- Performance appraisal
- Rewards system
- Communication
- Organization design

CHANGE MASTERY
- Interpersonal skills and influence
- Problem-solving skills
- Rewards system
- Innovativeness and creativity

Source: Arthur Yeung, Wayne Brockbank, and Dave Ulrich, "Lower Cost, Higher Value: Human Resource Function in Transformation." Reprinted with permission from *Human Resource Planning*, Vol. 17, No. 3 (1994). Copyright 1994 by The Human Resource Planning Society, 317 Madison Avenue, Suite 1509, New York, NY 10017. Phone: (212) 490-6387. Fax: (212) 682-6851.

1. *Business mastery.* HR professionals need to know the business of their organization thoroughly. This requires an understanding of its economic and financial capabilities so that they can become a key member of the team of business managers to develop the firm's strategic direction. It also requires that HR professionals develop skills at external relations focused on their customers.

2. *HR mastery.* HR professionals are the organization's behavioural science experts. HR professionals should develop expert knowledge in the areas of staffing, development, appraisals, rewards, team building, and communication.

3. *Change mastery.* HR professionals must be able to manage change processes so that their firms' HR activities are effectively merged with the business needs of their organizations. This involves interpersonal and problem-solving skills, as well as innovativeness and creativity.

4. *Personal credibility.* Like other management professionals, HR professionals must establish personal credibility in the eyes of their internal and external customers. Credibility and trust are earned by developing personal relationships with one's customers, demonstrating the values of the firm, standing up for one's own beliefs, and being fair-minded when dealing with others.

The HRM profession is currently experiencing changes in Canada (and globally). There is a need for HR professionals to become more accountable to those

who they serve. As a result, several jurisdictions across Canada are implementing new rules for HR professionals' conduct. So who is an HR professional? According to Claude Balthazard, the vice president of regulatory affairs of the Human Resources Professional Association of Ontario:

… Those who work in the human resource management field are becoming increasingly professional; but saying this has different layers of meaning. Increasingly, the HR profession is adopting the institutions characteristic of true professions, and HR professionals are adopting the attitudes, values, and behaviours of true professionals. It is a process that takes time, however. There is a difference between being professional (adjective) and being a professional (noun). One aspect which differentiates true professions from other occupations is the existence of a governing body which mandate is to protect and promote the public interest. One aspect that differentiates true professionals from members of other occupations is the accountability to this governing body.[64]

Good HR managers help their organizations build a sustained competitive advantage. At lower levels in the organization, a rapidly growing number of companies, including Ford Canada and UPS Canada, are assigning HR representatives to their core business teams to make certain that HR issues are addressed on the job and that their HR representatives, in turn, are knowledgeable about core business issues rather than simply focusing on employee-related administrative functions.

Small Business Application

Organizations have a variety of staff-related requirements associated with supporting business operations. These could include hiring, paying, managing, training, or terminating staff. This could also involve work design or staffing strategies and ensuring legal compliance. Traditionally, the role of an HR generalist is a position in medium or large organizations, those with 100 employees or more.

However, as of 2015, 98 percent of businesses in Canada were considered small, and there are 1.14 million of these. The vast majority of these would have fewer than 100 employees, which would be too small to justify having an HR generalist on staff. Small business represents 48 percent of private-sector jobs in Canada, employing more workers than either large or medium enterprises. As a result, small business owners without HR generalists manage over five million employees in Canada. It is apparent that small business owners need the tools and practices employed by HR generalists integrated into a handbook they can refer to as needed.

Who is responsible for the delivery of HR responsibilities in small business depends on a number of contextual factors: the size of the company, the nature of the business, the financial status of the company, the management structure, the structure of support roles, the leadership culture, and the approach to using vendors. HR support may be delivered by business owners themselves for very small companies, by managers for slightly larger companies, and by office managers for larger companies. Small businesses may outsource some or all of this support to vendors who support many clients. Activities such as payroll, benefits, and legal support are often delivered through vendors.

The types of services traditionally delivered by HR generalists in large enterprises that are delivered in small companies are to a large extent driven by the industry, size, and geographic location. For example, the HR needs in a retail environment with high employee turnover will focus largely on recruiting and training, although the needs in a stable construction business may centre around health and safety. Through this text, we will dedicate a section of each chapter to the applicability to small business of the practices reviewed and will draw on industry-specific examples that help demonstrate each practice.

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Summary

OUTCOME 1 Understanding human resource management practices and issues can help you better compete in the marketplace—as an employee, manager, or HR manager. HR managers who have a good understanding of their firm's business can help it achieve its strategies—whatever they may be—through the effective utilization of people and their talents. An organization's success increasingly depends on the knowledge, skills, and abilities of its employees. To "compete through people," organizations have to do a good job of managing human capital: the knowledge, skills, and capabilities that have value to organizations. Managers must develop strategies for identifying, recruiting, and hiring the best talent available; developing these employees in ways that are firm specific; helping them generate new ideas and generalize them throughout the company; encouraging information sharing; and rewarding collaboration and teamwork among employees.

OUTCOME 2 Globalization has become pervasive in the marketplace. It influences the number and kinds of jobs that are available and requires that organizations balance a complicated set of issues related to managing people working under different business conditions in different geographies, cultures, and legal environments. HR strategies and functions have to be adjusted to take into account these differences. The fast pace of globalization and corporate scandals over the years have led to a new focus on corporate social responsibility (good citizenship) and sustainability (a company's ability to produce a good or service without damaging the environment or depleting a resource).

OUTCOME 3 Technology has tended to reduce the number of jobs that require little skill and to increase the number of jobs that require considerable skill, a shift we refer to as moving from touch labour to knowledge work. This displaces some employees and requires that others be retrained. In addition, information technology has influenced HRM through HRISs that streamline HR processes, make information more readily available to managers and employees, and enable HR departments to focus on the firm's strategies.

The Internet and social media are also affecting how employees are hired, work, and are managed.

OUTCOME 4 To contain costs, organizations have been downsizing, outsourcing, offshoring, furloughing, and leasing employees, as well as enhancing productivity. HR's role is not only to implement these programs but also to consider the pros and cons of programs such as these and how they might affect a company's ability to compete, especially if they lead to the loss of talented staff members.

OUTCOME 5 The workforce is becoming increasingly diverse, and organizations are doing more to address employee concerns and to maximize the benefit of different kinds of employees. But to benefit from those differences, managers need to look past the obvious differences between employees and see not so obvious differences, such as how they think, learn, work, solve problems, manage their time, and deal with other people. By first seeing the differences, exploring them, and then discovering how they can provide value to the organization, HR managers can leverage those differences.

OUTCOME 6 In working with line managers to address their organization's challenges, HR managers play a number of important roles; they are called on for strategic advice and ethics counsel, various service activities, policy formulation and implementation, and employee advocacy. To perform these roles effectively, HR managers must have a deep understanding of their firm's operational, financial, and personnel capabilities. HR managers who do and are creative and innovative can help shape a firm's strategies so as to respond successfully to changes in the marketplace. Ultimately, managing people is rarely the exclusive responsibility of the HR function. Every manager's job involves managing people. Consequently, successful companies combine the expertise of HR specialists with the experience of line managers and executives to develop and use the talents of employees to their greatest potential.

Key Terms

change management, 5
collaborative software, 10
corporate social responsibility, 9
downsizing, 5
employee leasing, 18
furloughing, 16
globalization, 6
human capital, 3

human resources information
    system (HRIS), 12
human resources management
    (HRM), 2
knowledge workers, 10
line managers, 27
nearshoring, 17
offshoring, 16

outsourcing, 5
proactive change, 6
reactive changes, 6
reengineering, 5
Six Sigma, 5
sustainability, 9
workforce (HR) analytics, 12

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Discussion Questions

1. Are people always an organization's most valuable asset? Why or why not? Name other strategic or valuable assets of organizations.
2. Suppose your boss asked you to summarize the major people-related concerns in opening an office in China. What issues would be on your list?
3. Name a company you hope to work for someday. What is its track record in terms of corporate social responsibility and sustainability? Are these factors important to you? Why or why not?
4. Will technology eliminate the need for HR managers?
5. In groups, debate the proposition: Employees are an expense, and their numbers should be reduced.

6. What are the pros and cons of having a more diverse workforce? Is Canada in a better position to compete globally because of its diverse population? Find examples from a school or work project where having a diverse team made a difference and explain that difference.
7. Why do HR managers need to stay abreast of the educational levels and work expectations of people in the workforce?
8. In your opinion, what is the most important role of HR managers? Should HR professionals be the "voice" for employees or the "spokesperson" for managers? Explain your view. Should HR professionals be licensed, like accountants and lawyers?

HRM Experience

Balancing Competitive Challenges and Employee Concerns

HRM is not just the responsibility of the personnel department. If people are a competitive resource, then line managers play an increasingly important role in managing the workforce. But this is not an either/or situation. Rather than seeing line managers assume the responsibilities of HR managers, we see both groups working together to handle workforce issues. But how exactly do these two groups work together?

Assignment

1. Working in teams of four to six individuals, identify what role the HR department would play in terms of the following activities and what role line managers would play. Where would overlaps occur, and would there be any likely problems?

   a. Recruiting and selection
   b. Training and development
   c. Compensation
   d. Performance evaluation
   e. Labour relations

2. How would potential problems be resolved?

3. Write the groups' findings on flip charts and post for all to see. One member from each team should explain their findings to all class members.

4. Point out the similarities and differences across the teams. Save these points and revisit them—possibly revising them—as you study subsequent chapters in this text.

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Case Study 1

NEW HR STRATEGY MAKES LLOYD'S A "BEST COMPANY"

After more than 300 years in business, a few years ago, the global insurer Lloyd's of London finally set out to establish its first true HR strategy, starting with the hiring of HR Director Suzy Black. "I was brought in to transform the HR function from one modeled on an old-style personnel office to a function that is more cutting edge, business focused, and value adding," says Black.

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Black's first order of business was to evaluate the current state of affairs, particularly how the corporation's senior managers perceived the HR role. With this information in hand, Black and her team began to develop an overarching strategic agenda as well as specific tactics, addressing everything from recruitment to performance management to basic policies to rewards and compensation.

Changing long-time employees' perception of HR took a bit of convincing, but employees quickly began to recognize the value of Black's actions. Gradually, they could see how the HR strategies were effectively creating conditions in which they could develop in their careers, be successful, and find meaning and value in their work. Today, Lloyd's employees list the company's challenging work environment, healthy incentive programs, and meaningful community outreach programs among the key reasons they enjoy working for the insurance giant.

Black's efforts also enhanced Lloyd's position as a desirable place to work. The average tenure of employees at the company is, incredibly, 21 years. The insurer has been named one of the "Top 100 Best Companies to Work For" (in the United Kingdom) by the *Sunday Times* and hailed as one of the United Kingdom's Top 40 Business Brands by an independent researcher.

Each year, new graduates scramble to get hired by Lloyd's. These new hires rotate through three to four different assignments within Lloyd's so they get a perspective of the company and the insurance market as well as a better idea of the departments in which they would like to ultimately work.

Lloyd's also offers a graduate program in insurance, apprenticeships, and internships.

Work–life balance at the company is good. Although sometimes extra hours have to be worked, that's not the norm. Working mothers can choose to work part or full time. In addition, the company offers employees time to do charity and nonwork-related activities to further their personal growth, says Black. "Employees are very sophisticated people, and they have more drivers than just wanting to earn money," she notes.

Ironically, Black's position was the first HR position she had ever held, having risen through the ranks in other arenas in business. But her experience has given her a clear definition of the ideal characteristics of the HR professionals. "They must understand change and transformation, excel at operations, and balance tactical and strategic thinking and acting," she says. "They will have to be able to manage and navigate organizational complexity and ambiguities and not be afraid to say no occasionally in order to establish appropriate boundaries with the business."

Questions

1. What skills does Black think employees need, to work successfully in the area of HR?
2. What are some of the outcomes of the company's new HR strategy?
3. What do you think might be some of the challenges of establishing HR policies for a global company?
4. What types of situations do you think might require an HR manager to say "no"?

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Case Study 2

INTERGENERATIONAL ISSUES

When Jason Traynor was a junior HR administrator at Peregrine Incorporated, he faced serious challenges with a workforce of different ages. The reason for many of the issues was that GM had recently sold off the fabrication plant as part of its new business strategy to get out of auto parts manufacturing and focus solely on assembling vehicles. With the sale of the plant came the condition that any GM employee would be allowed to return to the main GM autoplex as positions came open through employee attrition. Once a GM employee left, that person had to be replaced. More times than not, GM would "call out" (recruit) 30 to 40 employees with only two or three days' notice to Peregrine. With no pool of candidates available, Peregrine had to react quickly so as not to disrupt production at GM.

Due to time constraints, prescreening was minimal. There were often no interviews, reference

checks, or selection instruments. On several occasions, people would be selected on Friday night for a Monday morning start. The majority of the new hires were young and right out of high school. These new employees, with limited postsecondary education and little, if any, factory experience, were earning $28 an hour, plus benefits, which equalled approximately $85,000 per year. The job was so lucrative that many opted out of pursuing further education. The biggest challenge came when the 18- to 19-year-olds were thrown into a working environment of preretirement 60-year-old factory workers. There was conflict and complaints about everything from the type of music choice on the shop floor to clothing tastes and inappropriate sexual comments.

One of the greatest challenges began when the senior employees began interacting with the junior employees and the new employees would attempt to "use" the system in the same way that a 25-year employee did. The junior employees learned very quickly how to manipulate the collective agreement to their advantage. Activities such as punch card fraud, not badging in or out, and leaving the facility unauthorized while still on the clock were quickly becoming the norm. According to Jason Traynor, "This is not the kind of behaviour you want in your new hires." Having new employees acting as though they had put in 20 years of service often created conflict between the two generations as many of the senior employees felt that these "kids" had not paid their dues and were simply riding the coattails of the senior membership. Addiction problems were rampant among the new employees—many having never been exposed to the readily available supply of drugs and alcohol. Linked to this were the increasing levels of casual absenteeism. Many new hires were terminated, and a great deal of time and energy was spent with the union, which fought to reinstate these employees.

An independent third-party consulting company was asked to help manage these issues. Self-directed workshops were initiated to teach the workers about teamwork and quality. Employee assistance programs were created to help struggling employees. A labour council was started to deal with conflict on the factory floor. The company adopted aptitude testing and joint interviewing with the union in an attempt to select employees who were more qualified.

In the end, Peregrine eventually failed and went out of business.

Questions

1. Based on your experiences working with students/colleagues of different ages, do you believe that there are generational differences in attitudes toward work? Do a search to see if there is any evidence for these beliefs.

2. As the demand for autos declined, and GM and Chrysler faced bankruptcy, the benefits given to auto workers were reduced. Check out the compensation packages for new auto workers and decide if the package is attractive enough for young workers to leave school, as these young workers did.

Case Study 3

SHELL'S TOP RECRUITER TAKES HIS CUES FROM MARKETING

When Navjot Singh joined Royal Dutch Shell in 2003, the company was facing an extraordinary challenge: the rate at which Shell's engineers were retiring meant that the global firm needed to double the number of new recruits it hired from 2,697 in 2005 to 5,440 by 2006 and to nearly 8,000 in 2008. Yet at the time, Shell was not considered an employer of choice. The global oil and gas company needed to project a new image—fast! Says Singh, "In the same way marketers know they need to advertise to be a market leader, HR had to know how to create an employer brand. Marketing is the only way to ensure customers buy products. It was also the only way to ensure Shell got the best people coming to us first."

Wait! Why is Shell's HR guy talking about marketing? As both an HR and a marketing expert, Singh sees a powerful synergy between the two. "I'm 50% a marketer—the rest is HR, communications, and recruitment," says Singh. "But I'm an HR person, really." Singh's official job title, however, is Global Marketing Manager, Recruitment and Global HR Communications Manager, Shell (UK), a title and position like no other. Having come to Shell from DaimlerChrysler, where he served as the marketing director, Singh initially started out as vice president of customer relationship management but quickly joined the HR team when he recognized Shell's emerging need for new talent and

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the immense potential for him to use classic marketing techniques to help the company achieve its objectives. His vision, skill sets, and experience were a perfect match for the company's situation.

So in Singh's mind, addressing the company's need for new talent meant building a brand as an employer, which in turn meant creating a cohesive message. But Shell's global recruiting approach was anything but cohesive. "At the time we had 1,200 recruitment systems, 35 recruitment companies, and 400 executive search companies working for us," he recalls. "I attended a careers event at Cambridge University where there were three Shell stands beside each other—one from the UK, one from Malaysia, and another from Nigeria. This was a fragmented approach and tough for candidates to understand." Shell needed to create a unified outreach program if it was going to meet its need for numbers while fulfilling its desire for a global talent pool. The company recruits from among 90 different nationalities each year because it recognizes the benefits of cultural diversity.

Singh and his team set about applying various marketing techniques to the recruitment process, which have since resulted in an 80 percent cut in recruitment costs, a 20 percent reduction in the time to hire new staff, and a very real claim to being the top employer in its market segment. In fact, Shell has won 80 awards for its unique HR strategy. "I think it's important to make sure that employer branding activities are efficient and effective and that you have the right tools and processes, but also that it's competitively positioned from a cost perspective," notes Singh. "I also think you need to look at it in terms of satisfaction, with the employer value proposition which you create. You need to ensure that there is a high satisfaction level amongst your staff, that they are motivated and have pride in working for your company."

Having come so close to putting itself in danger of not attracting enough skilled candidates, Shell intends to continue running its recruitment program just like any other branding effort, thus ensuring that it has the right human resources to deliver on its promises and achieve worldwide success. Singh believes Shell is typical of many firms, noting, "In the future, companies will have to apply for skilled people to work for them rather than candidates applying to work at an organization. HR must still realize the strategic value it can bring."

Questions

1. What functions of HRM are similar to marketing functions? How can thinking about "marketing" a company's jobs improve the strategic focus of HR personnel?
2. If you were planning to use marketing strategies to "brand" a company as an employer of choice, what are some of the factors you would consider?
3. Do you agree with Singh's statement that in the future, companies will have to apply for skilled people to work for them rather than candidates applying to work at an organization? Why or why not?

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Strategy and Human Resources Planning

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Explain how human resources planning and a firm's mission, vision, and values are integrally linked to its strategy.

LO 2 Understand how an organization's external environment influences its strategic planning.

LO 3 Understand why it is important for an organization to do an internal resource analysis.

LO 4 Explain the linkages between competitive strategies and human resources.

LO 5 Understand what is required for a firm to successfully implement a strategy and assess its effectiveness.

LO 6 Describe how firms evaluate their strategies and human resources implementation.

NEL

strategic planning
Procedures for making decisions about the organization's long-term goals and strategies

human resources planning (HRP)
The process of anticipating and providing for the movement of people into, within, and out of an organization

strategic human resources management (SHRM)
The pattern of human resources deployments and activities that enable an organization to achieve its strategic goals

One of the clichés about the annual reports of companies is that they often claim that "people are our most important asset." You also hear this statement at academic and practitioner conferences. Do you believe this is true? Historically, managers often have not acted as though they themselves believed it. Too often the focus has been on minimizing the number of a firm's employees rather than strategically utilizing their talents.

But for many firms, this is changing. Surveys show that 92 percent of chief financial officers now believe human capital affects an organization's customer service, 82 percent believe it affects profitability, and 72 percent believe it affects innovation.[1] And in a survey by the consulting firm Deloitte, nearly 80 percent of corporate executives said that the importance of HRM in their firms has grown substantially over the years, and two-thirds said that HR expenditures are now viewed as a strategic investment rather than simply a cost to be minimized.

Forward-thinking companies are also demanding that their HR groups push past short-term projections and provide detailed forecasts for needs and the associated costs over a two- to three-year horizon. Even small companies are realizing that their employees are the key to ensuring their ability to compete and survive. As Apple's famous founder is reported to have said, "Hiring the best is your most important task." And as GE's legendary ex-CEO Jack Welch puts it: "We live in a global economy. To have a fighting chance, every company needs to get every employee, with every idea in their heads and every morsel of energy in their bodies, into the game."[2]

STRATEGIC PLANNING AND HUMAN RESOURCES

Why is HR planning integral to strategic planning? As an HR professional, what do you think you could do to tie the two functions together? What role might the firm's mission, vision, and values play?

As we explained in Chapter 1, "competing through people" is the theme for this book. But the idea remains only a premise for action until put it into practice. To realize this theme, we need to understand some of the systems and processes in organizations that link HRM and strategic management. A few definitions may be helpful upfront.

Strategic planning involves a set of procedures for making decisions about the organization's long-term goals and strategies. In this chapter, we discuss strategic plans as having a strong external orientation that covers major portions of the organization. The plans especially focus on how the organization will position itself relative to its competitors to ensure its long-term survival, create value, and grow. **Human resources planning (HRP)**, by comparison, is the process of anticipating and providing for the movement of people into, within, and out of an organization. Overall, its purpose is to help managers deploy their human resources as effectively as possible, where and when they are needed, to accomplish the organization's goals. **Strategic human resources management (SHRM)** combines strategic planning and HRP. It can be thought of as the pattern of human resources deployments and activities that enable an organization to achieve its strategic goals.

HRP is an essential activity of organizations. Consider CNA Financial Corp., an insurance company, for example. CNA Financial discovered via HRP that it would run short of underwriters—a key skill pool in the company—in just two years if its turnover rate continued at the current pace. The global strategies firms are increasingly pursuing, such as mergers, joint ventures, offshoring, the relocation of plants, product innovation plans, and downsizing, are also making HRP more critical and more complex for managers. The good news, according to the president and CEO of the Human Resource Planning Society, is that increased global competitiveness, which in many industries has led to the commoditization of products based on price, is making talent the "great differentiator" among firms.

As we explained in Chapter 1, it is relatively easy for a competitor to copy your product and make it more cheaply. But duplicating the talents of your employees

will prove much more difficult.[3] The dramatic shifts in the composition of the labour force that are occurring also require that HR managers become more involved in planning because these changes affect the full range of a company's HR practices (such as employee recruitment, selection, training, compensation, and motivation).

STRATEGIC PLANNING AND HRP: LINKING THE PROCESSES

Good HR managers "marry" HRP to the strategic planning process for their organizations as a whole. HRP relates to strategic planning in several ways, but at a fundamental level, we can focus on two issues: strategy formulation and strategy implementation. HRP provides a set of inputs into the strategic *formulation* process in terms of what is possible, that is, whether a firm has the types and numbers of people available to pursue a given strategy. For example, when Indigo executives contemplated the move into Web-based commerce to compete with Amazon.com, one of the issues they had to address was whether they had the talent needed to succeed in that arena.

In addition to strategy formulation, HRP is important in terms of strategy *implementation*. In other words, once the firm has devised its strategy, the company's executives must make resource allocation decisions to implement that strategy, including decisions related to the firm's structure, processes, and human capital.[4] Companies such as GE and IBM have taken strides to combine these two aspects of strategic management.[5] All the available evidence suggests that the integration of HRP and strategic planning tends to be most effective when there is a reciprocal relationship between the two processes. When this occurs, a firm's top management team recognizes that strategic planning decisions affect—and are affected by—HR concerns.

Although the firm's business strategy establishes the context for its HR strategy, it is not a one-way street. The type of people an organization has, and the culture and climate of the company, in turn will *constrain* what the firm is able to achieve strategically. So HRP and strategic planning are integral to one another. As James Walker, a noted HRP expert, puts it, "Today, virtually *all* business issues have people implications; *all* human resource issues have business implications."[6] HR managers, along with the other top executives of their firms, are therefore important facilitators and strategic partners of the planning process.[7] That is why, in this chapter, we lay out a step-by-step process to show how a firm's HRP and strategy efforts can be integrated.

Figure 2.1, which will serve as a map for this chapter's discussion, shows how companies align their HRP and strategic planning in this way: a firm's business strategy, along with its overall purpose, goals, and values, establishes the context for its HR strategy and the number and types of people, the skills they must have, and the like. In other words, the firm's HR strategy follows the business strategy and helps implement it. For example, if the firm's strategy is based on efficiency, the HR strategy will focus on practices that encourage employees to look for better, faster, and more efficient ways for the company to do business. If the firm's strategy is to compete based on innovation, its HR strategy will implement practices that encourage and incentivize employees to be creative and innovate. For example, at GE, employees receive monetary incentives for developing and patenting products for the company.

Researchers Douglas Conger and Jeff Ready have studied businesses that lacked the talent to get their strategies off the ground. To underscore how important talent is to firms, they point to an instance in which a London real estate developer had to pass on a project worth more than a half-billion dollars of reconstruction work because it hadn't groomed anyone capable of leading the project. Talent problems are all too common in firms, Conger and Ready concluded.

FIGURE 2.1

LINKING STRATEGIC PLANNING AND HUMAN RESOURCES

	ORGANIZATIONAL LEVEL	HUMAN RESOURCES LEVEL
Mission, Vision, and Values	• Identify purpose and scope of organization • Clarify its long-term direction • Establish its enduring beliefs and principles	• Capture underlying business philosophy • Establish cultural foundation • Guide ethical codes of conduct
External Analysis	• Assess its opportunities and threats (OT) • Conduct environmental scanning (legal, etc.) • Analyze the industry and competitors	• Gauge demographic trends • Gauge the external supply of labour • Benchmark competitors' HR metrics
Internal Analysis	• Analyze firm's strengths and weaknesses (SW) • Analyze firm's core competencies • Analyze firm's resources: people, process, systems	• Analyze workforce's culture, competencies, and composition • Forecast the demand for employees • Forecast the supply of employees
Strategy Formulation	• Develop corporate strategy • Develop business strategy • Functional strategy: ensure alignment	• Establish productivity and efficiency goals • Establish quality, service, speed, and innovation goals for workforce • Ensure vertical and horizontal fit
Strategy Implementation	• Design structure, systems, and so on • Allocate resources	• Reconcile supply and demand via hiring, downsizing, layoffs, and so on • Use staffing, training, rewards, and so on to motivate employees to achieve the strategy
Evaluation	• Evaluate benchmarking efforts • Ensure alignment is achieved • Encourage workforce agility and flexibility	• Maintain human capital metrics • Utilize balanced scorecard

SWOT Analysis (spans External Analysis and Internal Analysis)

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STEP 1: MISSION, VISION, AND VALUES

mission
The basic purpose of the organization as well as its scope of operations

strategic vision
A statement about where the company is going and what it can become in the future; clarifies the long-term direction of the company and its strategic intent

When you entered college or university, you probably thought a lot about what you should do with your life. Believe it or not, firms go through the same sort of search process when they develop their strategic plans. The first step in strategic planning is establishing a mission, vision, and values for the organization. The **mission** is the basic purpose of the organization, as well as its scope of operations. It is a statement of the organization's reason for existing and the shared purpose of the people in the organization. The mission often is written in terms of general clients the organization services. Depending on the scope of the organization, the mission may be broad or narrow. For example, the mission of Google is "to organize the world's information and make it universally accessible and useful."[8]

The **strategic vision** of the organization moves beyond the mission statement to provide a perspective on where the company is headed and what the organization can become in the future. Although the terms *mission* and *vision* often are used interchangeably, the vision statement ideally clarifies the long-term direction of the company and its strategic intent.

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Highlights in HRM 2.1

Air Canada: Mission, Vision, and Values

Our Mission
Connecting Canada and the World.

Our Vision
Building loyalty through passion and innovation

Our Values
Underpinning our Mission and Vision are core Values that inform all we do as individuals and collectively at Air Canada. These values serve as touchstones to guide our actions.

Safety First and Last
100%. All the time.

Make every Customer feel Valued
With our words. With our actions. With our products and services.

Working Together
With Colleagues, Customers, and Community.

Act with Integrity
We are accountable. We foster an environment of trust. We communicate openly and in a timely manner.

All Employees are Valued
We respect. We listen. We act.

Drive for Excellence
Personally. Corporately. Ever reaching for the next level of innovation, quality and service.

Courtesy of Air Canada.

Organizational **core values** are the strong, enduring beliefs and principles that the company uses as a foundation for its decisions. These are the underlying parameters for how the company will act toward customers, employees, and the public in general. In many cases, the values capture the underlying philosophy of the company culture and give direction to its employees. The values also place limits on what behaviour is seen as ethical and acceptable. Highlights in HRM 2.1 shows the mission, vision, and values of Air Canada.

> **core values**
> The strong and enduring beliefs and principles that the company uses as a foundation for its decisions

DEVELOPING A MISSION STATEMENT

As a manager or business owner, how would you begin to craft the mission statement for your firm? One way to begin would be to ask yourself the following questions and write down your answers to them:

- What is my organization's reason for being? What need do we fulfill that isn't already being met by another firm or could be better met?

- For whom would the firm fulfill the need? Who are our customers?

- How do we fulfill, or better fulfill, the need?

- Where is our market and our customers? Where will we operate? Locally, geographically, or globally?

- What core values do the people in my organization share and will continue to embrace as part of our mission? How do these values differentiate us from other companies?

Once an organization or entrepreneur has the answer to these questions, he or she can begin to draft a mission statement that synthesizes the information. For example, Marriott's mission, or vision statement, is "to be the no. 1 hospitality company in the world." The company's core values are as follows:

- putting people first
- pursuing excellence
- embracing changing
- acting with integrity
- serving our world

And Uber's mission, or vision statement, is to "make transportation as reliable as running water, everywhere, for everyone."

HR'S ROLE IN ESTABLISHING AND REINFORCING A FIRM'S MISSION, VISION, AND VALUES

By serving as a sounding board, HR managers can play a key role when it comes to formulating, vetting, and fine-tuning a firm's mission, vision, and values. Does the mission statement accurately reflect employees' beliefs or only upper management's? Does it accurately reflect the public's perception of the organization? If not, how should it be changed? A firm's mission statement keeps everyone on the "same page" and heading in the same direction. Hence, it needs to be accurate.

HR managers help embody the firm's mission, vision, and values within the organization by doing the following:

- Communicating these frequently, informally and formally, via verbal and written communications such as employee meetings, emails, newsletters, bulletin boards, the firm's website, annual reports, and employee orientations. Some firms, including Nordstrom's, make it a point to ask rank-and-file employees to relate to new hires work incidents that demonstrate how they put a firm's mission, vision, and values into action. Doing so is more powerful and motivating than merely stating them or putting them into print.

- Recruiting and hiring employees whose values are consistent with the organization. This can also help organizations attract millennial workers, who place a high priority on finding employment that is meaningful to them and aligned with their goals and values in life, says Dov Seidman, a leading HR consultant.

- Translating the mission, vision, and values into specific on-the-job behaviours and job descriptions and recognizing and rewarding employees based on them.

Like organizations themselves, firms have to be prepared to change their mission statements as conditions change over time. Monitoring those changes requires a firm to continually scan the environment for threats and opportunities, which we discuss next.

STEP 2: EXTERNAL ANALYSIS

Before you decided on your major, you probably looked at information about possible careers—whether or not there were many opportunities in those careers. Were certain fields becoming more demanding or more profitable than others? Firms do something similar. On an ongoing basis, they analyze external opportunities and threats. **Environmental scanning** is the systematic monitoring of the major external forces influencing the organization, including forces in the business environment, the remote environment, and the competitive environment.[9]

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THE BUSINESS ENVIRONMENT

A firm's business environment consists of all of the external factors in the general environment—factors a firm cannot directly control but that can affect its strategy. In the next sections, we will look at these factors and how HR personnel can help their companies understand the business environment.

The remote environment is part of the business environment. It includes forces that generally affect most, if not all, firms—forces over which they have virtually no control. Changes in the economy, technological changes, demographic changes, and legal and regulatory changes are examples. By and large, a firm can only adapt to these changes rather than influence them.

Economic and Ecological Changes

All firms must react to changes in the economy, including general, regional, and global conditions. During economic booms, firms are more likely to expand. During recessions, they generally contract. But this isn't true for all businesses. It depends on their strategies. Dollar stores, such as Dollarama and Dollar Tree, saw their sales and stock prices rise during the last recession. Business was so brisk that they expanded by opening thousands of new stores and hired thousands of employees.[10]

Closely related to the economy are ecological conditions. The catastrophic tsunami that struck Japan in 2011 affected thousands of different types of businesses there as well as their supply-chain partners worldwide. One Japanese semiconductor manufacturer recovered more quickly than its peers thanks to a strategy it had developed in the aftermath of an earthquake three years earlier: the company had created flexible manufacturing capabilities and plans that allowed it to shift production to unaffected manufacturing facilities in other parts of Japan and Asia.[11]

Technological Changes

Like economic and ecological changes, technological changes such as automation have a broad effect on businesses—changes that they have had to adapt to strategically. The Internet, of course, has affected businesses in nearly every industry and in nearly every country. Think about travel agents. For decades, they used to be the key resource people used to search for flights, hotels, rental cars, and the like. However, with the advent of online reservation systems, travel agents have had to adapt their approach. Today, they are as likely to compete based on the service they provide and the expertise they have about particular locations.

Likewise, newspapers have had to adjust from print to digital subscribers and adjust their sales and revenues strategies to match the new medium or go out of business. Many technology experts expect that in the future, 3D printers and other technological advances will dramatically change what products get made, how they get made, and by whom.

Demographic Changes

Chapter 1 discussed demographic and labour market trends, including the age, composition, and literacy of the labour market, and immigration.

From a strategic standpoint, changes in the labour supply can limit the strategies available to firms. High-growth companies in particular may find it difficult to find the talent they need to expand their businesses. Unemployment rates vary by sector, but the shortage of talent in high-skill jobs continues to create strategic challenges for firms. Of the 20 fastest growing occupations, 12 will require an associate's degree or higher. These labour force trends illustrate the importance

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Reality Check

Spotting Trends in the Global Economy

Every HR professional recognizes that anticipating trends is an important part of the job. Furthermore, senior HR professionals want to influence strategy, not just respond to strategies determined by the "real players" at the boardroom table.

David Foot, a famous Canadian economist and demographer at the University of Toronto, says that HR professionals are often ill-equipped to contribute to their organization's strategy. He contends that HR people are experienced in dealing with micro issues but often lack the big-picture or macro perspective that is necessary to deal with corporate or strategic issues.

Having worked with executives and boards of directors, he is very familiar with the issues facing them and with the inability of HR managers to advance the HR view of the implications of strategic decisions. He offers this example: A company is thinking about going global—say, by expanding into Mexico. The HR person has very little knowledge about the labour market of that country (where there are many young people but relatively few seniors). Furthermore, he or she is likely to be preoccupied with important micro issues, such as how to hire employees and what the local health and safety rules are, when he or she ought to be considering, for example, Mexico's regional unemployment and education rates by region to determine plant location.

Other executives can think strategically when faced with changes in the environment. Foot asks: "How many HR professionals could answer the question, 'How does the exchange rate impact HRP?'" Those with a macro perspective would immediately determine (1) How much business is internal/external? (2) Have the financial people bought insurance against exchange rate fluctuations? (3) If the Canadian dollar depreciates, and there will be more demand for our products, what are the opportunities to access labour in external markets such as Poland or Mexico? How can we recruit these people faster than other companies? This mindset is crucial to being at the boardroom table.

"Let me give you another example of reactionary micro thinking," says Foot. "Low unemployment rates traditionally result in demands from business for higher immigration levels to ease labour shortages." But he notes that traditional HR responses will become increasingly inappropriate in the future, "because more immigrants will only compete with the children of boomers who will be entering the labour force. A proactionary macro-thinking HR person will, therefore, be able to advise the CEO that this is likely to be a short-term, not a long-term, labour shortage and to think internally rather than externally for new workers. This information could be crucial in influencing the company's strategic planning for the next five years."

Source: Interview with David Foot.

of monitoring demographic changes as a part of environmental scanning. It is a core responsibility of HR managers. In Reality Check, David Foot, a demographer at the University of Toronto, explains why HR professionals must become aware of the need to scan.

Social Changes

Societal attitudes are constantly changing the business landscape for firms in all industries. We talked about social changes in Chapter 1, such as people's changing priorities toward work; the need for childcare, eldercare, adequate wages, and job security; educational priorities; and environmental and sustainability concerns. How do these changes affect firm's strategies and their HR strategies in particular?

Consider Walmart. For decades, selling products at low prices has been Walmart's main focus. But now the retailer is facing increasing social pressure to provide better pay for employees, as are many fast-food companies. Offering low prices yet higher employee pay will be a significant strategic challenge.

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Legal and Regulatory Changes

Finally, government and legislative issues, including laws, have a broad effect on the remote environment. Any one change can require firms and entire industries to dramatically adjust their strategic direction. And it's not just North American laws and regulations that are a part of the remote environment but the laws of other countries as well that affect businesses. Until recently, Apple and other 4G smartphone makers were unable to sell their devices in the lucrative Chinese market because the Chinese government hadn't granted the country's major telecommunications companies licences to build 4G networks there.[12]

COMPETITIVE ENVIRONMENT

The competitive environment is narrower than the remote environment, and firms have a greater ability to affect it. As Figure 2.2 shows, the competitive environment includes the firm's customers, rival firms, new entrants, substitutes, and suppliers. Firms analyze their competitive environment in order to adapt to or influence the nature of the competition. A general rule of thumb about this analysis is that the more power each of these forces has, the less profitable (and therefore the less attractive) the industry will be. Let us look at each of the five forces.

Customers

A firm's strategy should focus on creating value for customers, who often want different things. For example, in the hotel industry, business travellers may want convenient locations with meeting facilities. Vacationers may want resort locations with swimming pools, golf courses, and luxury spas. Other travellers may just want an inexpensive room next to the highway. The point is that, increasingly, "one size does not fit all," and organizations need to know how they will provide value to customers. That is the foundation for strategy, and it influences the kind of skills and behaviour that will be needed from employees. For example, actions and attitudes that lead to excellent customer service can include friendliness, the willingness to meet the special needs of customers, etc.

FIGURE 2.2

FIVE FORCES FRAMEWORK
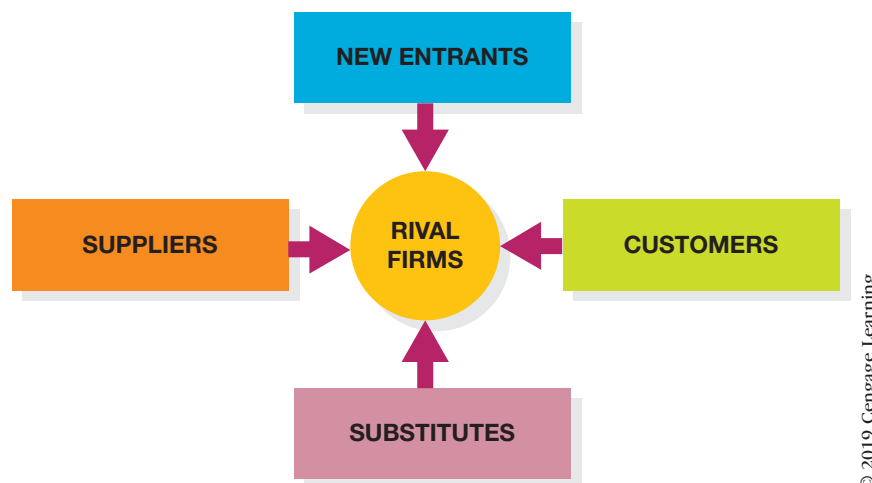
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Rival Firms

In addition to customer analysis, perhaps the most obvious element of industry analysis is examining the nature of competition. The first question to consider is: Who is the competition? Often the answer is clear to everyone, but sometimes it is not. For example, for many years, Toys "R" Us viewed its main competitors to be other toy stores, such as FAO Schwarz or KB Toys. However, other retailers, such as Zellers and Walmart, soon moved into this space very successfully. This had a direct effect on HRP for Toys "R" Us. Although in the past, Toys "R" Us had been successful with a volume-based approach (i.e., "stack it high, and let it fly"), bigger retailers soon gained an advantage—who can beat Walmart's volume and cost advantage? As a consequence, Toys "R" Us had to modify its strategy to compete more on customer service and the expertise of its employees. But did Toys "R" Us have the number and kind of employees required to compete in this way? Were its staffing, training, performance management, and compensation practices aligned with this strategy? The prognosis does not appear to be good, as the firm closes its stores in the United States; however, its Canadian operations appear to be financially healthy, at least for the time being.

New Entrants

New companies can sometimes enter an industry and compete well against established firms, and sometimes they cannot. To protect their position, companies often try to establish entry barriers to keep new firms out of the industry. However, when new firms do enter an industry, it is often because they have a different—and perhaps better—way to provide value to customers. When Virgin America first entered the market, the airline's goal was not just to sell cheap tickets. It promised to make "flying good again" by offering, among other perks, in-flight live concerts, Wi-Fi, MP3 players, mood lighting, music in the bathrooms, and top-notch customer service.[13] New entrants can change the "rules of the game" in an industry.

Substitutes

At times, the biggest opportunity or threat in an industry is not from direct competition but from buyers substituting other products. In the telephone industry, for example, people are increasingly disconnecting their landline phones and instead using their mobile phones and VoIP (Voice Over Internet Protocol) services, such as Skype. This implies that firms may need to adjust their employee skill bases to support different technologies, or they may need to think about how they will compete in different ways.

Suppliers

Organizations rarely create everything on their own but instead have suppliers that provide them with key inputs. These inputs can include raw materials for production, money (from banks and stockholders), information, and people. This last factor—people, or labour, as it is historically called—has direct implications for strategic planning and HRP.

Stakeholders

Stakeholders are key people and groups that have an interest in a firm's activities and can either affect them or be affected by them. The term goes beyond the five forces described above. A firm's primary stakeholders include its investors, employees, customers, suppliers, and creditors. Primary stakeholders have a direct stake in the firm and its success. A firm's *secondary stakeholders* have less

of a stake but nonetheless can affect or be affected by the company. Secondary stakeholders include the community in which the firm operates, the government, business groups, and the media.

Firms have to analyze and balance the interests of their various stakeholders. For example, laying off employees will often result in lower costs for a firm, at least in the short term. But if the cuts are too severe and affect a firm's service, for instance, customers are likely to suffer as will investors and creditors. The community could suffer as well. One way a firm attempts to balance the interests of their shareholders is by determining how a strategic action is likely to impact each group. For which group is the action critical? For which group is the action less critical? The firm may want to involve or at least consult primary shareholders in major strategic actions. In contrast, secondary stakeholders can be monitored and informed. So, for example, if a firm is considering developing a new product, its suppliers, creditors, and employees should definitely be involved and consulted about the move. Secondary stakeholders, such as the community and the media, can merely be informed about the new strategy when appropriate and their responses monitored.

HR'S EXTERNAL SUPPLY OF LABOUR

Sources of information about the changes in a firm's remote and competitive environments, particularly the external supply of labour, are invaluable for both operational and strategic reasons. HRP has to focus on both. At an operational level, labour-supply changes directly affect hiring plans in the area where the organization is located or plans to locate. Similarly, with a "maturing" workforce, HRP must consider the implications for recruitment and replacement policies. Other "barometers" of the labour market include migration in and out of the area and the mobility of the population, the firm's demand for specific skills, unemployment rates, educational level of the workforce, government labour regulations, and so on. To be closer to younger, educated workers, who will lead them into the digital future, as well as high-earning consumers, large companies such as Motorola, Yahoo, and others that moved to the suburbs decades ago are relocating to the cities or opening satellite offices there.

Labour market analysis is aided by various published documents. Statistics Canada and Employment and Social Development Canada/Human Resources and Skills Development Canada publish many studies on the labour force, as do various provincial governments. In addition, local chambers of commerce and city planning departments can assist both large organizations and new business ventures by providing them with a labour market analysis of their areas. Offshore consulting firms such as IBM and Accenture can be a good source of information about labour trends in other countries.

Part of conducting an external labour analysis includes gauging the talent in your own industry—in other words, looking at the competitive environment for labour. What schools are the top candidates being recruited from? What firms are attracting the most candidates and why? What firms end up hiring the best candidates and why? Astute HR managers who track their firms' hiring and recruiting metrics relative to the competition are an invaluable source of external labour "intelligence" such as this. Attending industry conventions and talking to your company's suppliers about business and employment trends are other good ways of gathering competitive intelligence. So are interviews with job candidates. Simply asking candidates who turned down job offers why they did so can yield a great deal of information. We will talk more about this aspect of HR in Chapter 5.

STEP 3: INTERNAL ANALYSIS

When you decided on your major, you not only had to look at careers that were in demand, you also had to take a hard look at yourself and what you're good at relative to other people. For example, petroleum engineers make a lot of money and are in great demand. But do you have what it takes to become one? Similarly, organizations also analyze their own strengths and weaknesses.

LEARNING OUTCOME 3

Think about the issues facing Toys "R" Us and Sears. How did they assess their ability to enter new markets? Do you think they looked first at new markets and then the capabilities of their employees and external partners or vice versa?

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CORE CAPABILITIES

A growing number of experts now argue that the key to a firm's success is based on establishing a set of **core capabilities**—bundles of people, processes, and systems that distinguish an organization from its competitors and deliver value to customers.

You can think of **value creation** as a cost/benefit scenario. For example, what is driving, or would drive, a customer's willingness to buy from your firm versus another? What benefits do, or would, customers get from your firm relative to the costs they incur? In what areas does your organization excel as far as potential customers are concerned? Most firms recognize that there is a small set of three to six core capabilities that are most critical to differentiating them from competitors. Core capabilities can consist of a combination of three resources: (1) processes, (2) systems (technologies), and (3) people.

Processes are "recipes" or standard routines for how work will be done and results will be accomplished. For example, when executives at Intermountain Healthcare (IHC), a hospital and clinic chain, analyzed the firm's capabilities, they found that less than 10 percent of its processes accounted for over 90 percent of the cost, time, and quality of patients' healthcare. These were selected as the processes on which the organization would focus to enhance its core capabilities.

Top-notch systems are also part of the core capabilities equation. They include information systems, databases, proprietary technologies, and the like. For example, great systems and technologies are a core capability of Amazon.com—one that has resulted in a significant competitive advantage for the firm.

Last, but certainly not least, people are a key resource that underlies a firm's core capabilities. Particularly in knowledge-based industries such as the software and information services industries, success depends on "people-embodied know-how." This includes the knowledge, skills, and abilities of employees most critical for executing the firm's plan to create the most value for customers and whose skills are difficult to replicate or replace.

As a result, a number of companies that previously relied on standard plans for recruiting and managing their employees are designing more tailored plans to address the individual needs of employees so that they will be in a better position to help implement their firms' strategies. Microsoft goes so far as to ask certain types of employees to design their own career paths. For example, the company offers software engineers both a management-focused and technical specialist career track and allows them to move back and forth between the two.

SUSTAINING A COMPETITIVE ADVANTAGE THROUGH PEOPLE

Organizations can achieve a sustained competitive advantage through people if they are able to meet the following criteria[14]:

1. *The resources must be valuable.* People are a source of competitive advantage when they improve the efficiency or effectiveness of the company. Value is increased when employees find ways to decrease costs, provide something unique to customers, or some combination of the two. To improve the bottom line, RBC and Enbridge are among the companies that utilize employee empowerment programs, total quality and continuous improvement efforts, and flexible work arrangements to motivate and spark the creativity of their workers.

2. *The resources must be rare.* People are a source of competitive advantage when their knowledge, skills, and abilities are not equally available to competitors. Companies such as Microsoft and Four Seasons Hotels therefore invest a great deal to hire and train the best and the brightest employees to gain an advantage over their competitors.

3. *The resources must be difficult to imitate.* People are a source of competitive advantage when the capabilities and contributions of a firm's employees cannot be copied by others. Disney, Southwest Airlines, and

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Starbucks are each known for creating unique cultures that get the most from employees (through teamwork) and are difficult to imitate.

4. *The resources must be organized*. People are a source of competitive advantage when their talents can be combined and deployed to work on new assignments at a moment's notice. Companies such as IBM and GE have invested in information technology to help allocate and track employee assignments to temporary projects. Teamwork and cooperation are two other pervasive methods for ensuring an organized workforce.

These four criteria highlight the importance of people and show the closeness of HRM to strategic management.

Types of Talent and Their Composition in the Workforce

A related element of internal analysis for organizations that compete on capabilities is determining the composition of the workforce. As we have indicated, managers need to determine whether people are available, internally or externally, to execute an organization's strategy. Managers have to make tough decisions about whom to employ internally, whom to contract externally, and how to manage different types of employees with different skills who contribute in different ways to the organization. The Province of British Columbia recognizes the value of human capital as described in Highlights in HRM 2.2.

Figure 2.3 shows that different skill groups in any given organization can be classified according to the degree to which they create strategic value and are

FIGURE 2.3

MAPPING HUMAN CAPITAL

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CHAPTER 2: STRATEGY AND HUMAN RESOURCES PLANNING   51
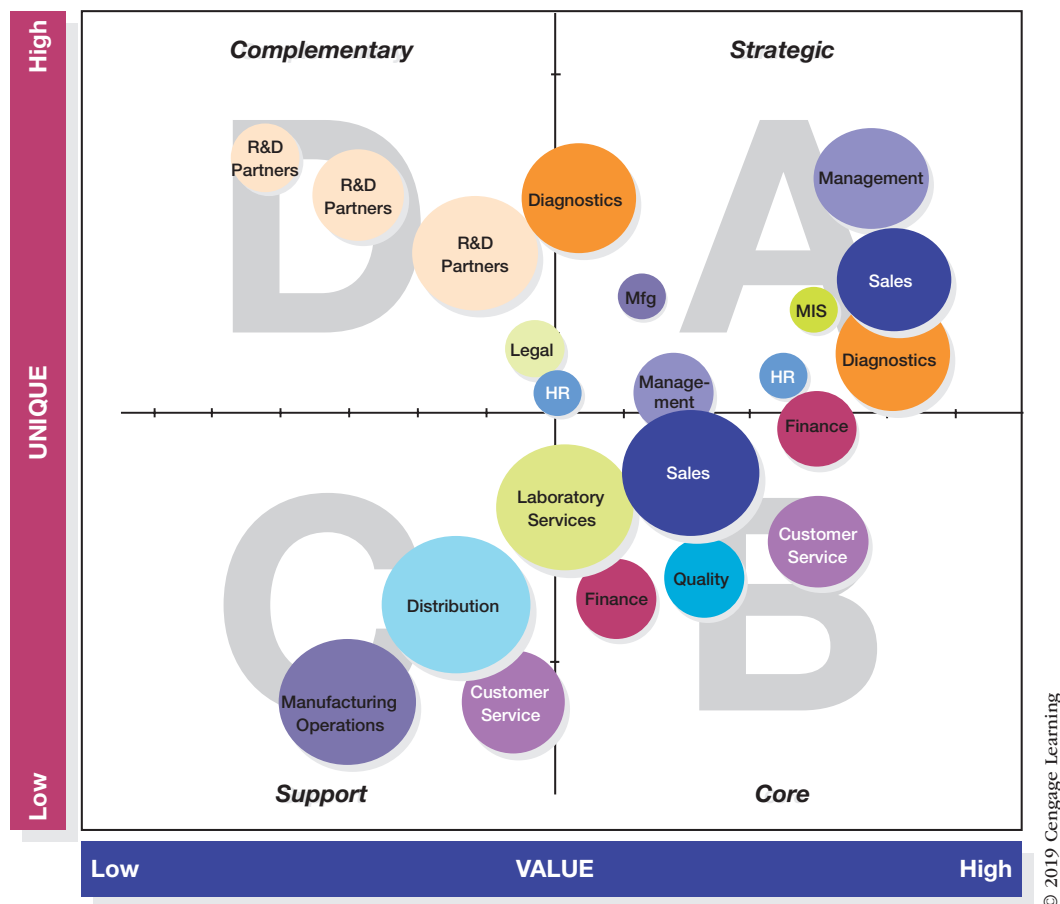
Highlights in HRM 2.2

The Measurement of Human Capital

The Office of the Auditor General of British Columbia recognized that human capital is critically important to the delivery of high-quality service to the province's citizens. So it set out to measure whether training and development (T&D) were being used to increase human capital in the B.C. public service. As a first step, it defined human capital as the collective brainpower in an organization. This brainpower consists of

- facts acquired through informal and formal education
- skills gained through training and practice
- experience gained through reflection on past successes and mistakes
- value judgments based on individual perceptions
- social networks developed through relationships with coworkers, colleagues, and customers

The audit took several measures, including a large-scale survey of a random sample of full-time employees and an in-depth audit of three ministries. Some of the data generated by this audit are the following:

- Thirty-six percent of government employees had received no formal training.
- The average B.C. government employee received 17 hours of training (compared to a Canadian benchmark of 29 hours).
- Less than 1 percent of payroll was spent on training (compared to the 4 percent that the best employers spend).

- Forty percent of employees had had their jobs redefined.
- Forty-three percent of senior managers would reach age 55 in the next five years and be eligible to retire.
- Thirty-three percent of employees with less than one year of employment did not feel they had been properly trained to carry out their duties.

The audit revealed that most T&D decisions were based on requests made from individual employees and that most programs they attended consisted of one- and two-day courses outside the organization. It had never been ascertained whether these courses increased employees' skills or helped the organization achieve its goals. There was neither a way of knowing how effective this training was, nor was there any accounting for T&D expenditures. Government employees generally believed that training was of great value to them and their organizations. Paradoxically, they also believed that they were not being supported in their work, and only half thought they had the tools and resources they needed to do their jobs.

More recently, the Vancouver Board of Trade established a task force to focus on the gap between labour supply and demand. The issues on the table included Canada's skills shortages, the underutilization of immigrants, the need for more training programs in B.C., and the largely untapped potential of B.C. First Nations' communities.

unique to the organization. This figure shows the departments for an Australian biotechnology firm and the quadrants those groups fall into as well as their gradual migration given a strategic organizational shift to one that focuses on customer service. As a general rule, managers often consider contracting externally (or outsourcing) skill areas that are not central to the firm's core competence. HRP plays an important role in helping managers weigh the costs and benefits of using one approach to employment versus another.

Evidence from research suggests that employment relationships and HR practices for different employees vary according to which segment they occupy in this matrix. Here are some general trends:

Strategic knowledge workers. This group of employees tends to have unique skills that are directly linked to the company's strategy and are difficult to replace

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(such as research and development scientists in pharmaceuticals company or computer scientists in a software development company). These employees are typically engaged in knowledge work that involves considerable autonomy and discretion. Companies tend to make long-term commitments to these employees, investing in their continuous training and development and perhaps giving them an equity stake in the organization.

Core employees. This group of employees has skills that are quite valuable to a company but are not particularly unique or difficult to replace (such as salespeople in a department store or truck drivers for a courier service). These employees tend to be employed in traditional types of jobs. Because their skills are transferable, it is quite possible that they could leave to go to another firm. As a consequence, managers frequently make less investment in training and development and tend to focus more on paying for short-term performance achievements.

Supporting workers. This group of employees typically has skills that are of less strategic value to the firm and are generally available in the labour market (such as clerical workers, maintenance workers, and staff workers in accounting and HR). Individuals in these jobs are increasingly hired from external agencies on a contract basis to support the strategic knowledge workers and core employees. The scope of their duties tends to be limited, and their employment relationships tend to be transaction based, focused on rules and procedures, with less investment in development. Ethics in HRM describes some issues associated with contract employees. The Business Case outlines the advantages to the employer of hiring contract labour.

External partners. This group of individuals has skills that are unique but frequently are not directly related to a company's core strategy (such as lawyers and consultants). Although companies perhaps cannot justify their internal employment, given their indirect link to strategy, these individuals have skills that are specialized and not readily available to all firms. As a consequence, companies tend to establish longer-term alliances and partnerships with them and nurture an ongoing relationship focused on mutual learning. Considerable investment is made in the exchange of information and knowledge.[15]

Bloomberg/Getty Images

Package handlers are core employees of the human capital architecture at FedEx.

Ethics in HRM

The Employment Contract

The number of organizations substituting part-time workers for full-time employees is growing. Employees—even those with excellent track records and many years of service—are considered expendable as organizations revise their strategies to become more competitive and more profitable. When yet another reorganization occurs, management reveals the new plan with excitement. However, although management thinks it is telling employees, "We will provide you with meaningful, challenging, and skill-building work that will be good for your résumé—you are responsible for your own employment," employees are hearing, "We will work you to the bone, pay you enough to prevent you from quitting, and fire you when we no longer need you. Oh, and by the way, you are our most valuable resource."

Some employment contracts are extremely one-sided, with employers determining when to hire and when to fire, without obligation or guilt. This kind of contract works when people need jobs more than organizations need employees. However, as some sectors continue to experience rapid growth, and as the labour market for certain skills becomes tighter, employees are making contractual demands that place them in the driver's seat. They are demanding signing bonuses, stock equity, retention bonuses, and sufficient notification with predetermined buyouts for termination. Furthermore, the courts are ruling that if an employee is retained for a series of uninterrupted contracts, then that contract worker is de facto an employee.

CORPORATE CULTURE

cultural audits
Audits of the culture and quality of work life in an organization

Think about our initial discussion (in step 1) of mission, vision, and values. Because managers increasingly understand that their employees are critical to their success, they often conduct **cultural audits** to examine the values, assumptions, beliefs, and expectations of their workforces as well. Can they make a difference in a firm's strategy? Yes. Cultural audits can help firms decide on the strategic investments necessary to build and sustain a culture. The audits can also be used to determine if the cultures of two companies will complement each other should the firms merge. As we will discuss later, many a merger has failed due to corporate "culture clashes" between companies that tried to join forces.

Conducting a Cultural Audit

To conduct a cultural audit, a firm generally surveys its employees about how they feel about a number of issues by asking them questions such as the following: How is business conducted within your organization? How do people communicate with one another? How are conflicts and crises resolved? Sears, for example, found that positive employee attitudes on 10 essential factors—including workload and treatment by bosses—are directly linked to customer satisfaction and revenue increases.[16]

To prevent legal and ethical breaches, some firms conduct cultural audits that ask employees questions about the degree of fear associated with meeting their firms' revenue goals and incentive plans that could encourage unethical or illegal behaviour.[17] Cultural audits can also be used to determine whether there are different groups, or subcultures, within the organization that have distinctly different views about the nature of the work and how it should be done.

The cultural audit conducted by SAS, a business-analytics corporation that often ranks No. 1 on *Fortune* magazine's "Best Companies to Work For" list,

The Business Case

Hiring Contract Workers Pays

As you can see, the employer can save a lot of money by hiring only contract employees. The use of contract workers has the additional benefits of functional flexibility (employers can hire the workers with the exact skills needed) and numerical flexibility (workers can be added or discharged as work demand fluctuates). Contract workers (also called temporary workers or "temps") are defined as paid workers with a specified end date for their job or completion of a task or project. The number of temporary/contract workers grew to a record two million Canadians, about 13 percent of all Canadian workers. In a relatively recent survey, HR professionals reported that 63 percent of them saw an increase in the use of contract workers in their organizations.

While recent changes in employment standards legislation in Ontario will force employers to rethink how they use contract workers (see Chapter 3), employers want to hire people on contract for several reasons, including the following:

- The employer has the ability to terminate their contracts easily.

- There is no obligation to pay benefits.
- The need for training and development investments is reduced.
- Less pay is required because contract workers rarely benefit from seniority provisions.
- Typically, contract workers are not entitled to paid sick leave or vacation pay.
- There is no obligation on the part of the employer to pay into a pension plan.
- Typically, contract employees do not participate in company incentive compensation programs that award merit pay or bonuses.

A growing organization must decide whether to hire full-time or part-time employees. The chart below will assist in this decision.

ADVANTAGES AND LIMITATIONS OF PART-TIME EMPLOYMENT

Advantages for the Employer	Advantages for the Employee
Work scheduling flexibility	Control over personal time/work–life balance
Reduced compensation costs	More variety in jobs
Increased ability to add/reduce programs	Home office tax advantages

Limitations for the Employer	Limitations for the Employee
Reduced organizational loyalty	Little or no job security
Costs of continuous replacement	Limited benefits
Costs of continual training	Stresses of continuous learning
Strategic employees can quit	Lack of training and career progression

Sources: Adapted from Parisa Nikfargam, The Difference between Full-Time Employee and Contract Worker," *Toronto Metro*, September 3, 2013; http://www.metronews.ca/features/talentegg/2013/09/03/the-difference-between-full-time-employee-vs-contract-worker.html, retrieved April 4, 2018; Amanda Silliker, "More Firms Hiring Contract Workers," *Canadian HR Reporter* 25, no. 9. (2012): 1, 13; Helmar Drost and H. Richard Hird, *An Introduction to the Canadian Labour Market*, 2nd ed. (Scarborough, ON: Thomson Nelson, 2006); Barbara Moses, "Loss of Loyalty Cuts Both Ways," *The Globe and Mail* (November 6, 1997): B17; R. S. Echlin, "Courts Apply Smell Test in Judging Contract Workers as Long Term Employees," *The Globe and Mail* (November 22, 1999): B1; http://www.theglobeandmail.com/report-on-business/economy/jobs/canadas-shift-to-a-nation-of-temporary-workers/article11721139/.

includes detailed questions about the company's pay and benefit programs and a series of open-ended questions about the company's hiring practices, internal communications, training and recognition programs, and diversity efforts.[18]

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Perhaps the most widely used cultural audit questionnaire is the Organizational Culture Assessment Instrument (OCAI), developed by Kim Cameron and Robert Quinn. The questionnaire helps identify four distinct types of corporate cultures:

- The "clan" culture, in which employees are closely knit and exhibit great concern for one another and their customers, and loyalty and cohesion are highly valued. Starbucks' culture can be categorized as a clan culture. Many small and medium-sized businesses fall into this category too. Their HR strategies are more informal and focused on creating a family-type feel that binds employees emotionally to the organization.[19]

- The "adhocracy" culture, which is a culture characterized by risk taking, innovation, and a spirit of entrepreneurship. Google clearly fits into this category.

- The "market" culture, which encourages competitive, result-oriented behaviours. Investment banks that closely focus on achieving their financial numbers are an example of firms with market cultures.

- The "hierarchical" culture, which is characterized by formal structures and procedures and in which efficiency and stability are greatly valued. Utility-type companies and well-established companies such as railroads fall into this category.

Some cultures lend themselves more readily to some strategies than others. However, almost all firms have elements of each of the four cultures.

Values-Based Hiring

Earlier in the chapter, we mentioned that many firms try to hire employees whose values correspond to their corporate cultures. This practice is referred to as **values-based hiring**. It involves outlining the behaviours that exemplify a firm's corporate culture and then hiring people who are a fit for them. The computer network provider Juniper Networks has identified four to six behaviours that exemplify each of its core values in action. "We are upping our game to be much more explicit about what the best talent for Juniper looks like," says Greg Pryor, former vice president of leadership and organization for Juniper.[20]

According to author James Clawson, leaders who target employees' values, attitudes, beliefs, and expectations are more effective than those who simply focus on workers' behaviours or thought processes. This makes sense. Recall from Chapter 1 the story about the entrepreneur who tripled his sales but, because he took his staff for granted, was then muscled out of the market by a competitor. If a firm lacks a clear idea of how employees view the organization, no matter how great the organization's plans are, those plans might never be successfully executed and sustained.

FORECASTING

An internal analysis of an organization can reveal a great deal about where it stands today. However, things change. In an important sense, strategic planning is about managing that change. Managers must continually forecast both the needs and the capabilities of the firm for the future to do an effective job at strategic planning. As shown in Figure 2.4, managers focus on (at least) three key elements: (1) forecasting the demand for labour, (2) forecasting the supply of labour, and (3) balancing supply and demand considerations.

Consider, for a moment, the high costs of not forecasting—or forecasting poorly. If job vacancies are left unfilled, the resulting loss in efficiency can be very costly, particularly when you consider the amount of time it takes to hire and train replacement employees. As pointless as it may sound, we have seen situations in which employees are laid off in one department while applicants

FIGURE 2.4

MODEL OF HR FORECASTING

FORECASTING DEMAND

Considerations
- Product/service demand
- Economics
- Technology
- Financial resources
- Absenteeism/turnover
- Organizational growth
- Management philosophy

Techniques
- Trend analysis
- Managerial estimates
- Delphi technique

Techniques
- Staffing tables
- Markov analysis
- Skills inventories
- Management inventories
- Replacement charts
- Succession planning

External Considerations
- Demographic changes
- Education of workforce
- Labour mobility
- Government policies
- Unemployment rate

FORECASTING SUPPLY

BALANCING SUPPLY AND DEMAND

Shortage
- Utilize overtime
- Add full-time workers
- Add part-time workers
- Employ contract workers
- Recall employees
- Outsource work
- Reduce employee turnover

Surplus
- Reduce employees' work hours
- Implement a hiring freeze
- Lay off employees
- Offer employees early retirement

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are hired for similar jobs in another department. Poor forecasting that leads to unnecessary layoffs also makes it difficult for employees to accurately assess their own career prospects and development. When this happens, some of a firm's more competent and ambitious workers will be inclined to seek other employment where they feel they will have better career opportunities.[21]

On the plus side, accurate forecasting provides the kind of information managers need to make sound decisions. It can help them ensure that they have the right number and right kinds of people in the right places at the right times, doing things that provide value to both the organization and the employees.

Forecasting a Firm's Demand for Employees

If a key component of forecasting is predicting the number and types of people that an organization needs to meet its objectives, the question remains: "How can this be done?" A variety of factors, including a firm's competitive strategy, technology, structure, and productivity, can affect the demand for labour. External factors such as business cycles—economic and seasonal trends—can also play a role. For example, retailers such as Hudson's Bay and Canadian Tire rely heavily on temporary employees between November and January. There are two approaches to HR forecasting: quantitative and qualitative, which we discuss next.

Quantitative approaches. Quantitative approaches to forecasting involve the use of statistical or mathematical techniques. One example is **trend analysis**, whereby a firm's employment requirements are forecasted on the basis of some organizational index.

trend analysis
A quantitative approach to forecasting labour demand based on an organizational index such as sales

External factors such as business cycles—economic and seasonal trends—can play a role in forecasting the demand for and supply of employees.

Yellow Dog Productions/Stone/Getty Images

management forecasts
The opinions (judgments) of supervisors, department managers, experts, or others knowledgeable about the organization's future employment needs

Other, more sophisticated statistical planning methods include modelling or multiple predictive techniques. Whereas trend analysis relies on a single factor (such as sales) to predict employment needs, the more advanced methods combine several factors, such as interest rates, gross national product, disposable income, and sales, to predict employment levels. Factors such as a firm's strategy and "what if" scenarios can also be incorporated in the analysis. For example, if the firm wants to increase its sales by 10 percent, how many additional sales people should it hire? Forecasting methods such as these are usually used by larger companies with the help of analysts and statisticians. However, advances in data collection technology and computer software are making it easier and more affordable for smaller businesses to use more sophisticated forecasting techniques.

Qualitative approaches. Admittedly, forecasting is frequently more an art than a science, providing inexact approximations rather than absolute results. The ever-changing environment in which an organization operates contributes to this situation. For example, estimating changes in the demand for a firm's products or services is a basic forecasting concern, as is anticipating changes in national or regional economics. A firm's internal changes are critical too. For example, a community hospital anticipating internal changes in its technology or how the facility is organized or managed must consider these factors when it forecasts its staffing needs. Also, the forecasted staffing needs must be in line with the organization's financial resources.

In contrast to quantitative approaches, qualitative approaches to forecasting are less statistical. **Management forecasts** are the opinions (judgments) of supervisors, department managers, experts, or others knowledgeable about the organization's future employment needs. Another qualitative forecasting method, the Delphi technique, attempts to decrease the subjectivity of forecasts by soliciting and summarizing the judgments of a preselected group of individuals. HR personnel can do this by developing a list of questions to ask the managers in their companies. Highlights in HRM 2.3 contains a list of good questions to ask. The final forecast thus becomes a collective, or group, judgment.

Ideally, forecasting should include the use of both quantitative and qualitative approaches. Numbers without context—including the context supplied by

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skilled HR professionals who understand the business and can analyze and interpret the data—are less useful. "The most important software is the one running between your ears," explains Matthew C. Brush, the director of human capital planning at Corning, Inc. Indeed, in small organizations, forecasting may be as informal as having one person who knows the organization and anticipates its future HR requirements.[22]

Forecasting the Supply of Employees

Just as an organization must forecast its future requirements for employees, it must also determine whether sufficient numbers and types of employees are available to staff the openings it anticipates having. As with demand forecasts, the process involves both tracking current employee levels and making future projections about those levels.

Staffing tables and *Markov analysis*. An internal supply analysis can begin with the preparation of staffing tables. **Staffing tables** are graphic representations of all organizational jobs, along with the numbers of employees currently occupying those jobs (and perhaps also future employment requirements derived from demand forecasts). Another technique, called **Markov analysis**, shows the percentage (and actual number) of employees who remain in each of a firm's jobs from one year to the next, as well as the proportions of those who are promoted, demoted, or transferred or exit the organization. As Figure 2.5 shows, a Markov analysis can be used to track the pattern of employee movements through various jobs and to develop a transition matrix for forecasting labour supply.

Forecasting the supply of human resources available to a firm requires that its managers have a good understanding of employee turnover and absenteeism. We have included formulas for computing turnover and absenteeism rates in an appendix to this chapter. Also included in the appendix is a formula for calculating a new metric called **quality of fill**. It was developed because managers understand that simply having "bodies" in place is not enough. The quality-of-fill

staffing tables
Graphic representations of all organizational jobs, along with the numbers of employees currently occupying those jobs and future (monthly or yearly) employment requirements

Markov analysis
A method for tracking the pattern of employee movements through various jobs

quality of fill
A metric designed to assess how well new hires are performing on the job

FIGURE 2.5

HYPOTHETICAL MARKOV ANALYSIS FOR A RETAIL COMPANY
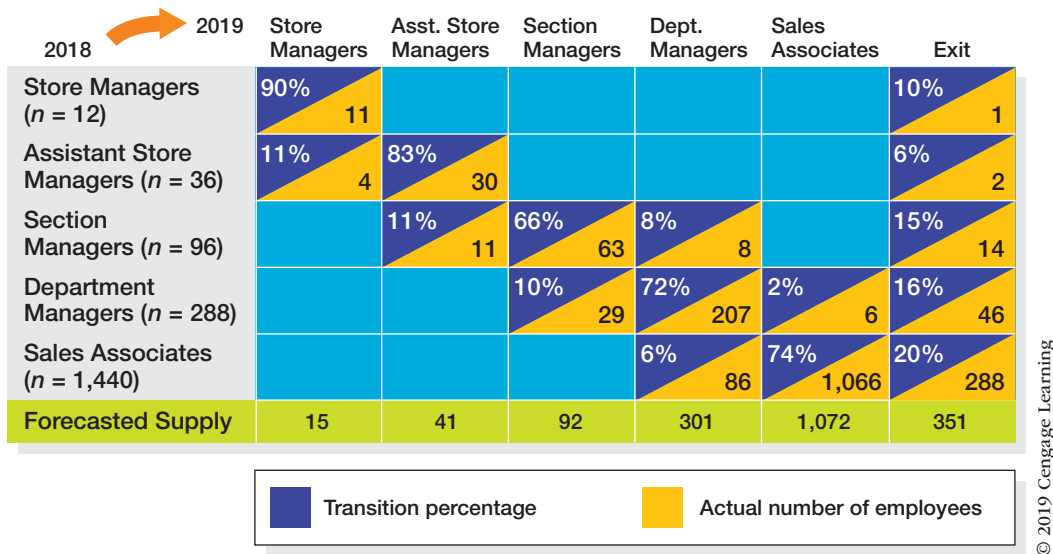
2018 \ 2019	Store Managers	Asst. Store Managers	Section Managers	Dept. Managers	Sales Associates	Exit
Store Managers (*n* = 12)	90% / 11					10% / 1
Assistant Store Managers (*n* = 36)	11% / 4	83% / 30				6% / 2
Section Managers (*n* = 96)		11% / 11	66% / 63	8% / 8		15% / 14
Department Managers (*n* = 288)			10% / 29	72% / 207	2% / 6	16% / 46
Sales Associates (*n* = 1,440)				6% / 86	74% / 1,066	20% / 288
Forecasted Supply	15	41	92	301	1,072	351

■ Transition percentage   ■ Actual number of employees

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skill inventories
Files of personnel education, experience, interests, and skills that allow managers to quickly match job openings with employee backgrounds

replacement charts
Listings of current jobholders and people who are potential replacements if an opening occurs

succession planning
The process of identifying, developing, and tracking key individuals for executive positions

---

metric attempts to measure how well new hires are performing so that the company will have enough top performers to propel it toward its strategic objectives. We will show you how it is calculated in Chapter 5 when we discuss recruiting metrics.

Skill inventories and *management inventories*. Staffing tables, a Markov analysis, and turnover rates tend to focus on the *number* of employees in particular jobs. Other techniques are more oriented toward the *types* of employees and their skills, knowledge, and experiences. **Skill inventories** can also be prepared that list each employee's education, past work experience, vocational interests, specific abilities and skills, compensation history, and job tenure. Well-prepared and up-to-date skill inventories allow an organization to quickly match forthcoming job openings with employee backgrounds. When data are gathered on managers, these inventories are called *management inventories*.

Replacement charts and succession planning. Both skill and management inventories—broadly referred to as talent inventories—can be used to develop employee **replacement charts**, which list current jobholders and identify possible replacements should openings occur. Figure 2.6 shows an example of how an organization might develop a replacement chart for the managers in one of its divisions. Note that this chart provides information on the current job performance and promotability of possible replacements.

A replacement chart can be used side by side with other pieces of information for **succession planning**—the process of identifying, developing, and tracking talented individuals so that they can eventually assume top-level positions.

In a study conducted by the Society for Human Resource Management, three out of four chief executives said that succession planning was their most significant challenge for the future. A Conference Board of Canada survey of HR managers found that organizations had internal candidates that were job ready to replace senior executives less than half the time.[23] Software developers are responding to this need with new succession planning and talent management software. Software developer Taleo, for example, offers an application based on a firm's organizational chart and baseball card–like

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FIGURE 2.6

AN EXECUTIVE REPLACEMENT CHART
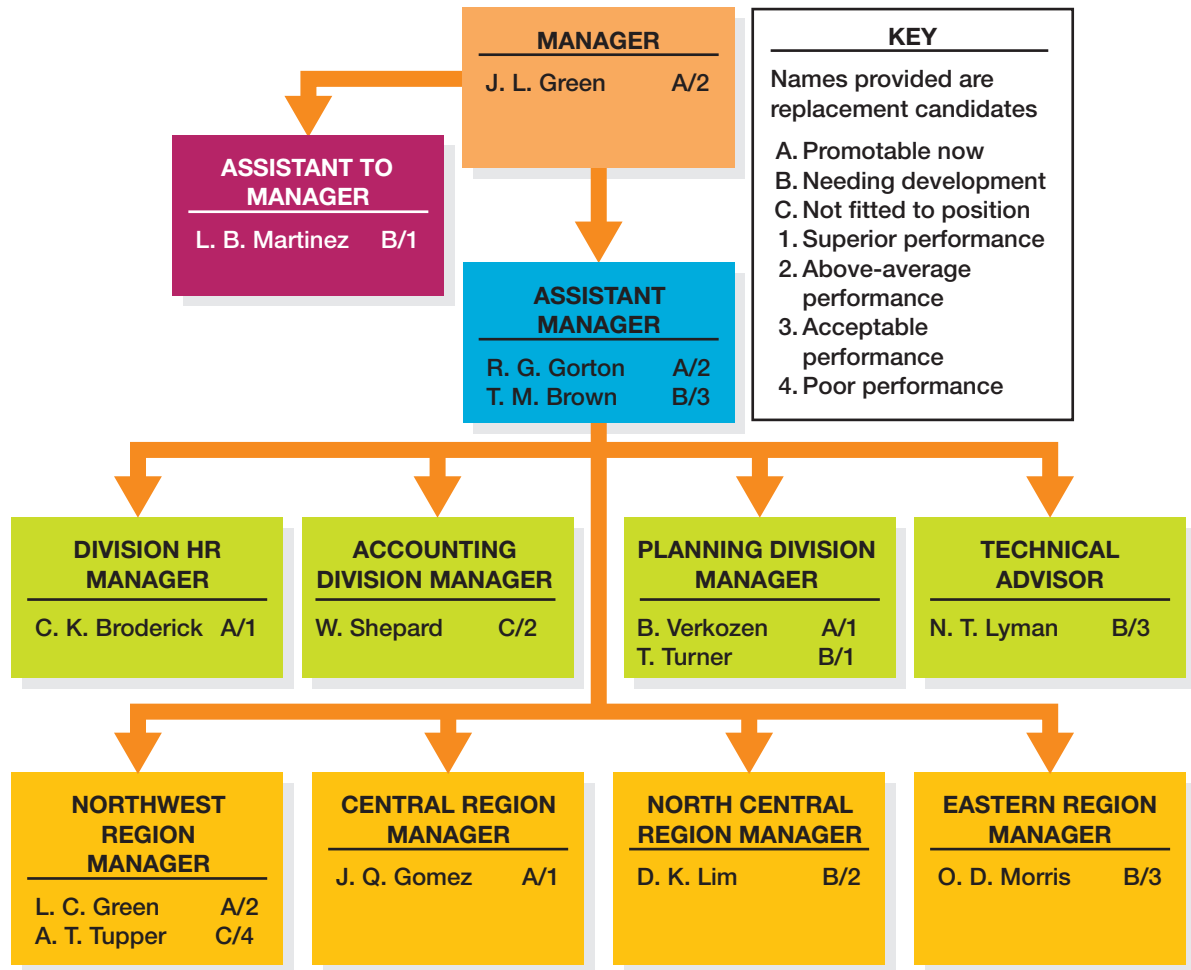
representations of its employees. Clicking on the cards flips them over to show statistics about the employees, such as their individual performance review data, career information, and succession data. Similarly, the consulting firm Accenture developed a Facebook-like application listing its employees, where they are based, and their individual areas of expertise. The application helps managers with deployment decisions and makes it easier for Accenture's employees who do not necessarily know each other or work together to collaborate with one another.

HR managers frequently lament that they have trouble keeping managers, including CEOs, focused on succession planning. It's possible that because CEOs are increasingly being recruited from the outside, they are less concerned with internal succession planning than they are in "bringing in their own people." And, of course, because the workforce is becoming increasingly mobile, some managers wonder why they should develop employees internally who may eventually leave the organization when they can recruit qualified talent from the outside. Highlights in HRM 2.4 shows a checklist for evaluating the "success" of succession planning.[24] Small businesses have particular difficulties in planning for succession as described in Highlights in HRM 2.5.

Highlights in HRM 2.4

Succession-Planning Checklist

RATE THE SUCCESS OF YOUR SUCCESSION PLANNING

For each characteristic of a best-practice succession-planning and management program appearing in the left column below, enter a number to the right to indicate how well you believe your organization manages that characteristic. Ask other decision makers in your organization to complete this form individually. Then compile the scores and compare notes.

Characteristics of a Best-Practice Succession-Planning and Management Program	How Would You Rate Your Organization's Succession-Planning and Management Program on the Characteristic?				
Your organization has successfully …	Very Poor (1)	Poor (2)	Neither Poor Nor Good (3)	Good (4)	Very Good (5)
1 Clarified the purpose and desired results of the succession-planning and management program.					
2 Determined what performance is required now for all job categories in the organization by establishing competency models.					
3 Established a means to measure individual performance that is aligned with the competencies currently demonstrated by successful performers.					
4 Determined what performance is needed in the future by establishing future competency models for all job categories.					
5 Created an ongoing means by which to assess individual potential against future competency models.					
6 Established a means by which to narrow gaps through the use of individual development plans (IDPs).					
7 Created a means to follow up and hold people accountable.					
8 Created a means by which to document competence and find organizational talent quickly when needed.					
9 Created and sustained rewards for developing people.					
10 Established a means by which to evaluate the results of the succession planning and management program.					

Total (add up the scores for items 1–10 and place in the box on the right)

SCORES

50–40 Congratulations. The succession-planning and management program in your organization conforms with best practices.

29–20 Okay. While your organization could make improvements, you appear to have some of the major pieces in place for a succession-planning and management program.

39–30 Pretty good. Your organization is on the way toward establishing a first-rate succession-planning and management program.

19–10 Not good at all. Your organization is probably filling positions on an as-needed basis.

9–0 Give yourself a failing grade. You need to take steps immediately to improve the succession-planning and management practices of your organization.

Source: From William J. Rothwell, "Putting Success into Your Succession Planning," *The Journal of Business Strategy* 23, no. 3 (May/June, 2002): 32–37. © Emerald Group Publishing Limited; all rights reserved.

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Highlights in HRM 2.5

Lack of Succession Planning Threatens Family Businesses

Sisters Craigie and Debbie Zildjian are the 14th-generation leaders of Zildjian Cymbal Company, brothers Mark and Massimo Brooke are the 15th-generation leaders of John Brooke & Sons, and father-and-son team Toshitaka and Masakzu Kongo are the 50th- and 51st-generation leaders of Kongo Gumi of Japan. A certain mystique exists about family businesses being carried on for generations, yet the reality revealed in PricewaterhouseCoopers' Family Business Worldwide Survey is that many family businesses fail because they lack a succession plan. For example, according to a recent study, although many Canadian businesses are family owned, less than a third of these companies continue to exist into the second generation, and just 10 percent survive into the third. It may take the death of a colleague or a sudden illness for business owners to realize that, like a will, they need a succession plan to keep a business going, continue to provide for their families, and keep their workers out of the unemployment line.

Business owners are sometimes reluctant to put succession plans in place for fear of relinquishing control. "Business owners may be reluctant to face the issue because they do not want to relinquish control, feel their successor is not ready, have few interests outside the business, or wish to maintain the sense of identity work provides," explains Dr. Al Agamy, an executive director with the Family Business Center at IMD, an international business school based in Switzerland.

Sometimes the next generation is just not enthusiastic about joining the family business. Consequently, it is not advisable to force a family member into the situation. Rather, family businesses must seek ways of bringing the new generation in.

Thus, choosing and grooming the right successor are key. J. Davis, speaking on successor development at the International Family Enterprise Institute, recommends looking for a successor with the following qualities: one who knows and loves the nature of the business; one who knows his or her own strengths and weaknesses, having learned them through education and previous experience; one who wants to lead and serve; one who has earned the respect of other stakeholders; one who knows when to turn to trusted, knowledgeable advisors for guidance; and one whose skills and abilities fit the strategic needs of the business.

Even with a business owner willing to relinquish the reins and a well-chosen successor waiting in the wings, an actual transition plan—transparent and known to all involved in advance—is still required. "[Any transition] needs to be carried out without causing any alarm to the other stakeholders—that is, financiers who may be worried that such a change may increase firm-specific risk," says Mahate. "Suppliers may be concerned about providing future credit facilities or even doing business with the company. Customers may be fearful of long-term relationships with the company. Therefore, it is in everyone's interest to have an orderly change to the new structure."

Sources: "Next in Line: The Advantages of Succession Planning," *Forbes* (July 30, 2013), http://www.forbes.com; "Canada's Banks Eye Succession Plans for Boomers," *Reuters* (December 20, 2012), http://www.reuters.com; Manoj Nair, "Succession Planning Is the Key," gulfnews.com (January 19, 2011), http://gulfnews.com; Ernesto J. Poza, *Family Business* (Mason, OH: South-Western/Cengage Learning, 2010): 85–89; Don Schwerzler, "Family Succession Plan First," http://www.family-business-experts.com/family-succession-plan.html.

ASSESSING A FIRM'S HUMAN CAPITAL READINESS: GAP ANALYSIS

Once a company has assessed both the supply and the demand for employee skills, talent, and know-how, it can begin to understand its **human capital readiness**. Any difference between the quantity and quality of employees required versus the quantity and quality of employees available represents a gap that needs to be closed. Figure 2.7 shows how PharmaCo, a specialty chemical manufacturing company, approaches its assessment of human capital readiness. Similar to our discussion in the preceding sections, managers begin by identifying a company's core capabilities and the key people and processes that are critical to those capabilities. PharmaCo's executive team identified eight key job "families" that comprise about 100 employees of the firm's 1,500-member staff (in other words, less

human capital readiness
The process of evaluating the availability of critical talent in a company and comparing it to the firm's supply

FIGURE 2.7

ASSESSING A FIRM'S HUMAN CAPITAL

PharmaCo

VALUE: DISCOVERY | DEVELOPMENT | OPERATIONS | COMM

PROCESSES			
Lead Optimization	Pre-clinical	Manufacture	Branding
Predictive Science	Clinical Trial Design	Packaging	Sales/Mkt
Personalized Medicine	Patient Insight	Distribution	

PEOPLE: Bioscientists, Chemists | Toxicologists, Pharmacists, Clinician/Physicians | SCM Specialists, Chem/Mech Engineers | Brand Team Leader, Brand Marketers

COMPETENCIES:

Disease Area -------------- Experimental Design Results Interpretation -------------- Analytical Thinking Strategic Thinking Collaboration	Chemistry -------------- Molecular Design Protein Synthesis -------------- Analytical Thinking Collaboration Results-Orientation	Toxicology -------------- Pharmacology Molecular Toxicology -------------- Problem-Solving Results-Orientation Collaboration	Disease Area -------------- Clinical Trial Design Results Interpretation -------------- Communicate Collaboration	Formulation -------------- Analytical Chemistry Process Chemistry Scale Up -------------- Analytical Thinking	Chemical & Mechanical Engineering -------------- Production Design Testing & Analysis Operations Management -------------- Detail Orientation	Brand and Market Knowledge Disease Areas -------------- Project Management -------------- Leadership Collaboration Results Orientation
Required 325	125	25	55	30	15	320
Qualified 206	85	20	50	20	15	255
HC Readiness 63%	68%	80%	91%	62%	100%	79%

Source: *Strategy Maps: Converting Intangible Assets into Tangible Outcomes* by Robert Kaplan and David Norton, 2006. Copyright © 2006 by the Harvard Business School Publishing Corporation.

than 10 percent of its workforce). For each of these critical job families, managers identified the critical knowledge, skills, and behaviours necessary to build the core capabilities. They then determined the number of people required for these positions, as well as the number of people who are currently qualified.

As the lower portion of the figure shows, the company's human readiness ranged between 0 percent for supply-chain management design specialists and 75 percent for call centre representatives.

Once the assessment of the firm's human capital readiness is complete, managers have a much better foundation for establishing their strategy going forward and the specific requirements for developing the talent needed to implement the strategy.[25]

STEP 4: FORMULATING STRATEGY

Think once again about your education, your major, and career choices. After you looked at possible careers, the opportunities they presented, and your ability and desire to do them, you probably had to formulate a strategy for pursuing one of them by choosing a college. When you graduate, you will have to formulate a strategy for successfully landing a job in your field in a certain locale you want

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FIGURE 2.8

AN EXAMPLE OF A SWOT ANALYSIS FOR LIZ CLAIBORNE

Strengths	Weaknesses
• brand recognition • understanding customer needs • new product lines • advertising scheme • product diversification strategy • tailor to changing needs, preferences, and lifestyles	• changing consumer needs • highly competitive market • long lead time bringing new styles to market • clothing line is complete success or costly mistake
Opportunities	**Threats**
• overseas markets • worldwide advertising • entering the large-size consumer market • designing mix-and-match outfits • men's sportswear	• key competitors • strict government regulations • changing shopping patterns • quota restrictions

Source: "Liz Claiborne SWOT Analysis," WikiSWOT, http://www.wikiswot.com.

to be in. Similarly, after managers have analyzed the internal strengths and weaknesses of the firm, as well as external opportunities and threats, they have the information they need to formulate corporate, business, and HR strategies for the organization.

A comparison of *strengths*, *weaknesses*, *opportunities*, and *threats* is referred to as a **SWOT analysis**. A SWOT analysis helps executives summarize the major facts and forecasts derived from external and internal analyses. Strategy formulation builds on SWOT analysis to use the strengths of the organization to capitalize on opportunities, counteract threats, and alleviate internal weaknesses. In short, strategy formulation moves from simple analysis to devising a coherent course of action. Figure 2.8 is an example of a SWOT analysis done for Liz Claiborne, the fashion-apparel company.

> **SWOT analysis**
> A comparison of strengths, weaknesses, opportunities, and threats for strategy formulation purposes

CORPORATE STRATEGY

A firm's corporate strategy includes the markets in which it will compete, against whom, and how. Corporate strategy focuses on domain selection, that is, the markets in which it will compete. Some firms choose a concentration strategy that focuses on only a limited portion of the industry. For example, Visteon Corporation specializes in electronics, climate, and powertrain technologies for the automotive industry. In contrast, Henry Ford at one time had fully integrated his company from the ore mines needed to make steel all the way to the showrooms where his cars were sold.

Growth and Diversification

Emerging and growing companies execute their strategies differently than mature companies or those in decline. As companies grow, their strategic choices tend to focus on geographic, volume, and product expansion. HRP is a vital input to these decisions. Growth hinges on three related elements: (1) increased employee productivity, (2) a greater number of employees, and (3) employees developing or acquiring new skills. Thus, a firm's staffing, training, and employee motivation efforts can either enable the company to grow or limit its potential.

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As companies diversify into new businesses, managers are inevitably faced with a "make or buy" decision. That is, should they develop the capabilities in-house or contract externally? For example, when IBM entered the personal computer market in the early 1980s, it contracted with (start-up companies) Intel and Microsoft to make the hardware and operating systems for its personal computer (PC). The decision did not rest solely on HR issues, but they were an important part of the equation. Interestingly, IBM got out of the PC business altogether in 2005 by selling its PC product lineup to Chinese computer manufacturer Lenovo. Today, IBM develops custom technology services for businesses, which it believes will be more profitable in the long run and a harder product for competitors to imitate. To help accomplish this new strategy, the company spent the first part of the decade buying up dozens of business service–related companies and their talent.

Some companies diversify far beyond their core businesses. GE, for example, has diversified from its original base in electrical and home appliance products to such wide-ranging industries as health, finance, insurance, truck, and air transportation, and even media with its ownership of NBC. To manage such a diverse portfolio, GE has invested heavily in the development of general management skills and leadership ability.

Mergers and Acquisitions

Canada has seen a host of mergers and acquisitions in recent years, including the merger of Loblaws and Shoppers Drug Mart. However, some mergers do not go well (measured by return on investment, shareholder value, and the like). Often the failure is due to cultural inconsistencies, as well as conflicts among the managers of each firm. The failure of the merger between the German firm Daimler-Benz (the manufacturer of Mercedes-Benz vehicles) and Chrysler is an example. Although the German portion of the firm had superior technology, reportedly, it was less than eager to share its know-how with its American counterparts. Problems such as this point directly to the importance of effective HRP prior to—and during—the merger process.

Strategic Alliances and Joint Ventures

Sometimes firms do not acquire or merge with another firm but instead pursue cooperative strategies such as a strategic alliance or joint venture. Especially when firms enter into international joint ventures, the issues of culture (both company culture and national culture) become paramount. On the front end, HR plays a vital role in assessing the compatibility of cultures and potential problems. As the alliance is formed, HR helps select key executives and develops teamwork across the respective workforces. In addition, HR is typically involved in the design of performance assessment and mutual incentives for the alliance.

BUSINESS STRATEGY

Whereas we think about corporate strategy as domain selection, business strategy is viewed in terms of domain navigation. It is more focused on how the company will compete against rival firms to create value for customers. Companies can increase the value they offer customers by decreasing the costs of their goods and services or by increasing the benefits their products provide (or some combination of the two). Their business strategies reflect these choices.

Low-Cost Strategy: Compete on Productivity and Efficiency

A low-cost strategy means keeping your costs low enough so that you can offer an attractive price to customers (relative to competitors). Organizations such as McDonald's have been very successful at using a low-cost strategy.

Critical success factors for this strategy focus on efficiency, productivity, and minimizing waste. These types of companies often are large and try to exploit economies of scale in production and distribution. In many cases, their large size allows them to sell their products and services at a lower price, which leads to higher market share, volume, and (it is hoped) profits. However, even a low-cost leader must offer a product or service that customers find valuable. As Gordon Bethune, the former CEO of Continental Airlines, put it, "You can make a pizza so cheap that no one will buy it."[26] Ultimately, organizations need to use a cost strategy to increase value to customers rather than take it away.

A low-cost strategy has several links to HRP. The first has to do with productivity. A common misconception about low-cost strategies is that they inevitably require cutting labour costs. On the contrary, there are several good examples of companies that pay their employees "top dollar" but gain back cost advantages because of excellent productivity. That is, they get a terrific "bang for the buck." Either they produce more from the workforce they have, or they can produce the same amount with a smaller workforce.

According to Peter Cappelli, who heads the Center for Human Resources at the Wharton School of the University of Pennsylvania, the productivity of the best-performing staffs can be 5 to 20 *times* higher than the productivity of the worst-performing staffs, depending on the industry. Billy Beane, the general manager of the Oakland A's, became famous for making the most of the team's small payroll. Beane did so by carefully choosing and developing players and using them more strategically than other major league teams with bigger payroll budgets. The movie *Moneyball* tells this story and provides some interesting examples of HR strategy and practices.

The second way that low-cost strategies are linked to HR pertains to outsourcing. In some cases, companies seeking low cost may consider contracting with an external partner that can perform particular activities or services as well as (or better than) at a lower cost. This decision directly links strategic planning to HRP. Decisions such as these often result in layoffs, transfers, and the like. As noted previously, organizations need to have a clear understanding of their core processes and skills to make these decisions. Too often, firms approach outsourcing decisions based on costs alone, but this can lead to detrimental effects in the long run if the skills base of their employees suffers and their core capabilities are subsequently eroded.

Differentiation Strategy: Compete on Unique Value Added

Another way to compete is by providing something unique and distinctive to customers. A differentiation strategy is often based on high product quality, innovative features, speed to market, or superior service. Four Seasons Hotels' commitment to quality and luxury, FedEx's focus on speed and flexible delivery, Holt Renfrew's commitment to fashion and customer service, and Apple's emphasis on innovation and product development are all easily identifiable examples of differentiation strategies.

Each of these strategies is rooted in the management of human resources. Companies that focus on service, for example, need to identify and support ways to empower employees to serve customers better. In contrast to the company that emphasizes low cost and efficiencies, you may find that differentiating companies will bend the rules a bit more, allow more flexibility to let you "have it your way," and customize products and services around the customer's particular needs. In place of rigid rules, service-oriented companies often try to embed their values in the cultural values of the company. Nordstrom's employee handbook consists of just a single five-by-eight-inch card that reads: "Welcome to Nordstrom. Rule #1. Use your good judgment in all situations. There will be no additional rules."

FUNCTIONAL STRATEGY: ENSURING ALIGNMENT

In addition to formulating corporate- and business-level strategies, managers also need to "translate" strategic priorities into functional areas of the organization (such as marketing, manufacturing, and HR). This involves all aspects of the business, but in particular there needs to be a clear alignment between HR and the requirements of an organization's strategy. In this regard, HR policies and practices need to achieve two types of fit: vertical and horizontal.[27]

Vertical Fit/Alignment

Vertical fit (or *alignment*) focuses on the connection between the business objectives and the major initiatives in HR. For example, as we noted earlier, if a company's strategy focuses on achieving low cost, its HR policies and practices need to reinforce this idea by reinforcing efficient and reliable behaviour on the part of employees and enhanced productivity. On the other hand, if the organization competes through innovation and new product development, then its HR policies and practices would be more aligned with the notion of fostering creativity and flexibility.

Horizontal Fit/Alignment

In addition to vertical fit or alignment, managers need to ensure that their HR practices are all aligned with one another internally to establish a configuration that is mutually reinforcing. The entire range of the firm's HR practices—from its job design, staffing, training, performance appraisal, and compensation—needs to focus on the same workforce objectives. Unfortunately, often one HR practice, such as training, might be focused on teamwork and sharing, whereas another HR practice, such as the firm's appraisal or compensation programs, reinforces the idea of individual achievement. Charles Schwab and Company faced this very situation. The company has a reputation in the financial services industry for developing a culture of teamwork that has been important to its strategy. However, when it changed its compensation strategy to provide more rewards to its high-performing brokers, the firm sent mixed signals to its employees. Which is more important: teamwork or individual high flyers?[28]

The use of part-time employees helps contain labour costs at fast-food restaurants.

RosaIreneBetancourt 10/Alamy Stock Photo

STEP 5: STRATEGY IMPLEMENTATION

As the old saying goes, "well begun is half done"—but only half. Like any plan, formulating the appropriate strategy is not enough. Managers must also ensure that the new plans are implemented effectively. This is easier said than done.

Strategy implementation is difficult for organizations as well. One survey revealed that about half of managers say there is a gap between their organization's ability to develop a vision and strategy and the ability to execute it. Recently, organizations have been paying more attention to implementation and execution.[29]

Figure 2.9 shows the now classic 7-S framework and reveals that HRM is instrumental to almost every aspect of strategy implementation, whether it pertains to structure, systems, style, skills, staff, or shared values. In the "Hard S" category is the *strategy*, which lays out the route that the organization will take in the future; the organizational *structure* is the framework in which the activities of the organization members are coordinated. If the strategy requires employees to be reorganized or redeployed, HR will be intimately involved.

Also in the "Hard S" category are *systems* and processes. These include formal and informal procedures that govern the everyday activities of a firm. As organizations redesign their processes to implement their strategies, HR managers need to help ensure that the best workflow models are in place and that employees share their advice about the changes too. As with strategy development, employees can be the source of valuable ideas about how work processes should be structured.

In the "Soft S" category are *shared values*, or core values, which were discussed earlier in the chapter as a guiding parameter for strategic planning. They relate to implementation as well. Strategic change often requires employees and managers to modify, or abandon, their old ways of doing things. HR managers play a central role as guardians of the corporate culture—the principles on which the company is founded and the fundamental ideas around which the business is built. This is tightly connected to the issue of *style*, which refers not only to

FIGURE 2.9

THE 7-S MODEL
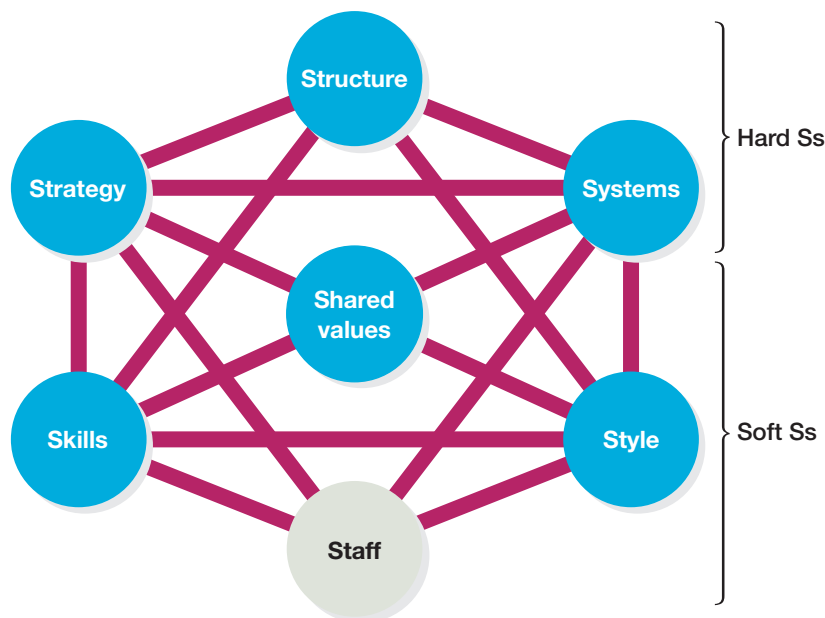
Source: "McKinsey 7-S Framework" from IN SEARCH OF EXCELLENCE: LESSONS FROM AMERICA'S BEST RUN COMPANIES by THOMAS J. PETERS and ROBERT H. WATERMAN, JR. Copyright © 1982 by Thomas J. Peters and Robert H. Waterman, Jr. Reprinted by permission of HarperCollins Publishers.

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the leadership approach of top managers but also the way in which employees present themselves to the outside world (to suppliers, customers, and so on). *Skills* and *staff* relate directly to HRM because at its most basic level, HR's role in the strategy implementation process is to reconcile (1) human resources demanded and (2) human resources available.

TAKING ACTION: RECONCILING SUPPLY AND DEMAND

Through HRP, organizations strive for a proper balance between demand considerations and supply considerations. Demand considerations are based on forecasted trends in business activity. Supply considerations involve determining where and how candidates with the required qualifications can be found to fill a firm's vacancies.

In an effort to meet their HR demands, organizations have many staffing options, including hiring full-time employees, having current employees work overtime, recalling laid-off workers, using temporary or contract employees, and outsourcing or offshoring some of their business processes. Highlights in HRM 2.6 outlines how one Nova Scotia company dealt with a projected labour shortage.

Dealing with Surplus Employees

Several options are available to employers when it comes to dealing with surplus employees: layoffs, attrition, and termination.

Layoff Strategies

Employee layoff decisions are usually based on seniority and/or ability. With unionized organizations, the criteria for determining an employee's eligibility for layoff are typically set forth in the collective agreement. Although it has become customary for employers to recognize seniority in unionized employees, non-union employees are not always given the same consideration. Due to the demand for a technically skilled workforce, the ability of employees to change jobs and

Highlights in HRM 2.6

Managing Labour Shortages

Dexter, a construction company based in Bedford, Nova Scotia, was facing a skills gap in its labour market. The demands in this sector have changed, and there is less need for manual labourers and a greater demand for technicians with computer literacy skills. For example, a heavy equipment operator or surveyor used to operate by observing and using pen and paper; now much of this work is dictated by GPS (Global Positioning Systems) and integrated software.

Ron Hyson, director of HR for Dexter, decided to partner with the Nova Scotia Community College to recruit, select, and train employees in the required skills. About 350 candidates applied for the two-year training program,

were tested, and then interviewed. A final group of 30 was selected to receive training in all fields of construction. They were cross-trained in surveying and heavy equipment operations and were given courses in management development, job costing, and safety. The training methods were varied. About 40 percent of the time, trainees were in the classroom. The remaining time was spent in the field in six to eight functional areas, such as surveying. Work terms of six months, consisting of rotations in each area for four weeks, were used to help the students determine their interests and abilities. At the end of the program, the trainees were guaranteed employment.

Source: Interview with Ron Hyson.

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learn new skills, as well as their performance and competencies, is given a great deal of weight in layoff decisions. The most important reason for using seniority as a basis for layoffs is the objective nature of the decision: number of years of work, not perception of ability, is the basis for the decision. The system is fair, and employees themselves can calculate their own probability of being employed.

One of the major disadvantages of overemphasizing seniority is that less competent employees receive the same rewards and security as more competent ones; the seniority system ignores talent and effort. The payroll is also higher than under other systems because more experienced workers tend to earn more money. Also, the practice of using seniority as the basis for deciding which workers to lay off may well have a disproportionate impact on women and visible minority workers, who often have less seniority than other groups.

Under the umbrella of layoff strategies are several work reduction options: reduced workweek, reduced shifts, and transfers to related companies. Under the reduced workweek, employees work about 20 to 30 hours per week. This option allows the organization to retain a skilled workforce and lessens the financial and emotional impact of a full layoff, while at the same time reducing the costs of production. Reduced shift work is based on a similar concept of reducing costs by reducing the number of hours worked. Some plants operate three shifts a day and may shut down the midnight to 8:00 a.m. shift to save money. In some rare cases, organizations can transfer laid-off employees to a sister company. Layoffs are the fastest way to achieve workforce reduction; attrition is the slowest.

Attrition

Attrition refers to the "natural" departure of employees through quits, retirements, and deaths. The turnover rates of an organization vary greatly by industry and by occupation. For example, university professors rarely quit, whereas turnover among fast-food workers can reach 300 percent a year. Most organizations can easily estimate how many people will leave the organization and so can slowly reduce the workforce through natural means.

Attrition must be supplemented by other practices. Hiring freezes are usually implemented at the same time as the organization adopts a strategy of workforce reduction through attrition. A **hiring freeze** means that organizations will not hire new workers as planned or will hire only in areas critical to the success of the organization.

Some organizations attempt to accelerate attrition by offering incentives to employees to leave. These incentives include cash bonuses for people to leave during a specified time, accelerated or early retirement benefits, and free outplacement services. However, the buyout process must be carefully managed. Employees with valuable skills who can easily find another job may be the first to cash in.

If the surplus of employees is deemed to be permanent, terminations may be the only option.

Termination Strategies

Termination is a practice initiated by an employer to separate an employee from the organization permanently. Termination is different from firing, in which an employee is released for such causes as poor performance, high absenteeism, or unethical behaviour. The purpose of termination is to reduce the size of the workforce and thereby save money.

A termination strategy begins with the identification of employees who are in positions that are no longer considered useful or critical to the company's effectiveness. Employers cannot terminate without some form of compensation to the employee. **Severance pay**, a lump-sum payment given to terminated employees, is calculated on the basis of years of service and salary. Every province has legislation such as the *Employment Standards Act*, which establishes minimum standards for termination and severance pay.

attrition
A natural departure of employees from organizations through quits, retirements, and deaths

hiring freeze
A practice whereby new workers are not hired as planned or workers who have left the organization are not replaced

termination
Practice initiated by an employer to separate an employee from the organization permanently

severance pay
A lump-sum payment given to terminated employees by an employer at the time of an employer-initiated termination

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benchmarking
The process of measuring one's own services and practice against the recognized leaders in order to identify areas for improvement

STEP 6: EVALUATION AND ASSESSMENT

You probably know someone who graduated, went to work in a particular field, assessed their success (or lack of it) in that field, and then decided to do something else for a living. The same sort of re-evaluation and assessment is an important function for business as well. At one level, it might seem that assessing a firm's effectiveness is the final step in the planning process. But it is also the first step. Planning is cyclical, of course, and although we have somewhat conveniently placed evaluation at the end of this chapter, the information provides firms with inputs they need for the next cycle in the planning process.

EVALUATION AND ASSESSMENT ISSUES

To evaluate their performance, firms need to establish a set of "desired" objectives as well as the metrics they will use to monitor how well their organization delivered against those objectives. The objectives can include achieving a certain level of productivity, revenues, profits, market share, market penetration, customer satisfaction, and so forth. Because strategic management is ultimately aimed at creating a competitive advantage, many firms evaluate their performance against other firms. **Benchmarking** is the process of identifying "best practices" in a given area—for example, productivity, logistics, brand management, and training—and then comparing your practices and performance to those of other companies. To accomplish this, a benchmarking team would collect information on its own company's operations and those of other firms to uncover any gaps. The gaps help determine the causes of performance differences, and, ultimately, the team would map out a set of best practices that lead to world-class performance. Interestingly, the target company for benchmarking does not need to be a competitor. For example, when Xerox wanted to learn about excellent customer service, it benchmarked L.L. Bean. By working with a noncompeting company, Xerox was able to get access to information a competitor would not divulge.

FIGURE 2.10

AN EXAMPLE OF AN HR DASHBOARD

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The metrics fall into two basic categories: human capital metrics and HR metrics. Human capital metrics assess aspects of the workforce, whereas HR metrics assess the performance of the HR function itself.

Most larger companies use software to track their HR metrics over time. Figure 2.10 shows an example of an HR "dashboard," which is software that tracks and graphically displays HR statistics so they can be viewed by managers at a glance (as you do your dashboard readings when you are driving).

Smart HR managers can significantly enhance their worth to their organizations if they go a step further by gathering informal information, or "intelligence," about the strategic and HRM practices of their competitors. This can be done by legal means, such as by reading industry blogs, checking competitors' press releases, and signing up for their news feeds, messages they put out on Twitter, and Google email alerts that are triggered when competing firms' names appear in the news. Attending industry conventions and talking to your company's suppliers about business and employment trends are other good ways of gathering competitive intelligence.

Gathering competitive intelligence and benchmarking alone will not give a firm a competitive advantage. A competitive advantage is based on the unique combination of a company's human capital, strategy, and core capabilities, which differ from firm to firm. This means that HR managers cannot simply rely on the benchmarks and strategies of other firms. Instead, they must develop their own. If they can successfully do so and implement them, they can achieve a sustained competitive advantage.[30]

<aside>
balanced scorecard (BSC)
A measurement framework that helps managers translate strategic goals into operational objectives
</aside>

MEASURING A FIRM'S STRATEGIC ALIGNMENT

Earlier in the chapter, we discussed the importance of strategic alignment and fit as an element of strategy formulation and implementation. As an element of evaluation, some very useful techniques help managers assess the extent to which they have achieved these objectives.

Strategy Alignment and the Balanced Scorecard

One of the tools for mapping a firm's strategy to ensure strategic alignment is the **balanced scorecard (BSC)**. Developed by Harvard professors Robert Kaplan and David Norton, the BSC is a framework that helps managers translate their firms' strategic goals into operational objectives. The model has four related cells: (1) financial, (2) customer, (3) processes, and (4) learning.[31] The logic of the BSC is firmly rooted in HRM. People management and learning help organizations improve their internal processes and provide excellent customer service. Internal processes—product development, service, and the like—are critical for creating customer satisfaction and loyalty; they are also important for ensuring productivity to contain costs for better financial performance. Customer value creation, in turn, drives up revenues, which enhances profitability.

Figure 2.11 shows how this might work at Starbucks. In each cell, Starbucks would identify the key metrics that help translate strategic goals to operational imperatives. For example, under customer metrics, Starbucks might look at the percentage of repeat customers, the number of new customers, and growth rate. Under people metrics, managers might measure the numbers of suggestions provided by employees, participation in Starbucks' stock-sharing program, employee turnover, and training hours spent. Each of these cells links vertically. People management issues such as rewards, training, and suggestions can be linked to efficient processes (e.g., brewing the perfect cup, delivering top-notch customer service). These processes then lead to better customer loyalty and growth. Growth and customer loyalty in turn lead to higher profitability and market value.

FIGURE 2.11

BUILDING THE METRICS MODEL

Strategic Theme: "The Third Place"	Objectives	Measures	Targets	Initiatives
Financial — Long-Term Shareholder Value; Grow Revenues; Asset Utilization	• Profitability • Grow revenues • Improve cost structure	• Market value • Revenue • General and administrative costs as % of sales	• 20% compound annual growth rate (CAGR) • 30% CAGR • 5% CAGR	• Intl. growth • Cdn. growth • Corp. layoffs
Customer — Attract & Retain Customers; Premium Coffee; The "Third" Place	• New customers • More value to current (now) customers	• No. of Customers • New stores • Repeat customers • Same store sales	• 20 mill/wk • 1,500/yr • 15% 2/wk • 13% growth	• Store develop • New products • Customer loyalty program • New partners
Internal — Engage Cust.; Fill Orders	• Friendly service • Accurate orders • Fast fulfillment	• Customer feedback • First time right • Order fulfillment	• 90+ satisfaction • 99+% accurate • <3 mins	• Customer engagement • Automation • Cycle time opt.
People — Baristas; Store Manager	• Store manager stability • Barista engagement	• Average tenure • Voluntary turnover • Engagement survey	• Mgr >3 yrs • Barista 80% • 85% rating	• 40 hrs training • MUG awards • Beanstock

organizational capability

The capacity of the organization to act and change in pursuit of sustainable competitive advantage

Measuring Horizontal Fit

Recall that horizontal fit means that HR practices are all aligned with one another to establish a configuration that is mutually reinforcing. Figure 2.12 shows an example of how organizations can assess the horizontal fit of their HR practices. There are essentially three steps. First, managers need to identify the key workforce objectives they hope to achieve. Often this information can come from the people/learning cell of the BSC and might include loyalty, customer service, productivity, and creativity. Second, managers would identify each of the HR practices used to elicit or reinforce those workforce objectives (e.g., job design, staffing, training, appraisal, compensation). Third, managers would evaluate each HR practice on a scale of –5 (not supportive) to 5 (supportive). By tallying up the ratings across managers, organizations can get a very clear idea of which HR practices are working together to achieve the workforce objectives and which are not.

Keep in mind that internal fit is a necessary, but insufficient, cause of strategic alignment. A company could have nearly perfect alignment among its HR practices, but they still might not be aligned with the competitive strategy. For that reason, it is important for managers to assess both internal fit and external alignment.

ENSURING STRATEGIC FLEXIBILITY FOR THE FUTURE

Apart from the need to establish and measure fit between HR and strategy, HR is also focused on ensuring flexibility and agility when the environment changes. Ultimately, successful HRP helps increase **organizational capability**—the capacity of the organization to continuously act and change in pursuit of sustainable competitive advantage.[32]

Flexibility can be achieved in two primary ways: coordination flexibility and resource flexibility. *Coordination flexibility* occurs through rapid reallocation of

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FIGURE 2.12

ASSESSING HORIZONTAL FIT

ORGANIZATION		Sales Productivity	Customer Service	Merchandise Information	Stock Maintenance	Total	FUNCTIONAL COHESION
	Structure/Workflow						
	• cross-functional teams	3	2	0	−1	4	
	• rotation (depts.)	3	3	−1	−1	4	
	Staffing						
	• test battery	2	2	1	1	6	
	• select for experience	5	3	2	2	12	
	Training						
	• retail selling skills	4	5	1	1	11	
	Rewards						
	• results appraisal	5	−4	−2	25	26	
	• individual incentives	5	−5	−3	25	28	
	Leadership						
	• corporate	3	3	1	0	7	
	• store manager	4	2	2	2	10	
	Technologies						
	• merchandise information systems	5	2	5	1	13	
	• daily postings	4	−3	4	21	4	
		43/55	10/55	10/55	26/55	57/220	

SYSTEM COHERENCE

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+5 = strongly supports the priority;
0 = neutral;
−5 = strongly counterproductive

resources to new or changing needs. Through HRP, managers can anticipate upcoming events, keep abreast of changes in legal regulations, forecast economic trends, and recognize competitor moves. With advance notice, managers can move people into and out of jobs, retrain them for new skill requirements, and modify the kinds of incentives they use. Use of a contingency workforce composed of part-timers, temporary employees, and external partners also helps achieve coordination flexibility.[33] *Resource flexibility*, on the other hand, results from having people who can do many different things in different ways. Cross-training, job rotations, and team-based work modes are all focused on establishing a flexible workforce.

We will draw on these ideas throughout this text. But at this point, we want to close the chapter by emphasizing that strategic planning is a process designed to ensure superior performance today, as well as establishing the capability and agility to respond tomorrow. As the great hockey player Wayne Gretzky used to say, "I don't skate to where the puck is. I skate to where the puck is going to be."

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Small Business Application

Small businesses, by their size, provide for a much closer alignment between organizational and people strategies. What is different for small business is threefold: (1) access to resources to analyze the competitive landscape and market opportunities, (2) access to internal and available talent to pursue markets or opportunities, and (3) being less constrained by existing internal processes or structures in the pursuit of new strategies.

As we have seen, the development and integration of HR in the strategic planning process require a scan of market opportunities and the competitive landscape. This research requires time, money, and expertise that may not be readily available in small companies. So how do small companies develop and pursue strategy? Typically, small companies grow around a core competency, a single business activity that has been established to address a specific market need or specific large client requirement. From that centre, all research regarding market opportunities and threats is focused on identifying opportunities that are aligned with this core competency and guarding potential threats to the core business.

Let's use a small printing company with 50 employees as an example. This company has been created out of a need to provide printing services to a packaged-goods company. From this, the company has grown to take on additional clients. However, the packaged-goods company still accounts for 40 percent of the revenue and profitability for the company. With this in mind, the strategic planning exercise focuses on the following: (1) What does the company need to do to grow the business with the existing clients and identify new clients? (2) What risks are there of client or profitability erosion from the existing client base? (3) What changes, if any, are required in the talent the company has in place to sell and deliver printing services to meet these needs?

The challenge for small business is that by the very nature of size, the range of talent available within the existing organization will be constrained. As a result, any change in strategic direction may require retraining or recruitment of talent, both of which will take time and money and will depend on the availability of training services or talent available to hire. These factors will need to be considered in the development of strategy.

Summary

OUTCOME 1 SHRM integrates strategic planning and HRP. It can be thought of as the pattern of HR deployments and activities that enable an organization to achieve its strategic goals. The firm's mission, vision, and values provide a perspective on where the company is headed and what the organization can become in the future. Ideally, they clarify the long-term direction of the company and its strategic intent.

OUTCOME 2 Analyzing the firm's external environment is central to strategic planning. Environmental scanning is the systematic monitoring of major external forces influencing the organization, including forces in the business environment and the competitive environment. Changes in the external environment have a direct impact on the way organizations are run and people are managed. Some of these changes represent opportunities, and some of them represent real threats to the organization.

OUTCOME 3 Conducting an internal analysis to gauge the firm's strengths and weaknesses involves looking at a firm's core capabilities, its talent and composition in the firm, and its corporate culture. An internal analysis enables strategic decision makers to assess the organization's workforce—its skills, cultural beliefs, and values.

An organization's success increasingly depends on the knowledge, skills, and abilities of employees, particularly as they help establish a set of core capabilities that distinguish an organization from its competitors. When employees' talents are valuable, rare, difficult to imitate, and organized, a firm can achieve a sustained competitive advantage through its people. HRP is a systematic process that involves forecasting the demand for labour, performing supply analysis, and balancing supply and demand considerations. Quantitative or qualitative methods help a firm identify the number and type of people needed to meet the organization's goals.

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OUTCOME 4 After managers have analyzed the internal strengths and weaknesses of the firm, as well as external opportunities and threats, they have the information they need to formulate corporate, business, and HR strategies for the organization. A firm's corporate strategy includes the markets in which it will compete, against whom, and how. The firm's business strategy is viewed in terms of domain navigation. It is more focused on how the company will compete against rival firms in order to create value for customers. A firm's HR strategies and practices should be aligned with its corporate and business strategies.

OUTCOME 5 Strategic planning decisions affect—and are affected by—HR functions. Via HRP, HR managers can proactively identify and initiate programs needed to develop organizational capabilities on which future strategies can be built. HRP and strategic planning tend to be most effective when there is a reciprocal relationship between the two processes.

OUTCOME 6 Formulating an HR strategy is only half of the HR battle. The strategy must also be implemented. Employment forecasts must be reconciled against the internal and the external supplies of labour the firm faces. This can include having current employees work overtime; hiring full-time, part-time, or contract employees; downsizing employees; furloughing them; and outsourcing or offshoring. If there is a labour shortage, the firm might have to reformulate its long-term and short-term strategic plans or find ways to develop employees "from the ground up."

Firms also need to establish a set of parameters that focus on the "desired objectives" of strategic planning, as well as the metrics they will use to monitor how well the firm delivers against those objectives. Issues of measurement, benchmarking, alignment, fit, and flexibility are central to the evaluation process. Firms use benchmarking, strategy mapping, the BSC tool, and various HR-related metrics for these purposes.

Key Terms

attrition 71
balanced scorecard (BSC), 73
benchmarking, 72
core capabilities, 50
core values, 43
cultural audits, 54
environmental scanning, 44
hiring freeze, 71
human capital readiness, 63
human resources planning (HRP), 40

management forecasts, 58
Markov analysis, 59
mission, 42
organizational capability, 74
quality of fill, 59
replacement charts, 60
severance pay, 71
skill inventories, 60
staffing tables, 59
stakeholders, 48

strategic human resources management (SHRM), 40
strategic planning, 40
strategic vision, 42
succession planning, 60
SWOT analysis, 65
termination, 71
trend analysis, 57
value creation, 50
values-based hiring, 56

Discussion Questions

1. As you have learned, substitutes can be an opportunity or a threat. The smartphone is a great example of a new product that eliminated the need for many other products. In groups, develop a list of the products that the smartphone has replaced.
2. What external forces influence the future of community colleges and universities? List these and discuss the implications for the demand for faculty.
3. Think about an organization that you know well. Place the employees of this organization into the following categories: strategic knowledge workers, core employees, supporting workers and partners, and complementary skills workers.

4. Shopify and Tim Hortons are both Canadian success stories. From websites and news articles, try to articulate and compare their corporate strategies.
5. During the semester in which you are enrolled in this course, there will be news about an organization needing to reduce the workforce by thousands of employees. What are the options? What are the advantages and disadvantages of each option?
6. Imagine that you are president of the HR student association at your school. You want to measure the success of the association during your term. What metrics would you use? What benchmarks would you use?

HRM Experience

Customizing HR for Different Types of Human Capital

Part of strategic planning in HR is mapping an organization's human capital. When we look at the strategic value of a person's skills and their uniqueness, we soon discover that organizations comprise different kinds of workers who have very different kinds of skills. Some are core knowledge workers, some are more traditional job-based employees, some are contract workers, and some are external partners. In this context, it is unlikely that we would manage all of these employees in the same way (as much as we might want to for fairness). There are differences in HR practices for different groups. This is not bad, but it makes the job of HR managers more difficult.

Assignment

The following are descriptions of three different employees. How would you characterize each worker? What role does each play when it comes to the organization's strategy?

Sobadia Bascomb is a highly talented computer programmer for Applied Software Solutions. She is among an elite set of engineers in the computer industry doing leading-edge work on advanced computer modelling. The firm's CEO, Bill Ding, believes the future of the company rests on the innovative work that Sobadia and her team are doing. He worries that someone might lure her away to work for them, so he wants to give her all the room she needs to grow and stay committed to the firm.

Calvin Duff is a salesperson on the retail side of the firm. He has daily contact with customers and is responsible for making sales and communicating with service personnel. Make no mistake: to many customers, Calvin and his coworkers are the "face" of the company. Always on the lookout for a better position, Calvin has thought about working for PeachTree Computing, Applied Software Solution's main competitor. Other salespeople have found that they can leave Applied Software Solutions and get "up to speed" easily at other firms. Their skills are very transferable, and the transition is not difficult. Bill Ding and other managers at the company recognize this fact, so they try to keep salespeople loyal and productive, recognizing that many of them do eventually leave.

Chandra Singh is a part-time administrative assistant for Applied Software Solutions. She handles routine typing and filing work for the company, particularly in peak periods in the summer and around the holidays. She usually works for a few weeks at a time and then takes time off. The executives at the company have considered either outsourcing her job to an agency or automating it through a new computer system. But for now things are steady.

Case Study 1

DOMINO'S TRIES TO GET ITS STRATEGIC RECIPE RIGHT

Believe it or not, years ago it was normal for people to have to wait an hour or more to get their pizzas delivered. But those were the years B.D.—before Domino's. Started by Tom Monahan and his brother in Ypsilanti, Michigan, in the 1960s, Domino's created a value proposition people were hungering for: pizza delivered in 30 minutes or less. Better yet, if a Domino's pizza wasn't delivered in 30 minutes, it was free. That was unheard of in the pizza business.

Monahan changed the pizza industry not because Domino's created a better product but because it was able to offer a different value proposition than anyone else was offering, as well as align its people, processes, and systems to deliver against that promise. Domino's used assembly line–based systems and standardized processes to improve efficiency and reduce pizza preparation times. For example, it was the first to use conveyor-belt oven technology to ensure uniform temperatures and reduce baking times. Domino's also translated its strategy into HR

deliverables by emphasizing and encouraging fast pizza making and delivery. Annually, the company holds a "World's Fastest Pizza Maker" competition in which its pizza makers compete for cash and other prizes.

As important as what Domino's did is what it did not do. Strategy is about making choices. Domino's did not focus on great pizza—it focused on fast pizza. It did not customize every order but prepared them all in advance. It didn't hire premiere pizza chefs who tossed pizza dough into the air to make lighter crusts. It didn't use the wood-fired stoves to give the pizza an old-world taste. And it didn't offer in-store dining.

Each of the ingredients in Monahan's formula was aligned around its value proposition of fast delivery—a strategy that worked well for Domino's for decades. This strategy and a franchise model helped the company grow by leaps and bounds. Today, there are over 10,000 Domino's pizza stores, which are located in 70-plus countries around the world.

Over time, however, Domino's competitive environment changed. Other companies began delivering pizzas in about 30 minutes, and consumers began wanting more than fast pizza: they wanted good pizza. The problem was that Domino's wasn't delivering on that score. In taste tests, customers complained that Domino's pizzas tasted like cardboard. At one point, the firm's customer satisfaction scores in terms of its food and service were lower than those of any other pizza chain. Perhaps not surprisingly, the firm's stock price reflected as much.

To turn things around, the company had to rethink its value proposition. That included revamping not only its food but also its HR strategies and policies. One problem Domino's suffered from is rampant in the fast-food industry: employee turnover. Domino's turnover rate was 158 percent annually. In other words, for every employee hired during a year, another 1.5 employees quit.

Domino's CEO at the time, David Brandon, wasn't convinced that higher pay for hourly-wage employees was the solution, however. "If we could have increased everybody's pay 20 percent could we have moved the needle a little bit to buy some loyalty? Maybe, but that's not a long term solution." Moreover, because most Domino's stores are individually owned rather than corporate owned, the individual owners have to decide for themselves whether to increase hourly wages.

Instead, Brandon focused on the quality of store managers—choosing better ones, finding ways to retain good ones, and coaching them to train and motivate employees by being respectful and polite. The company also began offering managers stock options for growing their store revenues.

Store managers cause employees to stick around—or not, said Rob Cecere, a regional manager for Domino's. Employees can go to McDonald's or Pizza Hut and make as much as they make at Domino's. "You've got to make sure they are happy to come to work for you," Cecere explained. Domino's also worked harder to promote a culture of "fun" via its World's Fastest Pizza competition and other initiatives. Brandon thought employees were so crucial that he renamed the company's HR department the "People First" department.

HR wasn't the only part of the recipe Domino's had to change, however. It also had to create a new value proposition for its food. In 2009, it embarked on an effort and associated marketing campaign it dubbed the "pizza turnaround" to do precisely that. As part of the effort, the company developed a new recipe for its pizza crusts; began using fresher, gourmet types of ingredients; and began offering new products, such as artisan pizzas, pasta, and desserts. It also remodelled stores and added in-store dining.

Domino's chief strength still lies in its systems and technology. The biggest department at the firm's headquarters in Ann Arbor, Michigan, is its technology department. The department has built novel applications over the years, such as an online ordering application that allows customers to "build" their pizzas online and track their preparation, cooking, and delivery times. The department has also developed mobile apps for 95 percent of the smartphones on the market. Computer and mobile ordering now make up 40 percent of all Domino's sales. In 2011, technology employees built a popular game called *Domino's Pizza Hero*, which challenges players to learn the demanding job of pizza making and do it fast. Players who are good at the game are then prompted to apply for jobs with Domino's.

Is Domino's new recipe working? By most accounts, yes. Turnover dropped by more than 100 percent following Brandon's initiatives. Customer satisfaction scores have jumped up too. On this score, Domino's is now tied for the lead among its competitors in the pizza business. Wall Street has noticed and rewarded the firm with an all-time stock price high.

Still, strategy changes and their implementation are continually evolving challenges for firms, and Domino's is no exception. The company still faces issues with its HR piece of the

puzzle and ensuring that its strategy is aligned all the way down the food chain. In 2011, the company received a raft of negative publicity after two Domino's workers posted a YouTube video of themselves deliberately contaminating a pizza in a very disgusting way. In 2013, 20 Domino's workers in Manhattan were fired for taking part in a nationwide food strike. The workers claimed they were being paid less than the legal minimum wage. Recently, the company made news after it asked the European Union to relax immigration laws so the firm could bring in unskilled workers from abroad to meet its needs. An immigration official suggested that Domino's could solve its problem by paying workers more.

Would paying hourly-wage employees a little more buy Domino's a little more loyalty and prevent negative publicity for the company—loyalty its CEO at one time didn't think was needed? And if so, would the costs have been worth the benefits? And who should incur these costs since most of the stores are privately owned? These questions are food for thought, ones that Domino's will have to resolve. After all, even with the best technologies and systems, pizzas don't cook and deliver themselves. People do.

Questions

1. Explain how Domino's strategy differed from its competitors.
2. Has the firm been able to achieve a long-term strategic fit between its strategy and HR practices in your opinion? Why or why not?

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Case Study 2

HOW A STRATEGY CHANGE LED TO NIKE'S FORMATION

Nike, the world's most famous athletic company, didn't start out by making Air Jordans. In fact, it didn't make shoes at all. It distributed them. Nike actually began as company called Blue Ribbon. It was founded in 1964 by Phil Knight, a runner from Oregon, along with his former college track coach, Bill Bowerman. At the time, the running shoe market was dominated by the German firms Adidas and Puma. However, Knight and Bowerman had become intrigued by new lighter, lower-cost running shoes made in Japan. Bowerman had always tinkered with shoe designs to try to make his runners faster. Meanwhile, Knight had just earned an MBA from Stanford University and was looking for a way to combine what he loved—sports—with work. So, the two men each chipped in $500, and began importing and selling Tiger-brand shoes (now Asics) made by the Japanese company Onitsuka. Blue Ribbon's start wasn't glamorous. Bowerman and Knight began by selling the shoes out of their cars at local track meets. But runners liked the new lighter shoes, and the company started earning a profit. Eventually the business did well enough it was able to hire some employees, most of whom were passionate runners like the owners.

For about a decade Blue Ribbon's strategy worked well. Business grew, and the company even opened its own store in Santa Monica, California. But by 1971, the firm was facing a crisis. Bowerman wanted Onitsuka to make a lighter shoe he had designed. Onitsuka wasn't interested. Moreover, Knight believed Onitsuka was looking for other distributors to cut Blue Ribbon out of the business. What did Knight and Bowerman do? They designed their own shoe called "the Nike" and began selling it. Executives at Onitsuka were enraged by the move. They immediately stopped selling shoes to Blue Robbin and sued it to boot. At that point, it looked like it might be the end of the road for Blue Ribbon. There wasn't much of a market for the Nike shoes yet. The company was still young and in debt, and a lawsuit would be expensive to fight. Knight gave Blue Ribbon's employees the bad news. But instead of throwing in the towel, he laid out a new vision and mission for the firm: "This is the moment we've been waiting for," Knight recounts telling them in his bestselling book, *Shoe Dog*. "No more

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selling someone else's brand. No more working for someone else. Onitsuka has been holding us down for years. Their late deliveries, their mixed-up orders, their refusal to hear and implement our design ideas—who among us isn't sick of dealing with all that? . . . If we're going to succeed, or fail, we should do so on our own terms, with our own ideas—our own brand."

After the initial shock wore off, relief swept across Blue Ribbon's employees. Not only were they undaunted by the new mission, they were energized and excited about it. Their future lay in their own hands, and they would find a way to achieve it. Immediately, they began formulating new strategies and plans. Knight thinks the culture and agility of the company were major reasons why Nike became the success it is today. Most, if not all, of its employees were scrappy competitive types. "Each of us was willing to do whatever was necessary to win," he says. "And if 'whatever was necessary' fell outside our area of expertise, no problem. Not that any of us thought we wouldn't fail. In fact we had every expectation that we would. But when we did fail, we had faith we'd do it fast, learn from it, and be better for it . . . Taking a chance on people—you could argue that's what it's all been about."

Questions

1. Who is ultimately responsible for formulating a firm's strategy—its managers, employees, or both?
2. What strategy execution problems do you think Knight and Bowerman might have faced in their effort to make Nike successful?

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Appendix

Calculating Turnover and Absenteeism

Throughout this chapter, we have emphasized that human resources planning depends on having an accurate picture of both the supply of and the demand for employees. Two factors, employee turnover and absenteeism, have a direct impact on HRP strategy and recruitment processes. In this appendix, we provide a detailed discussion of turnover and absenteeism, methods for measuring them, and suggestions for managing their impact.

EMPLOYEE TURNOVER RATES

Employee turnover refers simply to the movement of employees out of an organization. It is often cited as one of the factors behind the failure of Canadian employee productivity rates to keep pace with those of foreign competitors. It is also one of the chief determinants of labour supply. Even if everything else about an organization stays the same, as employees turn over, its supply of labour goes down. This involves both direct and indirect costs to the organization.

COMPUTING THE TURNOVER RATE

The following formula for computing turnover rates is often used:

$$\frac{\text{number of separations during the month}}{\text{total number of employees at mid-month}} \times 100$$

Thus, if there were 25 separations during a month and the total number of employees at mid-month was 500, the turnover rate would be

$$\frac{25}{500} \times 100 = 5 \text{ percent}$$

Turnover rates are computed on a regular basis to compare specific units such as departments, divisions, and work groups. Another method of computing the turnover rate is one that reflects only the avoidable separations (S). This rate

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is computed by subtracting unavoidable separations (US)—for example, due to return to school, death, or relocation—from all separations. The formula for this method is as follows:

$$\frac{S - US}{M} \times 100 = T \text{ (turnover rate)}$$

where M represents the total number of employees at mid-month. For example, if there were 25 separations during a month, 5 of which were US, and the total number of employees at mid-month (M) was 500, the turnover rate would be

$$\frac{25 - 5}{500} \times 100 = 4 \text{ percent}$$

In looking at the impact of turnover on HRP and recruitment, it is vitally important to recognize that quantitative rates of turnover are not the only factor to be considered. The *quality* of employees who leave an organization is equally important. If poor employees leave, what experts refer to as "functional turnover," this can prove to be beneficial to the organization. The costs of keeping unproductive workers may be far more than the costs to recruit and train a new, more effective performer.

DETERMINING THE COSTS OF TURNOVER

Replacing an employee is time consuming and expensive. Costs can generally be broken down into three categories: separation costs for the departing employee, replacement costs, and training costs for the new employee. These costs are conservatively estimated at two to three times the monthly salary of the departing employee and do not include indirect costs such as low productivity prior to quitting and lower morale and overtime for other employees because of the vacated job. Consequently, reducing turnover could result in significant savings to an organization. Highlights in HRM 2.A1 details one organization's costs associated with the turnover of a single computer programmer. Note that the major expense is the cost involved in training a replacement.

EMPLOYEE ABSENTEEISM RATES

How frequently employees are absent from their work—the absenteeism rate—is also directly related to HRP and recruitment. When employees miss work, the organization incurs direct costs of lost wages and decreased productivity. It is not uncommon for organizations to hire extra workers just to make up for the number of absences totalled across all employees. In addition to these direct costs, indirect costs may underlie excessive absenteeism. A certain amount of absenteeism is, of course, unavoidable. There will always be some who must be absent from work because of sickness, accidents, serious family problems, or other legitimate reasons. However, chronic absenteeism may signal deeper problems in the work environment.

COMPUTING ABSENTEEISM RATES

Managers should determine the extent of the absenteeism problem, if any, by maintaining individual and departmental attendance records and by computing absenteeism rates. Although there is no universally accepted definition of "absence" or a standard formula for computing absenteeism rates, one frequently used method is

$$\frac{\text{number of worker-days lost through job absence during period}}{\text{average number of employees} \times \text{number of work days}} \times 100$$

If 300 worker-days are lost through job absence during a month having 25 scheduled working days at an organization that employs 500 workers, the absenteeism rate for that month is

$$\frac{300}{500 \times 25} \times 100 = 2.4 \text{ percent}$$

Job absence can be defined as the failure of employees to report to work when their schedules require it, whether or not such failure to report is excused. Scheduled vacations, holidays, and prearranged leaves of absence are not counted as job absence.

Highlights in HRM 2.A1

Costs Associated with the Turnover of One Computer Programmer

turnover costs = separation costs + replacement costs + training costs

Separation Costs

1. Exit interview = cost for salary and benefits of both interviewer and departing employee during the exit = $30 + $30 = $60

2. Administrative and record-keeping action = $30
   Separation costs = $60 + $30 = $90

Replacement Costs

1. Advertising for job opening = $2,500

2. Preemployment administrative functions and record-keeping action = $100

3. Selection interview = $250

4. Employment tests = $40

5. Meetings to discuss candidates (salary and benefits of managers while participating in meetings) = $250

Replacement costs = $2,500 + $100 + $250 + $40 + $250 = $3,140

Training Costs

1. Booklets, manuals, and reports = $50

2. Education = $240/day for new employee's salary and benefits × 10 days of workshops, seminars, or courses = $2,400

3. One-to-one coaching = ($240/day per new employee + $240/day per staff coach or job expert) × 20 days of one-to-one coaching = $9,600

4. Salary and benefits of new employee until he or she gets "up to par" = $240/day for salary and benefits × 20 days = $4,800

Training costs = $50 + $2,400 + $9,600 + $4,800 = $16,850
Total turnover costs = $90 + $3,140 + $16,850 = $20,080

COSTS OF ABSENTEEISM

Traditional accounting and information systems often do not generate data that reflect the costs of absenteeism. Consequently, their usefulness in HRP is often limited. To accentuate the impact of absenteeism on organizational performance, managers should translate the data into dollar costs. A system for computing absenteeism costs for an individual organization is available. Organizations with computerized absence reporting systems should find this additional information easy and inexpensive to generate. The cost of each person-hour lost to absenteeism is based on the hourly weighted average salary, costs of employee benefits, supervisory costs, and incidental costs.

For example, XYZ Company, with 1,200 employees, has 78,000 person-hours lost to absenteeism; the total absence cost is $560,886. When this figure is divided by 1,200 employees, the cost per employee is $467.41. (In this example, we are assuming that the absent workers are paid. If absent workers are not paid, their salary figures are omitted from the computation.)

ABSENTEEISM AND HRP

Although an employer may find that the overall absenteeism rate and costs are within an acceptable range, it is still advisable to study the statistics to determine whether there are patterns in the data. Rarely does absenteeism spread itself evenly across an organization. It is very likely that employees in one area (or occupational group) may have nearly perfect attendance records, whereas others in a different area may be absent frequently. By monitoring these differential attendance records, managers can assess where problems might exist and, more importantly, begin planning ways to resolve or improve the underlying causes. For example, incentives could be provided for perfect attendance. Alternatively, progressive discipline procedures might be used with employees with a record of recurring absenteeism.

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Equity and Diversity in Human Resources Management

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Explain the reasons for equity-related legislation.

LO 2 Identify the legal framework, including the *Charter* and human rights legislation.

LO 3 Describe pay equity and strategies for implementing it.

LO 4 Discuss the *Employment Equity Act* with respect to its origins, its purpose, and its continued enforcement and the implementation of employment equity in organizations.

LO 5 Discuss sexual harassment as an employment equity issue.

LO 6 Explain and give examples of diversity management.

employment equity
The employment of individuals in a fair and nonbiased manner

A more diverse and multicultural workforce has made it increasingly important for managers to know and comply with numerous laws related to equity and diversity. Managers and HR professionals are expected to manage employees in ways that comply with and respect the laws and regulations of Canada. These laws protect both employees and employers. In some cases, the laws have been created because of previous situations where employees were not treated fairly. In other cases, the laws simply reflect the values of society. Human rights legislation and employment equity legislation, introduced in this chapter, arose because of both of these cases. However, they are not the only laws that govern the employment relationship. You will become familiar with other legislation, always introduced in the context of the functions, such as the regulations governing the handling of hazardous material in Chapter 12, which addresses occupational health and safety. It is important to know that managers (and employees) cannot do whatever they want at work without suffering consequences. The consequences range from criminal charges, costly and time-consuming litigation, negative publicity for the organization, and a decrease in organizational morale and commitment. Therefore, following the laws and regulations is just good business, as you will see in the discussion of equity and diversity.

Canada is one of the most diverse countries in the world—a kaleidoscope of cultures, languages, and nationalities consisting of more than 250 different ethnic groups. Almost 22 percent of residents were born outside Canada, with more than 9 out of 10 of these immigrants making their homes in urban centres. By 2036, about one in every three Canadians will be a visible minority.[1] The workplace must not only reflect this reality but also accommodate this diversity. Discrimination based on race, age, or sex is illegal in every jurisdiction.

Employment equity has received considerable attention in HRM in recent decades.[2] **Employment equity**, or the treatment of employed individuals in a fair and nonbiased manner, has attracted the attention of the media, the courts, practitioners, and legislators. Employment temp equity is not just the absence of discrimination but also the proactive programs to ensure that the organization's workforce is representative of the population. Employment equity legislation affects all aspects of the employment relationship. When managers ignore the legal aspects of HRM, they risk incurring costly and time-consuming litigation, negative public attitudes, and damage to organizational morale.

Employment equity is not only a legal topic; it is also an emotional issue. It concerns all individuals regardless of their sex, religion, age, national origin, race, or position in an organization. Supervisors should be aware of their personal biases and how these attitudes can influence their dealings with subordinates. It should be emphasized that covert as well as blatantly intentional discrimination in employment is illegal.

In this chapter, we emphasize the legislation governing employment equity and describe the organizational response to this legislation. Today, compliance with employment equity involves managing diversity with the goal of fully utilizing the organization's human capital.

EMPLOYMENT EQUITY

LEARNING OUTCOME 1

How can organizations benefit if they implement employment equity? See if you can locate related research and organizational examples.

Central to Canada's economic growth and prosperity in a highly competitive global marketplace will be a barrier-free environment in which all Canadians can fully explore and develop their career potential. Labour force statistics (see Chapter 1) indicate changing patterns of immigration, rising labour force participation rates for women, and an aging population with a proportionally higher incidence of disabilities.

Women, Aboriginal people,[3] members of visible minorities, and people with disabilities make up over 60 percent of Canada's labour force, and their numbers continue to rise.[4] Members of designated groups (as defined by federal legislation) entering Canada's labour pool constitute a vital resource, and their full

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participation in the workplace will be fundamental to an organization's ability to understand and respond to the needs of a rapidly changing marketplace. As a society, we have moved beyond principle to imperative in ensuring equal access to employment opportunities.

By definition, *equity* means fairness and impartiality. In a legal sense, it means justice based on the concepts of ethics and fairness and a system of jurisprudence administered by administrative tribunals. The implementation of employment equity has involved establishing policies and practices designed to ensure equitable representation in the workforce and to redress past discriminations. (Note that in the United States, the term *affirmative action* is used and includes quotas, which are not typically part of employment equity in Canada.) There are four **designated groups** in Canada (as recognized in the federal *Employment Equity Act*) that have historically not received equitable treatment in employment.

STATUS OF DESIGNATED GROUPS

Women, Aboriginal people, members of visible minorities, and people with disabilities face significant (albeit different) disadvantages in employment, even though they make up about 60 percent of Canada's workforce. Some of these disadvantages include high unemployment, occupational segregation, pay inequities, and limited opportunities for career progress.

Women

Women tend to be concentrated in occupations that are accorded lower status and pay. In 2018, women constituted roughly 50 percent of the total workforce but were not equally represented in all occupations. Women are underrepresented as semiprofessionals and technicians, as supervisors in trades, and in natural and applied sciences. Women are also underrepresented in management positions and as members of boards. As well, it is still the case that female earnings lag behind those of men. Although there are several ways to measure the gender pay gap (e.g., using hourly wages, all wages for all workers), a common metric used is the difference in the wages for men and women who work full-time, full year. This measure suggests that the gender pay gap in Canada is about 0.79; that is, for every dollar a man earns, a woman gets 79 cents.[5]

Several strategies for the retention of women can be found in Highlights in HRM 3.1.

Aboriginal People

According to the 2016 Census, 1.7 million people self-identify as Aboriginal in Canada, approximately 5 percent of the total Canadian population, up from 3.8 percent in 2006. Forty-eight percent were male. Among people who identify themselves as Aboriginal, 58 percent are First Nations, 35 percent are Métis, and 4 percent are Inuit. More than 70 Aboriginal languages were reported in the 2016 Census. Their unemployment rate is higher than the national unemployment rate. Recent data also suggest that roughly 50 percent of Aboriginal people aged 25 to 64 were postsecondary graduates, 14 percent had a trade credential, 21 percent had a college diploma, 4 percent had a university diploma or certificate, and 10 percent had a university degree. Employment rates tend to rise with higher educational attainment.[6] The research suggests that Aboriginal people earn less than non-Aboriginal people. The median income for the Canadian population was $29,900, whereas the median income for Aboriginal people is $18,962.[7] In western Canada, they will account for a substantial portion of labour market growth.

However, many Aboriginal people face major barriers to employment, which are often compounded by low educational achievement and lack of job experience, as

Highlights in HRM 3.1

Retention Strategies

What can companies do to retain women? Here are 10 strategies:

1. *Equal pay*—People talk about pay, and it is important that women know that they are receiving equal pay for work of equal value.

2. *Flex schedules*—Accommodate women with childcare and eldercare responsibilities by offering them four 10-hour days, half-days, or flexible arrival times.

3. *Forty-hour workweeks*—Many professionals are willing to work and accomplish but unwilling to put in 80-hour weeks.

4. *Part-time and job sharing*—This is an ideal solution for new mothers.

5. *Mentoring*—Pair a promising woman professional with a senior manager to help her develop a career strategy.

6. *Focus on the family*—Allow women to get the work done but on a schedule that accommodates their family responsibilities.

7. *Offering opportunities*—All employees will stay in jobs if they are learning.

8. *Creating networks and networking opportunities*—Networking opportunities enable women to better achieve their goals.

9. *Integration*—Integrating women into the organization makes them feel more included, and this is a critical success factor for women.

10. *Offering paid leave for men and women*—Reducing the stereotype helps bridge the gender inequality when men are allowed to take long leaves similar to women.

Sources: D. De Marco, "Retaining Gen X Women Becoming Crucial," *Canadian HR Reporter* 20, no. 31 (December 3, 2007): 31. Reprinted by permission of the Canadian HR Reporter. © Copyright Thomson Reuters Canada Ltd., 2007, Toronto, Ontario, 1-800-387-5164. Web: www.hrreporter.com; A. Tomlinson, "Wall Street Rougher than Bay Street," *Canadian HR Reporter* 15, no. 5 (March 11, 2002): 1, 14; Denise T. Cormier, "Retaining Top Women Business Leaders: Strategies for Ending the Exodus," *Business Strategies Series* 8, no. 4 (2007): 1–7; Sharon Florentine, "Six Ways to Attract and Retain Female IT," *CIO* (October 30, 2014), http://www.cio.com/article/2841636/staff-management/6-ways-to-attract-and-retain-female-it-talent.html; Yoree Koh, "Google's New Diversity Chief to Tackle Slow Pace of Change; Danielle Brown Faces Challenge of Hiring, Retaining More Underrepresented Groups, Women," *Wall Street Journal* (June 29, 2017); Brittany V. Rockwell, Joanne D. Leck, Catherine J. Elliott, "Can E-mentoring Take the 'Gender' out of Mentoring?" *Cyberpsychology: Journal of Psychosocial Research on Cyberspace* 7, no. 2, article 5, http://dx.doi.org/10.5817/CP2013-2-5D.

well as by language and cultural barriers. In urban centres, many Aboriginal workers are concentrated in low-paying, unstable employment. Economic self-sufficiency and participation in the economy are seen as essential to Aboriginal development. Interestingly, Aboriginal values such as cooperation and consensus decision making have become more closely aligned with management approaches.[8] A study in one Canadian company showed that the creation of an Aboriginal net-working group, based on cultural concepts such as talking circles and collective decision making, resulted in Aboriginal people with strong feelings of belonging and a sense of professional purpose, and this in turn made them willing to help recruit other Aboriginal people.[9] This process seems to lead to some amount of loyalty. The PTI Group, based in Edmonton, Alberta, reported that 94 percent of the nearly 200 Aboriginal employees hired in 2010 were still with the company a year later. According to Sandy Sanderson, the director of Aboriginal relations at the PTI Group, "… it's a better retention rate than any other demographic we have working in the company."[10] PTI's success seems to have been carefully laid through efforts to build partnerships with Aboriginal communities, training their own employees on diversity issues, and tackling Aboriginal employment barriers.

People with Disabilities

It is estimated that one in seven Canadians has a disability. This rate increases with age, with about 5 percent of those between 15 and 24, 16 percent of those aged 45 to 64, 26 percent of those between 65 and 84, and 33 percent of those over 75 having a disability. People with disabilities represent almost 12.4 percent of Canada's population, but, again, their workforce representation is low at 2.3 percent.[11]

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Highlights in HRM 3.2

Accessibility

A candidate comes to your office for an employment interview. Because of a vision impairment, she uses a long white cane to navigate. You approach her to guide her to the interview room. Do you

    a. take her arm and guide her to the room?

    b. suggest that she follow your voice?

    c. ask her if she needs assistance?

If you don't know the answer (it's c), training is available through Ontario's new mandatory accessibility standard, which came into force for private organizations in 2012. The customer service training program teaches how to deal with people with disabilities, what a disability is, and the different types of disabilities. It also teaches how to accommodate employees with disabilities that conflict (a person with a service animal seated next to someone who is allergic to animals). It means rethinking general rules that discriminate against an individual. For example, some professors do not allow laptops in the classroom, but a person with hearing disabilities may require one to participate. The professor is encouraged to allow everyone to have a laptop rather than make an exception for one individual.

Sources: Anonymous, "Accessibility," *HR Professional* (May/June, 2010): 24–27; Canadian Council in Social Development and *Accessibility for Ontarians with Disabilities Act*, 2005; Sarah Dobson, "Push on to Hire More People with Disabilities," *Canadian HR Reporter* 30, no. 12 (July 10, 2017): 7.

About one-third of those with disabilities became disabled as adults, resulting in 70 percent of them being forced to make career changes. People with disabilities face attitudinal barriers, physical demands that are unrelated to job requirements, and inadequate access to the technical and human support systems that would make productive employment possible. Seventy percent of those with disabilities need some kind of workplace accommodation, and in 80 percent of the cases, the cost is less than $500.[12] Employers can seek to redress attitudinal barriers by focusing on abilities, not disabilities. Highlights in HRM 3.2 provide an example of accommodation.

Members of Visible Minorities

The visible minority population in Canada experienced a growth rate of approximately 22 percent between the 2006 and the 2016 censuses, compared to an overall population growth of about 13 percent. The 2016 Census reports that visible minorities represent 22.3 percent of Canadians, compared to 19.1 percent in 2011, 16.2 percent in 2006, and 4.7 percent in 1981. Members of visible minorities also comprise about 22 percent of the labour force.[13]

Visible minority groups vary in their labour force profiles and in their regional distributions. Studies have shown that Latin Americans and Southeast Asians experience lower-than-average incomes, higher rates of unemployment, and reduced access to job interviews even when they have the same qualifications as other candidates. See Highlights in HRM 3.3 for a study documenting this. Systemic barriers that negatively affect employment for visible minority groups include culturally biased aptitude tests, a lack of recognition of foreign credentials, and excessively high language requirements. Recent statistics indicate that although members of visible minorities tend to be better educated, they also have high unemployment rates.[14] The unemployment rate for members of visible minorities (9.2 percent) is significantly higher than non-members (7.7 percent).[15] As such, there are targeted efforts to recruit them to ensure representation.

Figure 3.1 shows the workforce representation of the designated groups in the Canadian population. Ethics in HRM describes some of the issues in employment equity.

Highlights in HRM 3.3

What's in a Name?

Metropolis, an immigration and diversity research network, sent out 6,000 résumés tailored to the job requirements of 2,000 online postings from employers across 20 occupational categories. These included administrative, financial, marketing, programming, and retail positions. All résumés included a university degree and two to four years' experience. The only difference on these résumés was the name of the applicant. Some had names such as Tara Singh, and others had names such as Emily Brown. The results were a wake-up call for Canadians, who pride themselves on being less biased than other nationalities. Those with English names received call-backs 16 percent of the time, compared to 11 percent for applicants with Pakistani, Indian, and Chinese names who had the same level of education and experience. According to the study's author, UBC economics professor Philip Oreopoulos, "The findings suggest that a distinct foreign-sounding name may be a significant disadvantage on the job market—even if you are a second- or third-generation citizen." He adds: "In cases where the employer requires the hire to be very good at English, then consciously or unconsciously, they may have a concern when looking at their résumé. The other possibility is preference-based discrimination: the employer, consciously or unconsciously, prefers to have applicants of the same ethnicity working for them."

Those who had been educated outside Canada received callbacks 8 percent of the time and those who had no Canadian work experience only 5 percent of the time, confirming that Canadian work experience is very important to employers. Whereas immigrants had unemployment rates of 11.5 percent in 2006 (compared to 4.9 percent for the Canadian-born population), second-generation immigrants of Chinese and Indian origin have statistically above-average incomes and educations. A new online tool, Roadmap, from the Toronto Region Immigrant Employment Council, will help employers hire, integrate, and retain skilled immigrants. For more information, visit http://www.hireimmigrants.ca/roadmap.

Sources: M. Jimenez, "Right Resume, Wrong Name," *The Globe and Mail* (May 21, 2009): I1; Anonymous, University of British Columbia, "Employers Discriminate Against Applicants with Non-English Names, UBC Study Suggests," *NewsRx Health & Science* (June 21, 2009): 198; D. Karp, "Job Seekers with Asian Names Face Discrimination; Canadians with English Names Are Called Back More Often for Job Interviews, UBC Study Finds," *Vancouver Sun* (May 21, 2009): A1.

FIGURE 3.1

REPRESENTATION OF DESIGNATED GROUPS IN THE LABOUR FORCE

	Representation in the Canadian Population (%)	Representation in the Labour Force (%)
Women	50.4	47.4
Aboriginal people	4.9	4.0
People with disabilities	11.0	3.0
Members of visible minorities	22.3	21.6

Sources: Statistics Canada, "Persons with Disabilities and Employment," https://www.statcan.gc.ca/pub/75-006-x/2014001/article/14115-eng.htm, retrieved April 21, 2018; Statistics Canada, "Population by Age and Sex," http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/demo10a-eng.htm, retrieved April 21, 2018; Statistics Canada, "Aboriginal Peoples Highlight Tables, 2016 Census," http://www12.statcan.gc.ca/census-recensement/2016/dp-pd/hlt-fst/abo-aut/Table.cfm?Lang=Eng&T=101&S=99&O=A, retrieved April 21, 2018; Statistics Canada, "Labour Force Characteristics by Age and Sex," http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labor05-eng.htm, retrieved April 21, 2018; Statistics Canada, Data Tables, 2016 Census, http://www5.statcan.gc.ca/olc-cel/olc.action?objId=98-400-X2016267&objType=46&lang=en&limit=0; retrieved April 21, 2018; For persons with disabilities, the reported figure for labour force representation is for the federally regulated private sector, see representation is for the federally regulated private sector, see *Employment Equity Act*, Annual Report, 2016, https://www.canada.ca/en/employment-social-development/services/labour-standards/reports/employment-equity-2016.html, retrieved April 21, 2018; this figure is lower than actual rates across all sectors.

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BENEFITS OF EMPLOYMENT EQUITY

Employment equity makes good business sense. It contributes to the bottom line by broadening the base of qualified individuals for employment, training, and promotions and by helping employers avoid costly human rights complaints. Employment equity enhances an organization's ability to attract and keep the best-qualified employees, which results in greater access to a broader base of skills. It also enhances employee morale by offering special measures such as flexible work schedules and work sharing. Finally, it improves the organization's image in the community.[16]

The *Canadian Charter of Rights and Freedoms*, the federal *Canadian Human Rights Act* (CHRA), and pay equity and employment equity acts are the governing pieces of legislation dealing with employment equity.

THE LEGAL FRAMEWORK

THE *CANADIAN CHARTER OF RIGHTS AND FREEDOMS*

The *Constitution Act* of 1982, which contains the *Canadian Charter of Rights and Freedoms*, is the cornerstone of equity legislation. The *Charter* guarantees some fundamental rights to every Canadian, including

- fundamental freedoms (s. 2) that comprise the standard rights of freedom of speech, press, assembly, association, and religion;
- democratic rights (ss. 3 to 5), covering franchise rights;
- mobility rights (s. 6), concerning the right to move freely from province to province for the purposes of residence and/or employment;
- legal rights (ss. 7 to 14), conferring standard procedural rights in criminal proceedings;

LEARNING OUTCOME 2

Have you ever felt discriminated against in the workplace? How about in school/college/university by a teacher/professor? How did it make you feel?

Ethics in HRM

Ethics: Equality or Equity

The Public Works department of the federal government sent its managers an email telling them that persons recruited externally must be from designated groups. The federal Department of Fisheries ran an ad on the government's website that stated explicitly that those who can apply are "persons working or residing in Canada and Canadian citizens living abroad, who are members of the visible minority groups." The *Employment Equity Act* defines members of visible minorities as being persons, other than Aboriginal people, who are non-Caucasian in race or nonwhite in colour. The decision to restrict applicants to members of visible minorities is part of the government's efforts to have its employees look more like the Canadian population. Currently, about 22.3 percent of Canadians identify themselves as being part of a visible minority, and they represent about 21.6 percent of the labour market. However, in 2006, only 7.3 percent worked in the public service. Therefore, the government decreed that about 3 percent of job postings would be restricted to members of visible minorities.

Unlike the United States, quotas are not in place in Canada. However, words such as *benchmarks, targets*, and *goals* may have the same impact. Critics argue that candidates should be judged on merit, not colour, and that other programs to increase minority candidates would be better: provide more education and training for minority groups or create an office culture that values diversity. The public service has a good track record in increasing the number of francophones and women, and restricted competitions may not be the best route. But the commissioner of the public service counters that treating all people the same way does not always lead to equitable results, and special measures are necessary.

Sources: T. Blackwell, "White Males Need Not Apply," *National Post* (November 19, 2005): A1; E. Greenspon, "Don't Apply," *The Globe and Mail* (May 30, 2003): A16; M. Wente, "Whites Need Not Apply," *The Globe and Mail* (May 29, 2003): 21.

- equality rights (s. 15), guaranteeing no discrimination by law on the grounds of race, ethnic origin, colour, religion, sex, age, sexual orientation, marital status, citizenship, Aboriginal residence, or mental and physical ability; and
- language rights (ss. 16 to 23).[17]

Although the *Charter* has offered many Canadians opportunities with regard to their own individual rights and responsibilities, it has also been a source of disappointment. The enactment of the *Charter* created high expectations on the part of various groups, especially unions, which believed that under Section 2, all employees would have a fundamental right to associate, to bargain collectively, and to strike. However, in 1987, the Supreme Court of Canada, in ruling on a challenge to federal public-sector laws relating to compulsory arbitration, back-to-work legislation, and wage restraint legislation, declared that Section 2 of the *Charter* does not include the right to bargain collectively and to strike. In the Court's view, these were not fundamental freedoms but rather statutory rights created and regulated by legislation. As a result of this ruling, governments can weaken the collective bargaining process by limiting salary increases, legislating strikers back to work, and imposing compulsory arbitration. However, a 2007 case in British Columbia ruled that the *Charter* does protect the right to bargain collectively. It is important to note that the *Charter* protects only the right of government and public-sector employees, not private-sector employees.

THE *CANADIAN HUMAN RIGHTS ACT* (CHRA)

The *Canadian Human Rights Act* was passed by Parliament on July 14, 1977, and became effective in March 1978. This act proclaims that every individual should have an equal opportunity with other individuals to make for himself or herself

Workplace accommodation for persons with disabilities is usually inexpensive.

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the life that he or she is able and wishes to have, consistent with his or her duties and obligations as a member of society, without being hindered in or prevented from doing so by discriminatory practices based on race, national or ethnic origin, colour, religion, age, sex, or marital status, or convictions for an offence for which a pardon has been granted or by discriminatory employment practices based on physical handicap.[18] The act applies to all federal government departments and agencies, to Crown corporations, and to other businesses and industries under federal jurisdiction, such as banks, airlines, railway companies, and insurance and communications companies.

For those areas not under federal jurisdiction (the vast majority of workplaces), protection may be available under provincial human rights laws. Provincial laws, although very similar to federal ones, differ from province to province. Every province and territory has a human rights act (or code), and each has jurisdiction prohibiting discrimination in the workplace.

The prohibited grounds of discrimination in employment include race, religion, sex, age, national or ethnic origin, physical handicap, and marital status (see Figure 3.2 for a complete listing). Employers are permitted to discriminate if employment preferences are based on a **bona fide occupational qualification (BFOQ)** or bona fide occupational requirement (BFOR), and it is not possible to accommodate the employee without causing undue hardship. A BFOQ is justified if the employer can establish necessity for business operations. In other words, differential treatment is not discrimination if there is a justifiable reason. For example, according to Ontario provincial legislation, adherence to the tenets of the Roman Catholic Church was deemed a BFOQ for employment as a teacher in a Roman Catholic school.[19] Business necessity also relates to the safe and efficient operation of an organization. There is an ongoing debate as to whether male guards should be allowed to work in women's prisons and whether members of the Sikh religion, whose religion mandates the wearing of turbans, must wear hard hats at construction sites. The duty to accommodate is an important part of human rights legislation and is discussed more thoroughly later in the chapter, under special measures and reasonable accommodation.

bona fide occupational qualification (BFOQ)
A justifiable reason for discrimination based on business reasons of safety or effectiveness

When looking for employees, employers need to assess abilities.

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CHAPTER 3: EQUITY AND DIVERSITY IN HUMAN RESOURCES MANAGEMENT

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FIGURE 3.2

PROHIBITED GROUNDS OF DISCRIMINATION IN CANADA

This document provides comparative information on the grounds of discrimination covered by federal, provincial, and territorial human rights legislation in Canada. In some instances, prohibited grounds for employment differ from those for the provision of services.

Prohibited Ground	Jurisdiction	Comments
Race or Colour		
Employment	All jurisdictions	In addition, Saskatchewan prohibits discrimination on the basis of "perceived race"
Provision of service	All jurisdictions	In addition, Saskatchewan prohibits discrimination on the basis of "perceived race" Nunavut: prohibited grounds also apply in relation to provision of commercial premises or residential accommodation and in matters related to memberships in employee organizations, trade unions/associations, occupational/professional organizations, and co-operatives
Religion or Creed		
Employment	All jurisdictions	Manitoba Code and Yukon's Act read "religion or creed, or religious belief, religious association, or religious activity" In addition, Saskatchewan prohibits discrimination on the basis of "religious creed" Ontario uses the term "creed" Nunavut's Act says "creed [and] religion."
Provision of service	All jurisdictions	Manitoba Code and Yukon's Act read "religion or creed, or religious belief, religious association, or religious activity" In addition, Saskatchewan prohibits discrimination on the basis of "religious creed" Ontario uses the term "creed" Nunavut's Act says "creed [and] religion"
Physical or Mental Disability		
Employment	All jurisdictions	Quebec uses the phrase "handicap or use of any means to palliate a handicap" Ontario has prohibition on the basis of "both current and previous disabilities as well as the perception that one may have or have had a disability; Nunavut uses the word "disability"
Provision of service	All jurisdictions	Quebec uses the phrase "handicap or use of any means to palliate a handicap" Ontario has prohibition on the basis of "both current and previous disabilities as well as the perception that one may have or have had a disability; Nunavut uses the word "disability"
Dependence on Alcohol or Drugs		
Employment	All	Policy to accept complaints in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Northwest Territories, and Prince Edward Island Included in "handicap" ground in Quebec Previous dependence only in New Brunswick and Nova Scotia Included in "disability" ground in the Yukon, Alberta, and Nunavut

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Prohibited Ground	Jurisdiction	Comments
Provision of service	All	Policy to accept complaints in the Northwest Territories and Manitoba Previous dependence only in New Brunswick and Nova Scotia Included in "handicap" ground in Quebec. Included in "disability" ground in the Yukon, Alberta, and Nunavut
Age		
Employment	All jurisdictions	British Columbia: 19–65 Alberta: 18+ Saskatchewan: 18–64 Ontario: 18–65 Newfoundland: 19–65 Quebec: except as provided for by law Nunavut: applies with no age restrictions in the Act *Please note that as of December 12, 2006, the upper limit in the definition of "Age" has been removed
Provision of service	All except British Columbia, Alberta, and Newfoundland	Saskatchewan: 18–64 In Ontario, applies to those 18 years and older, although 16- and 17-year-olds who have left the care of parents or guardians are protected regarding accommodation In Quebec, except as provided for by law
Sex (includes pregnancy and childbirth)		
Employment	All jurisdictions	Alberta uses the term "gender" Manitoba includes gender-determined characteristics British Columbia and Ontario include breastfeeding Ontario recognizes the protection of transgendered persons and accepts complaints related to "gender identity"; Ontario accepts complaints related to female genital mutilation In Quebec, pregnancy as such is considered a ground of discrimination In the Northwest Territories, gender identity as such is considered a ground of discrimination Nunavut Act says: "sex, sexual orientation, marital status, family status, pregnancy"
Provision of service	All jurisdictions	Alberta uses the term "gender" Manitoba includes gender-determined characteristics Ontario includes breastfeeding; Ontario recognizes the protection of transgendered persons and accepts complaints related to "gender identity"; Ontario accepts complaints related to female genital mutilation In Quebec, pregnancy as such is considered a ground of discrimination In the Northwest Territories, gender identity as such is considered a ground of discrimination Nunavut Act says: "sex, sexual orientation, marital status, family status, pregnancy"

(*Continued*)

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Prohibited Ground	Jurisdiction	Comments
Marital Status		
Employment	All jurisdictions	Quebec uses the term "civil status"
Provision of service	All jurisdictions	Quebec uses the term "civil status"
Family Status		
Employment	All except New Brunswick and Newfoundland	Saskatchewan defines as being in a parent–child relationship Quebec uses the term "civil status" The Northwest Territories have prohibition on the grounds of "family status" as well as "family affiliation"
Provision of service	All except New Brunswick and Newfoundland	Saskatchewan defines as being in a parent–child relationship Quebec uses the term "civil status" The Northwest Territories have prohibition on the grounds of "family status" as well as "family affiliation"
Sexual Orientation		
Employment	All jurisdictions	The Supreme Court of Canada read sexual orientation into the *Alberta Human Rights, Citizenship, and Multiculturalism Act* in 1998
Provision of service	All jurisdictions	The Supreme Court of Canada read sexual orientation into the *Alberta Human Rights, Citizenship, and Multiculturalism Act* in 1998
National or Ethnic Origin (including linguistic background)		
Employment	All except British Columbia	Saskatchewan and Northwest Territories use the term "nationality" Manitoba Code uses "nationality" or "national origin" Manitoba Code uses "ethnic background or origin" Ontario's Code includes both "ethnic origin" and "citizenship" Alberta uses the term "place of origin"
Provision of service	All except British Columbia	Saskatchewan and Northwest Territories use the term "nationality" Manitoba Code uses "nationality" or "national origin" Manitoba Code uses "ethnic background or origin" Ontario's Code includes both "ethnic origin" and "citizenship" Alberta uses the term "place of origin"
Ancestry or Place of Origin		
Employment	Yukon, British Columbia, Alberta, Saskatchewan, Manitoba, Northwest Territories, Ontario, Nunavut, and New Brunswick	
Provision of service	Yukon, British Columbia, Alberta, Saskatchewan, Manitoba, Northwest Territories, Ontario, Nunavut, and New Brunswick	

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Prohibited Ground	Jurisdiction	Comments
Language		
Employment	Ontario, Quebec, New Brunswick, Northwest Territories, and Yukon	Ontario accepts complaints on the grounds of ancestry, ethnic origin, place of origin and race New Brunswick and the Northwest Territories will accept language-related complaints filed on the basis of ancestry, although not an enumerated ground Included under "linguistic background" ground in Yukon Nunavut: no specific mention in the Act
Provision of service	Ontario, Quebec, New Brunswick, Northwest Territories, and Yukon	Ontario accepts complaints on the grounds of ancestry, ethnic origin, place of origin and race New Brunswick and the Northwest Territories will accept language-related complaints filed on the basis of ancestry, although not an enumerated ground Included under "linguistic background" ground in Yukon Nunavut: no specific mention in the Act
Social Condition or Origin		
Employment	Quebec, Northwest Territories, New Brunswick, and Newfoundland	
Provision of service	Quebec, Northwest Territories, New Brunswick, and Newfoundland	
Source of Income		
Employment	Alberta, Saskatchewan, Manitoba, Quebec, Yukon, Prince Edward Island, Nova Scotia, and New Brunswick	Defined as "receipt of public assistance" in Saskatchewan Included under "social condition" in Quebec and New Brunswick Nunavut says: "lawful source of income"
Provision of service	British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Yukon, Prince Edward Island, Nova Scotia, and New Brunswick	Applies to tenancy only (not public services or facilities) in British Columbia Defined as "receipt of social assistance" in Saskatchewan Ontario bans discrimination in accommodation on the grounds of receipt of public assistance Included under "social condition" in Quebec and New Brunswick Applies to occupancy or accommodation only in Nova Scotia
Assignment, Attachment, or Seizure of Pay		
Employment	Newfoundland and Quebec	Included under "social condition" in Quebec
Provision of service	Newfoundland and Quebec	Included under "social condition" in Quebec

(*Continued*)

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Prohibited Ground	Jurisdiction	Comments
Based on Association		
Employment	Yukon, Manitoba, Ontario, New Brunswick, Nova Scotia, Northwest Territories, and Prince Edward Island	Northwest Territories has prohibition on basis of "political association"
Provision of service	Yukon, Manitoba, Ontario, New Brunswick, Nova Scotia, Northwest Territories, and Prince Edward Island	Northwest Territories has prohibition on basis of "political association"
Political Belief		
Employment	Yukon, Newfoundland, British Columbia, Manitoba, Quebec, Nova Scotia, Prince Edward Island, New Brunswick, and Northwest Territories	Newfoundland has prohibition on basis of "political opinion" Manitoba Code includes political activity and political association
Provision of service	Yukon, Manitoba, Quebec, Nova Scotia, Prince Edward Island, New Brunswick, Newfoundland, and Northwest Territories	Newfoundland has prohibition on basis of "political opinion" Manitoba Code includes political activity and political association
Record of Criminal Conviction		
Employment	Yukon, Manitoba, British Columbia, Quebec, Ontario, and Prince Edward Island	Manitoba Code and Yukon's Act read "criminal charges or criminal record" Ontario has prohibition on basis of "record of offences"
Provision of service	Yukon, Manitoba, and Quebec	Manitoba Code and Yukon's Act read "criminal charges or criminal record"
Pardoned Conviction		
Employment	Federal Government, Yukon, Ontario, Nunavut, and Northwest Territories	Ontario has prohibition on basis of "record of offences"
Provision of service	Federal Government, Yukon, Nunavut, and Northwest Territories	

Source: From Canadian Human Rights Commission, "Prohibited Grounds of Discrimination in Canada," online at http://www.chrc-ccdp.ca/publications/pgd_mdi-eng.aspx. Reprinted by permission of the Canadian Human Rights Commission.

Enforcement of the *Canadian Human Rights Act*

The Canadian Human Rights Commission (CHRC) deals with complaints concerning discriminatory practices covered by the *Canadian Human Rights Act*. CHRC may choose to act on its own if it believes that sufficient grounds exist for a finding of discrimination. It also has the power to issue guidelines interpreting the act.

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Individuals have a right to file a complaint if they feel they have been discriminated against. (CHRC may refuse to accept a complaint if it has not been filed within a prescribed period of time, if it is deemed trivial, or if it was filed in bad faith.) The complainant must first complete a written report describing the discriminatory action. A CHRC representative reviews the facts and determines whether the claim is legitimate. Once a complaint has been accepted by CHRC, an investigator is assigned the task of gathering more facts from both the complainant and the accused. The investigator then submits a report to CHRC recommending a finding of either substantiation or nonsubstantiation of the allegation. If the allegation is substantiated, a settlement may be arranged in the course of the investigation. If the parties are unable to reach an agreement, a human rights tribunal consisting of up to three members may be appointed to further investigate the complaint. If the tribunal finds that a discriminatory practice did take place or that the victim's feelings or self-respect has suffered as a result of the practice, it may order the person or organization responsible to compensate the victim. Former employees of Majestic Electronics received $300,000 in compensation because they were harassed after they refused to obey the racist and sexist orders of the company president.[20]

Any person who obstructs an investigation or a tribunal, or who fails to comply with the terms of a settlement, can be found guilty of an offence, which may be punishable by a fine and/or jail sentence. If the guilty party is an employer or an employee organization, the fine can be as high as $50,000.[21]

THE ENFORCEMENT OF PROVINCIAL HUMAN RIGHTS LAWS

Provincial human rights laws are enforced in a manner very similar to that of the federal system. At the provincial level, employers tend to be small and medium-sized businesses, many of which lack an HR professional who is knowledgeable about human rights legislation. Employers and employees alike may have little experience in matters of discrimination. The Ontario legislation now permits employees to file complaints directly to the Human Rights Tribunal.

The majority of cases are resolved at the investigation stage. If no agreement can be reached, the case is presented to the province's human rights commission. The members of the commission study the evidence and then submit a report to the minister in charge of administering human rights legislation. The minister may appoint an independent board of inquiry, which has powers similar to those of a tribunal at the federal level. Failure to comply with the remedies prescribed by the board of inquiry may result in prosecution in provincial court. Individuals and organizations or groups may be fined between $1,000 and $10,000. These levies vary from province to province.

PAY EQUITY

Pay equity is covered by all Canadian jurisdictions, either through explicit laws or policies, except Alberta. As a result of a 1978 amendment to the *Canadian Human Rights Act*, pay equity became enacted as law in the federal jurisdiction. Under Section 11, it is discriminatory for employers to establish or maintain pay differences between male and female employees in the same establishment who are performing work of equal value. The Equal Wages Guidelines, 1986, offers guidance on how to assess the value of work using such factors as skill, effort, responsibility, and working conditions. Enforcement mechanisms are outlined in the *Canada Labour Code*. The federal government is now in the process of putting together pay equity legislation that will be proactive, rather than complaints based.[22] Proactive pay equity legislation is already in force in provinces such as Ontario and Quebec.

Pay equity law makes it illegal for employers to discriminate against individuals on the basis of job content. Pay equity helps address the discriminatory

LEARNING OUTCOME 3

What are some of the key factors in explaining the gender pay gap in Canada? Can the gender pay gap be closed? If so, how?

portion of the historical wage gap between men and women and to ensure that salary ranges reflect the value of the work performed. When comparing men and women working full-time and full-year, women in Canada earn approximately $0.74 for every $1 earned by men, slightly worse than in the United States, where women earned $0.75 compared to men.[23] There is a gender pay gap in every jurisdiction in Canada and in every major occupational group.

By definition, pay equity means equal pay for work of equal value. It is based on two principles. The *first* is equal pay for equal work–pay equality.[24] This is usually covered in labour standards legislation. Male and female workers must be paid the same wage rate for doing identical work. The *second* is equal pay for work of comparable worth, or equal pay for work of comparable value. This is the focus of pay equity legislation. This means that male and female workers must be paid the same wage rate for jobs of a similar nature that may have different titles (e.g., "nurse's aide" and "orderly"). Professor Marc Mentzer at the Edwards School of Business at the University of Saskatchewan suggests that these key points help in understanding the differences between pay equality and pay equity:

- Pay equality (in which employers are required to pay women the same as men doing the same job) is required by law in every jurisdiction in Canada. Pay equality is about fair pay for individual women employees. For example, a female electrician must be paid the same as a male electrician.

- Pay equity is about fair pay for entire occupations, which are dissimilar, usually within an organization, such as comparing nurses (as a group) to electricians. It is based on the value of a job to the organization. Pay equity legislation varies by jurisdiction in Canada.

Implementation of pay equity is based on comparing the value of the work of female-dominated job classes to the value of work performed in male-dominated job classes. Comparisons require the use of a gender-neutral, unbiased comparison system to evaluate the jobs in an establishment.[25] Comparisons must be based on the amount and type of skill, effort, and responsibility needed to perform the job and on the working conditions where it is performed. The comparison must be done in such a way that the characteristics of "male" jobs, such as heavy lifting and "dirty" working conditions, are valued fairly in comparison with the characteristics of "female" jobs, such as manual dexterity and caring for others.[26]

At the federal level, pay equity legislation applies to that section of the workforce under its jurisdiction and covers all organizations regardless of the number of employees. The federal pay equity system is complaint based, meaning that complaints can be raised by an employee, a group of employees, or a bargaining agent.[27] Some recent decisions included compensating high school secretaries at rates similar to the male job class of audiovisual technicians and comparing a female job class of law clerk to that of the male job class of investigator, female health technicians to male transportation workers, the female job class of personnel managers to the male job class of service manager, and female-dominated dispatchers to male-dominated radio technical supervisors.[28] A more comprehensive review of pay equity is provided in Chapter 9.

THE *EMPLOYMENT EQUITY ACT* (1995)

LEARNING OUTCOME 4

Following so many equity-rated laws might sound daunting. Would it help if you had some type of guideline when hiring a person to make sure you do not break any of these laws?

Employers and Crown corporations that have 100 employees or more and that are regulated under the *Canada Labour Code* must implement employment equity and report on their results. Under the act, the employer is required to

- provide its employees with a questionnaire that allows them to indicate whether they belong to one of the four designated groups;

- identify jobs in which the percentage of members of designated groups falls below their availability in the labour market;

- communicate information on employment equity to its employees and consult and collaborate with employee representatives;

- identify possible barriers in existing employment systems that may be limiting the employment opportunities of members of designated groups;
- develop an employment equity plan aimed at promoting an equitable workplace;
- make all reasonable efforts to implement its plan;
- monitor, review, and revise its plan from time to time; and
- prepare an annual report on its employment equity data and activities.[29]

The concept of employment equity is rooted in the wording of federal and provincial employment standards legislation, human rights codes, and the *Charter*. Employment equity involves identifying and removing systemic barriers to employment opportunities that adversely affect women, members of visible minorities, Aboriginal people, and people with disabilities. Employment equity also involves implementing special measures and making reasonable accommodation.[30]

Under the Federal Contractors Program (FCP), contractors who bid for goods and services contracts with the federal government valued at $1,000,000 or more and that employ 100 people or more are required to implement an employment equity program. This is not a law, but contractors that do not cooperate may not be allowed to bid. (For a list of this program's implementation criteria, see Highlights in HRM 3.4.) To assist in the process, the federal government provides professional consulting services to employers throughout Canada regarding how to implement employment equity. Federally regulated employers must conduct a workforce analysis to identify underrepresentation of members of designated groups; review their employment systems, policies, and practices to identify employment barriers; and prepare a plan outlining the steps they will take to remove any identified barriers. Most provinces have similar legislation governing employment equity.

Winners of merit awards for initiatives in employment equity include Scotiabank, for increasing the number of visible minorities in its workforce to 19 percent, and the Saskatchewan Wheat Pool, for its partnerships with the Aboriginal community—particularly its investment in an MBA program in Aboriginal business. In the face of threats to employment equity legislation, employers are showing willingness to keep the practice alive. As Robert Rochon, director of employment equity for National Grocer Co., puts it: "Regardless of any legislative requirement, [employment equity] is a good business decision for us. When you consider the changing face of Canada, it just makes good business sense to reflect the customers that you serve."[31]

ADMINISTRATION AND ENFORCEMENT OF THE *EMPLOYMENT EQUITY ACT*

Employment and Social Development Canada (formerly Human Resources Development Canada) is responsible for administering the FCP. CHRC is mandated under the *Canadian Human Rights Act*[32] to prohibit discrimination in the establishments of federally regulated businesses.[33]

CHRC is authorized to conduct on-site compliance reviews. Failure to comply may result in fines ranging from $10,000 for first offenders to $50,000 for repeat offenders.

THE IMPLEMENTATION OF EMPLOYMENT EQUITY IN ORGANIZATIONS

The implementation of employment equity in an organization follows the precepts of any change management program. Thus, successful implementation must employ strategic planning, which must be incorporated into an overall business strategy. The FCP outlined in Highlights in HRM 3.4 provide a good overview of what a plan should incorporate. The process generally involves six main steps: senior management commitment, data collection and analysis, employment

systems review, establishment of a workplan, implementation, and a follow-up process that includes evaluation, monitoring, and revision.

Step 1: Senior Management Commitment

Commitment to an employment equity plan necessitates a top-down strategy. A more supportive culture is created when the CEO or owner–operator publicly introduces written policy describing the organization's commitment to employment equity. This policy must be strategically posted throughout the organization and sent to each employee. For example, the CEO, all members of the board of directors, and staff at the Law Society of Upper Canada are fully committed, and all have received equity and human rights training. The world's largest food service company, Compass Group, has employment equity as a top priority by making it a topic at every board meeting, where workforce data are reviewed and built into the performance scorecard of all managers.[34] One of Canada's best diversity employers for 2014, Canadian Imperial Bank of Commerce (CIBC), is committed to and a leader in championing diversity as a fundamental part of the way it runs its business. CIBC established a national employment equity and diversity council to ensure an inclusive workplace for all employees.[35]

An employment equity policy statement may raise many questions, so it is important to be thorough in this process to keep concerns to a minimum. The policy statement should be supplemented with a communiqué explaining what employment equity is, the rationale for the program, and its implications for current and future employees. Assurances must be given at this time that all information provided will be treated confidentially and will not be used to identify individuals other than for the purpose of employment equity program activities. The communiqué should also list the names of individuals responsible for administering the program and outline any planned activities the employer may deem necessary to establish the program (e.g., analysis of the workforce or of policies and procedures).

This commitment to employees and candidates for employment applies to all aspects of the employment relationship, including recruitment, work assignment, training opportunities, compensation, promotions, transfers, and terminations.

Highlights in HRM 3.4

Requirements for the Federal Contractors Program

The Federal Contractors Program (FCP), established in 1986, ensures that contractors that do business with the federal government achieve and maintain a workforce that is representative of the Canadian workforce. The FCP was recently redesigned (2013), whereby, among other changes, the contract threshold was increased from $200,000 to $1 million, and the requirements were streamlined from 12 to 4, as follows:

1. Collect workforce information (the contractor is required to survey its workforce to ascertain the representation of the four designated groups in each occupational group).

2. Complete a workforce analysis (this requires a comparison, once every three years, between internal representation rates with external availability of the four groups and determining the gaps, if any).

3. Establish short- and long-term numerical goals (these hiring and promotion goals must be established so as to increase representation rates of the designated groups and close the gaps, if any).

4. Make reasonable progress and reasonable efforts (the contractor must make reasonable efforts to implement employment equity so that reasonable progress toward full representation of the designated groups is achieved).

You can open the link below for further details of the FCP and each of the requirements above.

Source: Adapted from Federal Contractors Program, http://www.hrsdc.gc.ca/eng/labour/equality/fcp/requirement.shtml.

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Communication tools may include periodic information sessions, workplace posters, departmental or small-group meetings conducted by line management, orientation and training programs, newsletters, and vehicles such as videos, brochures, employee handbooks, and memos from the union. An innovative approach to communications was taken at the Centre de recherche industrielle du Québec (CRIQ), where employees decided to create a video to demonstrate that seemingly harmless comments and attitudes can have devastating consequences for members of designated groups. Their goal was to sensitize people without lecturing or pointing fingers. The employees acted in the video, selected its music, and directed and produced it. Its title was *Moi . . . des préjugés?* (*Me . . . prejudiced?*). The video depicts the experiences of a black man, a person who is deaf, and a woman, all of whom are seeking employment with a company and who are confronted with opinions and attitudes that have everything to do with prejudice and nothing to do with the requirements of the job.[36]

Assignment of Accountable Senior Staff

Senior management must place the responsibility for employment equity in the hands of a senior manager, a joint labour–management committee, and an employment equity advisory committee with mechanisms for union consultation (or, in nonunionized settings, for consultation with designated employee representatives). Senior management must designate line management responsibility and accountability. Anyone given responsibility for employment equity must be knowledgeable about the problems and concerns of designated groups; have the status and ability needed to gain the cooperation of employees at all levels in the organization; have access to financial and human resources required to conduct planning and implementation functions; have sufficient time to devote to employment equity issues; monitor and be in a position to report to the CEO on the results of employment equity measures; and be prepared to serve as the employment equity contact person with federal and provincial government agencies.

Among the employment areas committee members may be required to review are employment practices, advertising and recruitment policies, company-sponsored training, the organization of work schedules and facilities, and systems for promotion to management positions. Although committees are usually given responsibility for making recommendations and reporting on issues, ultimate authority generally rests with senior management.

Employers covered by the *Employment Equity Act* are legally obligated to consult with designated employee representatives or, in unionized settings, with bargaining agents. Consultation means that the employer must supply sufficient information and opportunity to employee representatives or bargaining agents to enable them to ask questions and submit advice on the implementation of employment equity.

The labour movement in Canada generally supports the concept of employment equity as long as unions are fully informed and involved from the beginning with respect to an employer's planning process. This makes sense considering that unions are the legitimate representatives of employee interests in unionized settings. Supportive mechanisms for achieving employment equity have been reported by Employment and Social Development Canada (formerly Human Resources Development Canada).[37] Many employers and unions have successfully negotiated family-friendly policies such as parental leave, childcare provisions, and flexible hours.

Step 2: Data Collection and Analysis

The development of an internal workforce profile is an important tool in employment equity planning. Without this information, an organization would not be able to determine where it stands relative to the internal and the external workforce. Profiles must be based on both stock data and flow data. **Stock data** provide a snapshot of the organization. They show where members of designated groups

First Nations University is a unique university in Canada that caters to the advanced education needs of Aboriginal people.

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flow data
Data that provide a profile of the employment decisions affecting designated groups

are employed in the organization, at what salaries and status, and in what occupations on a particular date. **Flow data** refer to the distribution of designated groups in applications, interviews, hiring decisions, training and promotion opportunities, and terminations. They provide information on the movement of employees into and through the organization. Computerized reporting systems and tracking software are available from Employment and Social Development Canada (formerly Human Resources Development Canada) to assist employers in gathering, reporting, and analysing their internal workforce data.

Most of the information necessary for equity planning (e.g., salary, sex, access to benefits, seniority status, and occupational and career history within the organization) is contained in existing personnel files. Information pertaining to the distribution of members of designated groups in the employer's organization must be accumulated by the employer through a self-identification process. Under the *Employment Equity Act*, employers may gather data on members of designated groups as long as employees voluntarily agree to be identified or identify themselves as members of designated groups and as long as the data are used only for employment equity planning or reporting purposes.

Creating a climate of trust in the management of the program is a major challenge. Employers can encourage participation and confidence in the program by providing focused employment equity training to managers and by providing opportunities for managers to be recognized for their contributions to the development and administration of effective employment equity strategies. Companies such as Pratt & Whitney have introduced equity and diversity training for their supervisors. Cameco Corporation in northern Saskatchewan has committed to improving the job prospects of Aboriginal people as part of its long-term employment strategy, based on economics, not just a keen sense of social responsibility. Mentoring, basic training, educational support, and family assistance programs mean a lot to those employees, who may be the first in their families to have full-time paid employment.[38]

If an employer administers a self-identification questionnaire, confidentiality and a clear commitment at senior levels to the concept of employment equity should be communicated. Having employees self-identify is crucial to the success of the program, but problems may arise with self-identification. Under some provincial employment equity acts, terms such as *Aboriginal* and *racial minority* are not defined. Some employees who have "hidden" disabilities, such as epilepsy or partial deafness, may not wish to label themselves for fear of future discriminatory treatment. Some members of minority groups, such as Aboriginal people, have never disclosed their ethnic origins for similar reasons.

If too many employees with nonvisible disabilities do not identify themselves as having a disability, the program could end up being designed to recruit more employees with disabilities, leaving another segment of the employee population underrepresented. Thus, because inaccurate data were accumulated on one group, the other group will not benefit from the employment equity efforts. An additional concern is that individuals with disabilities may need some form of accommodation to help them perform their jobs better. If they do not self-identify, they have denied themselves certain basic rights. Highlights in HRM 3.5 outline words and actions that are appropriate in dealing with persons with disabilities. A self-identification form should contain the following:

- an explanation of the employer's employment equity policy, the purpose of the employment equity program, and the need for the information requested;

- an indication that the information supplied will be confidential and will be used only for employment equity purposes by those individuals identified as responsible for the program;

- the categories for self-identification, with brief explanations and examples;

- an indication that the form has been reviewed by the relevant human rights agency;

- space for comments and suggestions; and

- the name of the contact person for information and suggestions.[39]

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Highlights in HRM 3.5

Suggestions for Inclusion

Person who is blind or person with a visual impairment

Identify yourself and anyone with you; if you have met before, explain the context of the meeting; speak in a normal tone of voice and indicate to whom you are speaking if in a group; remove obstacles; describe the surroundings ("There is a door on your right"); if offering to guide, ask the person to take your arm above the elbow and walk about a half-step ahead; plan ahead to obtain material in audio recordings or Braille.

Person with a physical disability or person with a mobility impairment

Rearrange furniture or objects to accommodate a wheelchair or other mobility aid; avoid leaning on a mobility aid; push someone in a wheelchair only when asked; give directions that include distance and physical objects such as curbs.

Person who is deaf or deafened or person with a hearing impairment

Speak clearly and at a pace that allows the sign language interpreter to interpret and to allow for questions; write notes or use gestures for one-on-one discussions; face the person to facilitate lip reading; speak clearly, slowly, and directly to the person, not the interpreter; reduce or eliminate background noise.

Person who is unable to speak or person with a speech impairment; person with a learning, developmental, or psychiatric disability

When needed, offer assistance and provide guidance; repeat information when necessary; speak directly to the person and listen actively.

Sources: Treasury Board of Canada Secretariat, "Creating a Welcoming Workplace for Employees with Disabilities"; David Brown, "Focus on Ability Not Disability," *Canadian HR Reporter* 13, no. 22 (December 18, 2000): 12.

Once the personal information forms have been completed, all occupations within the organization must be cross-referenced to the National Occupational Classification (NOC). This manual was created by Statistics Canada for use in statistical surveys and for other purposes. Personal data are organized under the four-digit NOC classifications. When building a workforce profile, employers should first refer to the four-digit unit groups and then determine in which one each job belongs. For example, secretaries and stenographers are classified in unit group 4111, which in turn can be assigned to the "clerical workers" group.

A full workforce analysis can be generated once all the information has been loaded and the reports are complete. This utilization analysis will include a distribution of members of designated groups according to occupations and salary levels throughout the organization. Comparisons will show which designated groups exhibit **underutilization** and which groups exhibit **concentration** in specific occupations or levels, in proportion to their numbers in the labour market.[40]

underutilization
Term applied to designated groups that are not utilized or represented in the employer's workforce proportional to their numbers in the labour market

concentration
Term applied to designated groups whose numbers in a particular occupation or level are high relative to their numbers in the labour market

Step 3: Employment Systems Review

"Employment systems" or "employment practices" are the means by which employers carry out personnel activities such as recruitment, hiring, training and development, promotion, job classification, discipline, and termination. Some of these practices are found in personnel manuals and collective agreements, whereas others remain more informal and based on traditional practices.

An important legal principle is that employers are accountable even when discrimination is the unintended result of employment systems that block the progress of particular groups of employees or potential employees for reasons unrelated to qualifications, merit, or business requirements. This unintentional discrimination is referred to as systemic discrimination.

Systemic Barriers in Employment Practices

Systemic discrimination refers to the exclusion of members of certain groups through the application of employment policies or practices based on criteria that are neither job related nor required for the safe and efficient operation of the business. Systemic discrimination can create legal concerns for an organization. Many employment barriers are hidden, unintentionally, in the rules, procedures, and even facilities that employers provide to manage their human resources. These barriers include, among others, physical access that restricts those who are mobility challenged; recruitment practices that limit applications from designated groups (e.g., word of mouth); and job descriptions and job evaluation systems that undervalue the work of women. Inequity can result if these barriers encourage or discourage individuals based on their membership in certain groups rather than on their ability to do a job that the employer needs done. In one case, the Supreme Court of Canada ruled that a physical fitness test discriminated against women and required the employer to reinstate the woman as a firefighter.[41]

To address systemic barriers, organizations can, among other things, supplement recruitment practices, such as word of mouth, with calls to organizations representing designated groups or advertising in media used by the designated groups; upgrade facilities to accommodate those who are mobility impaired; and rewrite job descriptions and re-evaluate jobs to gender-neutral systems.

Another example of systemic discrimination occurs when an employer's workforce represents one group in our society and the company recruits new employees by posting job vacancies within the company or by word of mouth among the employees. This recruitment strategy is likely to generate candidates similar to those in the current workforce, thereby unintentionally discriminating against other groups of workers in the labour market. A better approach might be to vary recruitment methods by contacting outside agencies and organizations. The Toronto Police Force has established an eight-member recruitment task force to boost its community representation, in part by educating visible minority groups about career opportunities in the force.[42] A few years ago, the federal Treasury Board launched a task force on visible minorities in the federal public service based on a recommendation by the National Capital Alliance on Race Relations (NCARR). The task force's mandate was to develop an action plan to improve participation and advancement of visible minorities in the federal public service as it relates to employment, which is still in effect today.[43]

The following employment practices and issues may need to be reviewed: job classifications and descriptions, recruitment processes, training and development, performance evaluation systems, promotions and upward mobility, levels of compensation, access to benefits, termination processes, discipline procedures, facilities (e.g., building design, barrier-free access), and access to assistance.

The usual test for identifying systemic barriers involves using the following criteria to assess the policy:

- Is it job related?
- Is it valid? (i.e., does it, or the required qualification, have a direct relationship to job performance?)
- Is it consistently applied?
- Does it have an adverse impact? (i.e., does it affect members of designated groups more than those of dominant groups?)
- Is it a business necessity?
- Does it conform to human rights and employment standards legislation?[44]

If the employee profiles indicate that certain types of people are underrepresented, then special measures may be undertaken to correct this imbalance.

Special Measures and Reasonable Accommodation

Special measures are initiatives designed to accelerate the entry, development, and promotion of members of designated groups from among the interested and qualified workforce. For example, some special measures may include targeted

recruitment or special training initiatives aimed mainly at correcting, over a specified period of time, employment inequities stemming from past discrimination. These measures are intended to hasten the achievement of fair representation of the four designated groups in an employer's workforce.

Reasonable accommodation involves adjusting employment policies and practices so that no individual is denied benefits, disadvantaged with respect to employment opportunities, or blocked from carrying out the essential components of a job because of race, colour, sex, or disability. Human rights tribunals across Canada have placed employers under a duty to demonstrate a degree of flexibility in meeting the reasonable needs of employees. It is no longer acceptable for employers to simply assume that all employees will "fit in" no matter what their special needs. Employers must find the means to alter systems to meet the needs of their employees as long as this does not cause "undue hardship to the employer." Reasonable accommodation may include redesigning job duties; adjusting work schedules; providing technical, financial, and human support services; and upgrading facilities. The City of Toronto developed award-winning facilities in its barrier-free access program, which was designed to allow people with disabilities accessible passage throughout city facilities. The Canadian military has adopted a policy that allows Aboriginal servicemen to wear their hair in traditional braids.

Reasonable accommodation benefits all employees. When a company provides compensation for childcare expenses for employees taking company-sponsored courses, it does more than remove a barrier to women; it also assists any employee with sole-parenting responsibilities. The flexible work schedules adopted by some companies in northern Canada benefit Aboriginal employees, who are prepared to work atypical hours in exchange for significant breaks away from the work site to take part in traditional hunting and fishing activities. Many other employees also benefit from these flexible work schedules. Highlights in HRM 3.6 recount three court cases on accommodation.

Special arrangements should be made to accommodate people who are visually impaired, illiterate, or unfamiliar with the English language by using tools such as Braille forms, confidential interviews, or translation. Leah Levy, founder of the Gulf Islands Dog Biscuit Company, found it easy to accommodate deaf employees by installing a white board for messages and a light indicating when the doorbell rang.[45]

Step 4: Establishment of a Workplan

The workforce analysis and the review of employment systems will provide the employer with a useful base from which to develop a workplan with realistic goals and timetables. A narrative statement or summary of the conclusions drawn from the examination of the workforce analysis forms part of the employment equity workplan. The summary should include any restrictions faced in hiring due to collective agreements, staff movements, or the need for specialized skills in a particular profession. The identification of restrictions helps form an overall employment equity strategy.

The plan should be considered a working tool designed to achieve results. It is a document that describes how proposed actions are to be achieved. The plan should be an integral part of the organization's overall operational plans and must include

- numerical goals with time frames (numerical goals can be expressed in numbers—for example, *42 percent of our personnel should be women*);
- explanations about the proposed improvement in hiring, training, and promotion of the four designated groups to increase their representation and improve their distribution throughout the organization;
- descriptions of specific activities to achieve the numerical goals; and
- an outline of monitoring and evaluation procedures to follow program implementation.

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Highlights in HRM 3.6

The Duty to Accommodate

- Two employees of the Ford Motor Company of Oakville, Ontario, became members of a religious group that observed its Sabbath from Friday sunset to Saturday sunset. Both employees were required to work two Friday nights out of four, which they refused to do. They tried, but failed, to make alternative arrangements with other workers. They were disciplined and ultimately terminated for unauthorized absenteeism. After a 71-day hearing, the Human Rights Commission decided it would constitute undue hardship on Ford to accommodate the religious absences of these employees.

- The Ontario Human Rights Commission found that the City of Ancaster, Ontario, had discriminated against a part-time firefighter when they turned him down for a full-time job because he had partial vision in one eye. As such, he was unable to obtain a class F driver's licence, a job requirement for driving ambulances that are driven by firefighters. The tribunal felt that the city should have accommodated him by assigning him to firefighter duties exclusively.

- A recent case in Alberta, *SMS Equipment v. CEP Local 707*, involved a female employee who sought accommodation based on her duty as a single parent and who needed to work days as she has no family nearby and childcare costs were very expensive, causing financial hardship, if she had to continue working nights. The employer refused to accommodate the employee, claiming that it was the employee's decision to choose rotating shifts. The Alberta court ruled in favour of the employee, claiming that the employer has a duty to accommodate employees suffering hardship due to problematic childcare circumstances. The court also claimed that the employee was placed at a disadvantage and that the employer could not prove that accommodating the employee would have a negative impact on the firm.

Sources: Laura Cassiani, "Law Takes Tough Stand on Accommodation," *Canadian HR Reporter* (Feb. 26, 2001): 1, 5. Reprinted by permission of Canadian HR Reporter. © Copyright Thomson Reuters Canada Ltd., 2001, Toronto, Ontario, 1-800-387-5164. Web: www.hrreporter.com; Jeffrey R. Smith, "A Growing Family: Another Day, Another Family Status Discrimination Case," *Canadian HR Reporter* (April 21, 2015), http://www.hrreporter.com/blog/employment-law/postprint/2015/04/21/a-growing-family.

Numerical goals must be realistic numbers related to workforce analysis. The goals must catalogue opportunities for hiring, training, and promotion and must demonstrate a valid effort to correct underrepresentation or concentration of all designated groups in specific occupations or occupational categories. Nonnumerical goals include activities such as implementation of barrier-free design, targeted recruitment and advertising, modification of employment policies or practices, and provision of developmental training.

The overall goal for an organization is to achieve a representative workforce. An organization's workforce is representative when it reflects the demographic composition of the external workforce. A nonrepresentative workforce is an indicator of the need for evaluation and action to remove the barriers that block or discourage certain groups from employment and advancement. Workplan initiatives in conjunction with special measures and reasonable accommodation should contribute to the overall success of this goal.

Step 5: Implementation

The implementation of employment equity is idiosyncratic in that no two plans will be the same. Each strategy should be designed to meet the needs of the particular organization. The success of plan implementation depends on senior management's commitment to the process, how the roles and responsibilities are defined, the resources available, the effectiveness of the communications strategy, the acceptance of plan initiatives and objectives, and the availability of training. The plan, in essence a living document, will be affected by the changes in the internal and external environment throughout the implementation period. Therefore, its strategies may be modified or eliminated when results are not achieved or if resource restraints or economic conditions necessitate a different strategy. The implementation is guided and monitored by those responsible and accountable for its outcome.

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Step 6: Evaluation, Monitoring, and Revision

By monitoring progress, the employer will be able to evaluate the overall success of the equity initiatives used to achieve a representative workforce, as well as respond to organizational and environmental changes. Annual progress reports provided to all employees communicate initiatives and achievements. Interim reports on special projects heighten program visibility and acceptance; they also promote management commitment and accountability. Research suggests that the wage gaps between white men and the designated groups are closing more rapidly in organizations with formal employment equity programs than in organizations without such programs.[46]

The monitoring activity is an essential component in the planning cycle. Only through monitoring can an employer determine whether goals are being attained and problems resolved, whether new programs are succeeding, and whether strategies have been effective. If the employer finds, on review of the program, that there are negative results, alterations to the existing plan will have to be made with new goals. In this regard, the planning process is evolutionary in that the achievement of employment equity involves organizational changes and builds on experience.

SEXUAL HARASSMENT

Please note that although this section deals only with sexual harassment, many of the prescriptions apply equally to other forms of harassment based on, for example, race or religion. The two main sources of the employer's duty to prevent harassment in the workplace are

1. human rights legislation, which prevents harassment only on the basis of the designated grounds in the legislation (e.g., sex, race, religion); and
2. common law obligation to treat workers with decency and respect. This is a fairly new development in the common law. However, it applies to all forms of harassment that make the workplace intolerable to the worker. If the employer fails to stop the harassment, it is in breach of the employment contract. The employee could quit and sue for constructive dismissal ("reasonable notice").[47]

Sexual situations in the work environment are not new to organizational life. Sexual feelings are a part of group dynamics, and people who work together may come to develop these kinds of feelings for one another. Unfortunately, however, often these encounters are unpleasant and unwelcome, as witnessed by the many reported instances of sexual harassment.[48]

According to one study, only 4 of every 10 Canadian women who suffer **sexual harassment** at work take any formal action, and only 1 of every 2 women believes that a complaint would be taken seriously in her workplace.[49] This belief is reinforced by cases such as the one involving a female Sears employee who was shot to death by her manager. Fifteen months earlier, she had complained to her employer that she was being sexually harassed by her manager. The company maintained that his behaviour did not constitute sexual harassment and that he was merely a "persistent pursuer." In keeping with this position, Sears made no effort to stop the manager's behaviour. The City of Richmond, in British Columbia, has only 4 women among the more than 200 firefighters, and none of them are on active duty. At least one has complained of harassment, saying that she found obscenities on her locker and feces in her boots and that her water pressure was not turned on during a fire inside a building.[50] In a more recent example, as many as 4,000 women may be in the process of filing sexual harassment complaints against the Royal Canadian Mounted Police (RCMP). As of early 2018, more than 2,400 women had filed complaints. The claims build on two class actions lawsuits filed against the RCMP in 2012 and 2015 that allege a history of sexual harassment, intimidation, and gender-based discrimination committed by male employees of the RCMP against their female colleagues.

sexual harassment
Unwelcome advances, requests for sexual favours, and other verbal or physical conduct of a sexual nature in the working environment

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Sexual harassment encounters are unpleasant, causing personal and organizational hardships.

The allegations include innuendos, unwanted groping, and sexual advances. In May 2017, an agreement was worked out by a federal court judge that may award up to $220,000 to aggrieved women. The government has announced that it will put aside $100 million to settle the claims.[51] Sexual harassment costs, as Highlights in HRM 3.7 show.

Many organizations are developing policies to deal with sexual harassment in the workplace. Such policies are intended as preventive measures against not only damage to reputation and employee morale but also the kind of litigation that Magna International faced when it was sued on the grounds that Magna employees had attempted to win contracts from purchasing officers for the Big Three auto makers by wooing them with gifts and entertainment, including trips to topless bars.[52] Some organizations have put policies in place to attempt to deal with the issue. For example, the sexual harassment policy at British Columbia Hydro and Power Authority (BC Hydro) focuses on avoidance and resolution rather than punishment after the fact. In another organization, the Canadian Armed Forces, 90,000 members have been trained to recognize and avoid harassment of all kinds.

The Ontario *Human Rights Code* identifies three kinds of sexual harassment:

1. When someone says or does things to you of a sexual nature and you do not want or welcome it. This includes behaviour that a person should know you do not want or welcome (e.g., your supervisor makes you feel uncomfortable by talking about sex all the time). The *Human Rights Code* says that when you show that you do not welcome or want the remarks or actions, the person must stop doing those things right away.

Highlights in HRM 3.7

The Cost of Sexual Harassment

In 2002, sexual harassment complaints topped the list of complaints heard by provincial human rights commissions; 64 percent of working women say they have experienced some form of sexual harassment throughout their careers (up from 48 percent in the previous year). Harassment affects productivity, retention, morale, turnover, and absenteeism rates. It also affects an employee's self-esteem, home life, and stress levels. Some 48 percent of women executives say they left a job because of inhospitable organizational culture and harassment.

An employee at the Victoria Tea Company in Ontario was found guilty of sexual harassment and ordered to pay the victim $50,600. A supervisor at SkyCable in Brandon, Manitoba, was ordered to pay $100,000 in damages for creating a poisoned work atmosphere. The four women employees testified that the supervisor had made inappropriate remarks, sexual advances, and derogatory comments on an ongoing basis. The poisoned work environment generated by his conduct took a toll on their psychological

and physical health and caused them significant pain and suffering. The supervisor's remarks were clearly persistent, repetitious, and serious enough to create a hostile work environment for all the complainants. The Canadian Human Rights Tribunal ruled that the supervisor must compensate the four women for lost wages, hurt feelings, and legal costs. But what exactly is sexual harassment? According to Canadian legal cases, the following behaviours define sexual harassment:

- sexually degrading words or remarks used to describe an individual or group
- inquiries or comments about an individual's sex life
- sexual flirtations, advances, and propositions
- demands for sexual favours
- verbal threats or abuse
- leering
- unwanted gestures
- display of sexually offensive material
- sexual assault

Sources: "Sexual Harassment Endangered Health," *Tribunal OH & S Canada* 18, no. 6 (September 2002): 10; Laura Cassiani, "Sexual Harassment Persists Despite Workplace Fallout," *Canadian HR Reporter* 14, no. 7 (April 9, 2001): 1.

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Highlights in HRM 3.8

Basic Components of an Effective Sexual Harassment Policy

1. Develop a comprehensive organization-wide policy on sexual harassment and present it to all current and new employees. Stress that sexual harassment will not be tolerated under any circumstances. Emphasis is best achieved when the policy is publicized and supported by top management.

2. Hold training sessions with supervisors to explain their role in providing an environment free of sexual harassment and institute proper investigative procedures when charges occur.

3. Establish a formal complaint procedure whereby employees can discuss problems without fear of retaliation. The complaint procedure should spell out how charges will be investigated and resolved.

4. Act immediately when employees complain of sexual harassment. Communicate widely that investigations will be conducted objectively and with appreciation for the sensitivity of the issue.

5. When an investigation supports employee charges, discipline the offender at once. For extremely serious offences, discipline should include penalties up to and including discharge. Discipline should be applied consistently across similar cases and among managers and hourly employees alike.

6. Follow up on all cases to ensure a satisfactory resolution of the problem.

The concepts of harassment in the workplace are being broadened to include psychological harassment, such as bullying. Laws in Quebec and Saskatchewan ban psychological harassment, which is defined as any repeated, hostile, or unwanted conduct; verbal comments; actions; or gestures that affect an employee's dignity or psychological or physical integrity. This protection requires employers to create policies to prevent this type of harassment.* Recent changes in 2016 to the *Occupational Health and Safety Act* in Ontario (Bill 132) has made it compulsory for employers to specifically address sexual harassment in their policies and procedures. Among other things, the new requirements relate to how employers must investigate and document sexual harassment allegations.

Source: * Katherine Harding, "Taking Aim at Bullies," *The Globe and Mail* (March 19, 2003): C1.

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2. A person who has authority or power to deny you something, such as a promotion or a raise, makes sexual suggestions or requests that you do not want or welcome (e.g., your teacher says you must have sex with him or her or you will not pass the course). Even if you do not complain about a sexual suggestion or request, it can still be sexual harassment unless it is clear that you welcome or want it.

3. A person with authority or the power to deny you something important punishes you or threatens to do something to you for refusing a sexual request (e.g., your employer fires you, or threatens to fire you, because you refuse to go on a date).

For sexual harassment policies to succeed, confidentiality is necessary, and so is a method for filing complaints. Without organizational commitment to zero tolerance with respect to harassment, any such policy will be meaningless.

Highlights in HRM 3.8 present some suggestions for an effective sexual harassment policy.[53]

MANAGING DIVERSITY

Managing diversity goes beyond Canadian employment equity legislation's four designated groups in addressing the need to create a fair work environment. The terms *diversity management* and *employment equity* are often used interchangeably, but there are differences. **Diversity management** is voluntary; employment equity is not. Managing diversity is a broader, more inclusive concept,

diversity management
The optimization of an organization's multicultural workforce to reach business objectives

LEARNING OUTCOME 6

What effects, if any, do you think diversity management practices have, if any, on the competitiveness of Canadian businesses?

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encompassing factors such as religion, personality, lifestyle, and education. By managing diversity, organizations hope to gain a strategic and competitive advantage by helping all employees perform to their full potential.[54]

The City of Toronto led by example when it recognized "non-Christian City of Toronto staff" by giving them two days of paid time off for religious holidays if they agreed to work Christmas Day and Good Friday (Christian holidays) at straight time.[55] Also, McDonald's Restaurants of Canada used multiage teams and found that the diversity of ages led to a remarkable synergy.[56]

Organizations such as CN, the Bank of Montreal, and Warner-Lambert are pioneers in the diversity movement. According to Marie Tellier, CN's former assistant vice president of employment equity, the hiring, development, and good management of a diverse workforce whose values and expectations are different from their managers are no longer an option—they are an economic necessity. In the context of an increasingly diverse labour force, diversity management is not only a legal obligation but also a necessity imposed by market laws, competition, and the need to be the best to survive.[57]

Statistics show that the ethnocultural profile of Canada has been changing since the 1960s and will continue to change dramatically over the next 20 years. European immigrants who led the first wave of immigrants in the early years of the twentieth century have been surpassed by immigrants from Asia, including the Middle East.[58] A study by Statistics Canada has found that an immigrant's country of origin and arrival date in Canada are strongly correlated with his or her chances of finding a job. Immigrants born in Southeast Asia and aged 25 to 54 had employment levels close to or better than those of their Canadian-born counterparts, regardless of when they arrived in Canada.[59] The goal of diversity management is to have the workforce at all levels resemble the population.

CEOs in Canada recognize that ethnic groups possess expertise such as language skills, knowledge of foreign cultures and business practices, and natural trade links with overseas markets that can be used to capture market share in emerging economies and new Canadian markets. Ebco, a manufacturing company in Richmond, British Columbia, which has won awards for excellence in race relations, is doing business in Germany and Taiwan because it was able to tap the networks and skills of its employees, who trace their origins to 48 different countries. The spending power of these groups is another motivating factor to incorporate them into all levels of the workforce. According to Edgar Ware, ethnocultural business manager at Digital Equipment of Canada, "We have an obligation to the cultural fabric. We want to look like the people we sell to."[60] Digital's goal is to balance a diversity strategy with the organization's business plan. Leslie Stanier, director of human resources at Cargill in Winnipeg, states, "not only does diversity make the place more dynamic and interesting for everyone, but having an inclusive culture that builds on that diversity is what leads to successful business results."[61]

Besides the moral issues surrounding diversity, there is a critical economic need for Canada to increase its share of world trade and expand its trade portfolio (see the Business Case). Our export market is dominated by the United States, Japan, and the United Kingdom. If Canadian business continues to rely heavily on these markets, our export growth and standard of living may not keep pace with other international markets.[62] Developing countries in emerging markets will require new investments in infrastructure, public systems, and productive capital. Given the multicultural background of many of its workers, Canada is in an excellent position to provide these services. Canadian companies such as SNC-Lavalin have already begun to tap the potential of these emerging markets.

CREATING AN ENVIRONMENT FOR SUCCESS

Transforming an organizational culture into a culture that embraces diversity can be a complex and lengthy process. Diversity initiatives should be taken slowly so that everyone can understand that this change is an evolutionary process and

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The Business Case

The Economic Values of Diversity

Although employment equity and its partner, employment diversity, were launched on moral grounds, increasingly, these initiatives are sustained on business grounds. The first principle to understand is that members of the designated groups are consumers, not just potential employees. For example, the purchasing power of people with disabilities is estimated to be $120 billion. Racial minorities control more than $76 billion of combined purchasing power. Women control 80 percent of the consumer dollars spent in North America.

The second business fundamental is that employees who are members of the designated groups represent an organizational resource that facilitates the understanding and linkages to these markets by helping various departments to understand the lifestyles, consumption needs and wants, purchasing preferences, media utilization habits, and brand loyalty of these groups. For example, Phoenix Geophysics Ltd, based in Toronto, credits its newest biggest market (Africa) for its geophysical instruments to an Eritrean-born employee, who speaks five languages. For reasons such as this, one in five businesses has hired an immigrant to help diversify its global client base. Business is increasingly international, and employees who speak other languages and understand other cultures are a valuable resource. A Conference Board of Canada study found that every 1 percent increase in the number of immigrants to Canada increased the value of imports by 0.21 percent and the value of exports by 0.11 percent.

A study of nearly 1,000 companies operating in the European Union, as well as North America studies, has reported that a diverse workforce brings these benefits to business:

- access to a new labour pool
- benefits related to a company's reputation
- commitment to equality and diversity as company values
- unlocking of innovation and creativity
- compliance with laws
- competitive advantage
- economic effectiveness
- marketing opportunities
- market growth; capturing new markets
- enhanced customer satisfactions; 152 percent more likely to understand diverse clients
- enhanced team understanding of diverse clients
- stimulation of value-driven insights and ideas
- increased productivity
- critical factor driving success in the global market
- attraction and retention of top talent
- firms more competitive
- increased success of mergers and acquisitions

Sources: T. Grant, "Tapping Canada's Immigrant Capital," *The Globe and Mail* (May 11, 2011): B7; Terrence Belford, "Hire Local, Think Global," *The Globe and Mail* (January 26, 2009): E1; European Commission, "Business Case for Diversity," Directorate-General for Employment, Social Affairs, and Equal Opportunity, Luxembourg (2005); Aparita Bhandari, "Ethnic Marketing—It's More Than Skin Deep," *The Globe and Mail* (September 7, 2005): B3; B. Siu, "Beyond Quotas: The Business Case for Employment Equity," *Canadian HR Reporter* (June 4, 2001): 20; Sylvia Ann Hewlett, Melinda Marshall, and Laura Sherbin, "How Diversity Can Drive Innovations," *Harvard Business Review* (December 2013), https://hbr.org/2013/12/how-diversity-can-drive-innovation, retrieved May 19, 2015; "Global Diversity and Inclusion: Fostering Innovation through a Diverse Workforce," *Forbes Insights*, July 2011, http://www.forbes.com/forbesinsights/innovation_diversity/index.html; https://www.americanprogress.org/issues/labor/news/2012/07/12/11900/the-top-10-economic-facts-of-diversity-in-the-workplace/, accessed May 19, 2015.

that expectations should be realistic. Individuals must fully understand the time, effort, commitment, and risk involved and the need for a systematic approach.[63]

Leadership is one of the most important variables in an organization's ability to successfully incorporate diversity into its business strategy. In a Conference Board of Canada survey, 86 percent of respondents indicated that responsibility rested with HR.[64] The initiative should not be perceived as an HR program or policy but rather as a business imperative. In the words of Prem Benimadhu, former vice president of HR research for the Conference Board, "Building a racially and culturally diverse workforce has been perceived as a human resources issue. But as long as it is, it's not going to be in the mission statement of organizations."[65] Only 6 percent of firms surveyed by the Conference Board study mentioned ethnic and cultural diversity in their mission statements.

Diversity initiatives should be linked directly to the business objectives and goals of the most senior levels of management. Reality Check demonstrates how

RBC manages a wide range of diversity initiatives. Organizations seeking to incorporate the value of diversity into their corporate philosophy must make use of appropriate internally and externally focused communications. For example, the National Bank of Canada participates annually in Montreal's *La semaine des communautés culturelles*, a week dedicated to the celebration of Montreal's multiculturalism. The bank believes that its visible demonstrations of commitment to ethnocultural diversity in the community it serves help raise the bank's profile.[66]

Cross-functional teams established to promote the diversity initiative are used successfully as communication vehicles by many leading-edge organizations. Toronto's Sunnybrook Health Sciences Centre has implemented the Patient Diversity Task Force to examine and report on the barriers faced by its patients, residents, and families.[67] Other organizations seek to raise the awareness of ethnocultural diversity.

Training is essential to the success of diversity implementation. A number of companies, including Imperial Oil and Connaught Laboratories, have incorporated diversity training. Cultural etiquette is an important aspect of diversity training that aims to explain the differences, or diversity, in people.

The Department of National Defence includes diversity training in its basic officer training course.[68] A consortium of European and North American businesses is attempting to develop a global diversity standard, by which companies will be able to use software to rate the success of their diversity programs.[69]

Reality Check

Diversity Management Achievements at RBC

RBC won the 2010 Catalyst award given to companies with an exceptional track record of diversity and inclusion practices. According to Zabeen Hirji, former chief HR officer at RBC, in order to create and sustain a diverse, inclusive, and collaborative work environment, people at all levels must be engaged in the effort, starting with the leadership. The RBC Diversity Leadership Council is chaired by the then president and CEO, Gordon Nixon. This group developed a three-year plan to advance and support diversity and inclusion in the workplace, marketplace, and community. As Gord Nixon often states: "While diversity is the right thing to do, it is the smart thing to do and it makes good business sense." Indeed, *diversity for growth and innovation* is one of RBC's core values.

Looking only at the diversity issues for employees, the RBC Diversity Blueprint states that the goal is to increase the diversity and inclusion of the workforce globally, with a focus on representation of women and minorities at senior management levels. RBC offers a wide range of programs to achieve these goals, including

- a diversity dialogues reciprocal mentoring program for more than 400 participants;
- Create Connections, a recruitment road map to attract experienced women financial consultants;
- the establishment of the Royal Eagles National Leadership Committee to raise awareness of Aboriginal culture within RBC;
- a webcast, "Building Cultural Dexterity for High Performance";
- a webcast, "Creating an Inclusive Workplace for Employees with Disabilities"; and
- an Aboriginal social network called One Heart.

The diversity council issues an annual diversity progress report, an annual employment equity report, and an annual corporate social responsibility report.

Currently, RBC has a "Diversity & Inclusion, Blueprint 2020" that builds on these efforts. As the document states, "RBC has long believed that diversity is not only the right thing to do but also the smart thing to do. We understand the ethical case for ensuring equal opportunity for all and also the tangible social and economic benefits a diverse and inclusive workplace brings. Basic definitions and simply respecting employment and regulatory requirements are important foundations, but only foundations. Our framework includes fostering inclusion and using diversity of thought for sustainable growth and prosperity."

Read the interview with Zabeen Hirji at http://www.jobquality.ca/interviews/interview_rbc.shtml.

Sources: RBC 2010 Diversity Progress Report; Anonymous, "Commitment to Diversity," *National Post* (February 3, 2012): JV 10; RBC, "Diversity & Inclusion, Blueprint 2010," p. 5, http://www.rbc.com/diversity/pdf/rbc-diversity-blueprint.pdf, retrieved April 21, 2018.

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AT&T in the United States fosters diversity through its "Know and Grow" Initiative. This program ensures that all high-potential candidates, especially members of minorities and women, are given opportunities to work with senior executives, who are responsible for advising and mentoring them.[70] BC Hydro offers online diversity resources and a toolkit through the company's intranet website. Shaw Communications in Calgary established and maintains a national diversity task force aimed at portraying and advancing Canada's diverse population, with an emphasis on the four designated groups.[71]

Figure 3.3 outlines some of the key factors in a diversity management strategy. Of even greater importance than training is the need to incorporate elements of diversity into all core training programs and to tailor those elements to meet the needs of specific business units or groups of employees.[72]

An added advantage of implementing a diversity initiative relates to its impact on employee retention. Retention of well-qualified and skilled employees is an important goal, considering the amount of resources—in both time and money—spent on recruiting and hiring new employees. Canadian organizations spend an average of 28 hours recruiting a new management or professional employee, 42 hours recruiting a new executive, and 20 hours recruiting a new technical/supervisory employee.[73] Maintaining a balanced and diversified workforce during periods of downsizing continues to be a major challenge. See Figure 3.4 for a summary of the benefits of diversity management.

Much the same as is required under employment equity, an overall review of policies and employment practices must be considered. In this regard, the use of an employee attitude survey may prove beneficial in finding areas of systemic or perceived discrimination. The evaluation criteria used most often by Canadian organizations are staff attitudes, increases in promotions for minority employees, a reduction in the turnover of minority employees, a reduction in the number of harassment suits, recruitment statistics for minorities, and improvements in productivity.[74]

A final element in achieving success is monitoring progress and providing qualitative and quantitative evidence of change. For example, during their performance

FIGURE 3.3

MODEL OF DIVERSITY MANAGEMENT STRATEGY

VALUING DIVERSITY IN THE WORKPLACE

Culture

Organization-Wide Image
- Organization fosters mutual respect
- Organization fosters sense of belonging
- Differences are accepted
- Corporate-wide diversity-training program

Concern for Equality
- Equal respect for minority and majority group
- Equal performance expectations for minority and majority group
- Equal rewards for minority and majority group
- Equal pay and income
- Valuing diversity

Opportunity

Career Development
- Promotion of multicultural employees
- Opportunity for development of new skills
- Preference to minorities in promotion
- Access to top management positions

Hiring Practices
- Active recruitment and hiring of multicultural employees
- Equal opportunities for minorities
- Employment equity program

Leadership

Management Practices
- Take all employees seriously
- Recognize the capabilities of all employees
- Support all employees
- Communicate effectively with all employees
- Value a diverse work group
- Respect the cultural beliefs and needs of employees
- Accept non–English-speaking employees

Source: Reprinted from *The Cornell Hotel and Restaurant Administration Quarterly* (41, no 2); Kathleen Iverson, "Managing for Effective Workforce Diversity," pp. 31–38, © 2000, with permission from Elsevier.

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FIGURE 3.4

WHY DIVERSITY?

The primary business reasons for diversity management include . . .
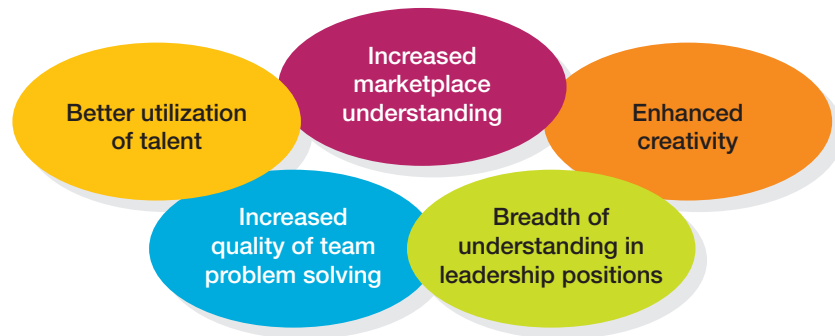
Source: Survey data from Gail Robinson and Kathleen Dechant, "Building a Business Case for Diversity," *Academy of Management Executive* 11, no. 3 (August 1997): 21–31.

Small Business Application

As we have already said, small businesses are bound to the same legislation regarding workplace standards as are large companies. Although there are some exclusions, such as employers of less than 100 employees being excluded from the *Employment Equity Act*, small business needs to ensure that practices applying to recruitment, pay, and workplace standards treat all Canadians fairly and equitably and in accordance with the *Canadian Charter of Rights and Freedoms*. In addition to legal compliance, equitable treatment of staff is good business.

But how does small business achieve this? Through the operation of three principles: (1) diverse and inclusive recruitment, (2) equal pay for work of equal value, and (3) maintaining a harassment-free workplace.

To illustrate how this plays out in small companies, let's use an example of a retail store in Surrey, British Columbia. Retail business relies on the local community as the primary source of customers, as well as employees. Part of being able to serve clients successfully comes as a result of understanding the needs of customers and providing an environment sensitive to their specific needs. As such, to serve the diverse population of Surrey, this store is well served by hiring staff that reflects this diverse population. The same is true for gender and people with disabilities. Given equivalent qualifications, many organizations will hire candidates from the designated groups to ensure that their organizations' employees are representative of the Canadian population.

So what strategies can this small business employ to maintain a diverse workforce? First, management can ensure that all people involved in the selection and support of employees recognize the value of maintaining a diverse representative workforce. Second, they can employ simple attraction strategies such as placing an "Employee Wanted" sign in the window of the store to draw from the diverse local community. Lastly, they can take measures to ensure the management of an inclusive workplace. This can include ensuring equitable wage treatment of staff based on position and performance, as well as providing workplaces that are supportive to all employees.

Although equal pay for equal work is quite complex in large organizations, in small companies, often the exercise is quite easy. In our retail store in Surrey, we could set salary ranges for retail staff based on the regional norms for this work and then set guidelines within that range based on work experience and performance history.

Finally, harassment in the workplace, whether sexual or bullying in nature, is both illegal and destructive. Employers have the obligation to provide a safe work environment, free from such activity. Small employers are bound to the same legal requirements as large companies in this regard. In addition to legal compliance, protecting workplaces from such behaviour guards employers from productivity decreases in the form of absenteeism, turnover, and decreased work performance.

Ensuring a harassment-free workplace requires a leadership commitment to this priority, a monitoring of the environment to ensure that harassment is not taking place, and immediate and effective actions to address harassment in the

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appraisals, all salaried employees at Levi Strauss & Co. (Canada) are evaluated on their ability to meet both business and aspirational goals. Aspirational goals are based on the company's core values, which include valuing diversity, following ethical management practices, and encouraging new behaviours, recognition, communications, and empowerment. These aspirations are the shared values and behaviours that will drive the company toward its mission of "sustained responsible commercial success."[75] When management measures performance as a function of diversity initiatives, values are instilled in the minds of all employees, and it is demonstrated that change and diversity are part of day-to-day business. To achieve success in diversity, it is vital to set an example and to create an atmosphere that respects and values differences. Canadian organizations have recognized the competitive advantage of embracing diversity in their business strategies.

Summary

OUTCOME 1   Employment equity refers to the employment of individuals in a fair and nonbiased manner. Four groups in Canada—women, members of visible minorities, Aboriginal people, and persons with disabilities—tend to be concentrated in a few occupations that are accorded lower status and pay.

OUTCOME 2   The *Canadian Human Rights Act* applies to all federally governed departments and agencies and all organizations incorporated under federal jurisdiction. The act prohibits discrimination on the basis of grounds such as race, religion, sex, age, national or ethnic origin, physical handicap, and marital status. The *Canadian Charter of Rights and Freedoms* guarantees some fundamental rights to every Canadian, including freedom from discrimination. CHRC enforces the act through a formal complaint procedure.

OUTCOME 3   At the federal level, pay equity is an amendment to the *Canadian Human Rights Act* that makes it illegal for employers to discriminate against individuals on the basis of job content. By definition, pay equity means equal pay for work of equal value.

OUTCOME 4   The *Employment Equity Act* requires all federally regulated employers to prepare an employment equity plan that identifies areas in which members of the designated groups are over- or underrepresented and establishes plans to promote an equitable workplace. The implementation of employment equity involves six steps: senior management support, data collection and analysis, an employment systems review, establishment of a workplan, implementation, and a follow-up process that includes monitoring, reviewing, and revision.

OUTCOME 5   Sexual harassment is an employment equity issue undergoing continued debate.

OUTCOME 6   Managing diversity does more than incorporate employment equity. The goal of diversity management is to optimize the utilization of an organization's multicultural workforce with the goal of realizing strategic advantage.

Key Terms

bona fide occupational qualification (BFOQ), 95
concentration, 107
designated groups, 89

diversity management, 113
employment equity, 88
flow data, 106
reasonable accommodation, 109

sexual harassment, 111
stock data, 105
systemic discrimination, 108
underutilization, 107

Discussion Questions

1. Here are some myths about employment equity:

   - It leads to hiring unqualified workers.
   - It causes an overnight change in the work-force makeup.
   - It is a plan that would make Calgary's work-force look like Toronto's.
   - This program lays off white males to make room for designated group members.
   - It is a program mainly for racial minority groups.
   - Employers who implement the plan can destroy hard-won seniority provisions that protect all workers.
   - It is the end of hiring for white males.

   In groups, determine if group members share these beliefs. As HR professionals, how would you work with employees who hold these beliefs?

2. Although the process for filing a complaint of discrimination appears clear, many would choose not to do so. List the reasons alleged "victims" of discrimination in employment might not file a complaint.

3. Find a male class job (i.e., a job in which the majority of workers are male) and a female class job that seem to require similar educational background and technical skills. (For example, compare female-dominated police dispatchers with male-dominated radio technical supervisors or female-dominated health technicians with male-dominated transportation workers.) Then, using an Internet salary compensation index, calculate the pay rates. Are there differences? How would you account for these differences?

4. List as many jobs as you can in which you could hire only male applicants, based on a BFOQ.

5. Have you ever encountered questions such as the following:

   - "Do you really think you could handle this job? You know it takes a lot of energy and enthusiasm. Besides, we are looking for someone with career potential."
   - "You don't need this training program. At your age, what would the benefit be?"
   - "Well, you are getting on. What do you expect at your age?"

   Such comments reflect ageism—an attitude that makes assumptions about older persons and their abilities and puts labels on them. About 15 percent of Canada's workforce is 55 and over. They are often stereotyped and not hired or promoted. Using what you have learned in this chapter about hiring and accommodating the four designated groups, design a recruitment and retention program for older workers.

6. Have each member of your group complete the survey below. Discuss the findings.

Activity	Is This Sexual Harassment?	
Employees post cartoons on bulletin boards containing sexually related material	Yes	No
A male employee says to a female employee that she has beautiful eyes and hair	Yes	No
A male manager habitually calls all female employees "sweetie" or "darling"	Yes	No
A male manager fails to promote a female employee when she will not grant sexual favours	Yes	No
Male employees use vulgar language and tell sexual jokes that are overheard by, but not directed at, female employees	Yes	No
A male employee leans and peers over the back of a female employee when she wears a low-cut dress	Yes	No
A supervisor gives a female (male) subordinate a nice gift on her (his) birthday	Yes	No
Two male employees share a sexually explicit magazine while observed by a female employee	Yes	No

7. Describe how an organization can make best use of a multicultural workforce.

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HRM Experience

Your Opinions about Employment Equity

First, complete the survey below. Then discuss your answers with members of a study group. Try to determine which statement is a myth and which represents reality.

To what extent do you agree with the following statements, on a scale of 1–5?

1	2	3	4	5
Strongly disagree	Disagree	Ambivalent	Agree	Strongly agree

1. Employment equity means that everyone must be treated the same way. _____

2. Employment equity results in "reverse discrimination." _____

3. Employment equity is a matter of quotas. _____

4. Employment equity means that unqualified people must be recruited. _____

5. Employment equity threatens the principle of seniority. _____

6. Employment equity is equivalent to lowering employment standards. _____

7. It is too difficult and too costly to adapt the workplace to meet the needs of persons with disabilities. _____

8. Employment equity is only achievable in a prosperous economy. _____

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Case Study 1

STUDY FIGHTING FIRES

In British Columbia, the competition for firefighting jobs is fierce, with more than 1,600 people applying for about 60 jobs. At one time, the provincial Ministry of Forests required all job applicants to pass this physical fitness test:

- lift a 23-kilogram bar in an upright rowing motion 18 times
- carry pumps and hoses, weighing as much as 50 kilograms, over a timed distance
- perform a shuttle run, which involves darting back and forth at an increasingly faster pace between cones situated 20 metres apart

The B.C. Government and Service Employees Union argued that the average man, with training, could easily pass the test, whereas the average woman, even with training, could not. Only 35 percent of women who applied for the firefighter's job passed the test; about 70 percent of the men did.

The University of Victoria scientists who designed the tests argued that most women could reach the standard, although they would have to work harder than most men to do so. Female firefighters said they had to train year-round to pass the test, but they took this as a personal responsibility and as the cost of qualifying for the job. Their safety, as well as that of their colleagues and the public, depends on their strength and endurance. The B.C. Ministry of Forests spokeswoman suggested that lowering the standards would be a mistake: "Already male firefighters are asking if blazes will be designated as 'guy' fires and 'girl' fires. We want the fittest people."

Questions

1. Did the standards result in safer and more effective firefighting crews, or were they inadvertently keeping women out of a traditionally male job?
2. Was this a BFOQ? The ministry was challenged on the basis of sex discrimination. What did the Supreme Court rule, and what was its reasoning?

CHAPTER 3: EQUITY AND DIVERSITY IN HUMAN RESOURCES MANAGEMENT

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3. Female applicants had the chance to train and try the test at B.C. university campuses. Was this special preparation discriminatory?

4. Did the changes made fix the underlying problems? Explain.

Sources: "New Test for Reasonable Accommodation," *Canadian HR Reporter*, http://www.cdn-hr-reporter.ca/hr_topics/systemic-discrimination/new-test-reasonable-accommodation, retrieved July 9, 2012; Lesley Young, "Employers Need to Scrutinize All Job Testing for Human Rights Violations, Supreme Court Rules," *Canadian HR Reporter* 12, no. 17 (October 4, 1999): 3.

Case Study 2

OUTREACH EFFORTS

Employment and Social Development Canada (formerly Human Resources Development Canada) awarded Manitoba Hydro its Vision award for creativity and innovation in its employment equity programs. Currently, Aboriginal people make up 8.3 percent of Manitoba Hydro's workforce. In northern Manitoba, where there is a greater concentration of Aboriginal people, 27.4 percent of the corporation's workforce is Aboriginal. The goal is to get the overall corporate representation of Aboriginal people up to 10 percent and up to 33 percent in the north. The creative ways in which these goals are being reached include the following:

- a zero-tolerance policy of workplace harassment and discrimination
- an outreach and partnership program with Aboriginal organizations to provide information about employment and training opportunities
- partnerships with postsecondary institutions to provide educational programs and career information and to brand Manitoba Hydro as an employer of choice
- a review of training programs to ensure that there are no systemic barriers
- systematic recruitment efforts to introduce Aboriginal people by means of internships, co-op placements, summer employment, and part-time work

The most successful program is the preemployment training designed to facilitate the entry of Aboriginal people into Manitoba Hydro's training programs, which are more like apprenticeship programs. The preemployment training provides academic upgrading, a rotation through three trades to familiarize candidates with these jobs, and workshops to deal with the concerns and issues about being away from home. A recent addition to the program is the utility's "Building the Circle Camp," which introduces girls in northern Manitoba to opportunities in engineering, technology, and trades.

SaskTel is a Crown corporation providing cellular, phone, Internet, and multimedia services to 13 cities and more than 500 remote communities in Saskatchewan, many of them inhabited by First Nations and Métis people. SaskTel cares about the Aboriginal population as both customers and employees (8 percent of SaskTel's workforce is Aboriginal, and the company has a target of 13.5 percent, the provincial labour force rate). The company's call centre can offer service in three different First Nations languages. Potash is another large Saskatchewan employer looking to hire more than 800 workers in the next two years. This company has developed a pilot project to introduce Aboriginal people to the world of mining. The rationale is not just social justice or corporate responsibility but an economic growth strategy.

First Nations people are participating in the drive to hire and retain more Aboriginal workers and have produced a two-day workshop. The goals are to support the business case for creating a workforce inclusive of Aboriginal people, to become an employer of choice for Aboriginal people, and to develop strategies to recruit, train, and advance Aboriginal workers.

Questions

1. What are the reasons cited by the companies for wanting to hire Aboriginal people?
2. Of the three initiatives described, which do you think will be most successful to achieve these objectives? Why?

Sources: Dianne Jermyn, "A Bridge between Two Worlds," *The Globe and Mail* (May 18, 2011): E3; "Diversity: Mastering Aboriginal Inclusion," *HR Professional* (June/July 2009): 13; Shannon Klie, "Short Circuiting the Labour Supply," *Canadian HR Reporter* 21, no. 22 (December 15, 2008): 6; Laura Bogomolny, Peter Evans, Andy Holloway, Zena Olijnyk, Erin Pooley, and Andrew Wahl, "The Best Workplaces in Canada," *Canadian Business* (April 10–23, 2006): 74; Cheryl Petten, "Manitoba Hydro Recognized for Employment Equity Efforts," *Windspeaker* 20, no. 4 (August 2002): 31.

WOMEN ON THE RIGHT TRACK AT CP RAIL

Women comprise nearly half of Canada's workforce, but over the last two decades, they have made no progress in obtaining senior management roles. This lack of success may deter younger women from entering certain professions and from learning from role models. Furthermore, research shows that a lack of diversity can affect retention, productivity, and innovation. Companies with more female senior managers have a higher return on equity than those with lower rates of female senior managers. With this research in mind, CP Rail undertook four initiatives to increase the number of women managers:

- Each department must have diversity goals.
- Mentoring programs for females have been established.
- Senior women discuss their careers in forums.
- Women on Track offers networking opportunities.

To date, the program has been successful, with the number of women in senior management doubling over five years.

Questions

1. Compare CP Rail's initiatives to advance women with the recommended six-step program for the implementation of employment equity.
2. Review the list in Highlights in HRM 3.1 (retention strategies). What more could CP Rail undertake?

Source: Tavia Grant, "How CP Put Women on the Executive Track," *The Globe and Mail* (September 1, 2011): B1.

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Job Analysis and Work Design

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Explain job analysis and how it is used in conjunction with a firm's HRM functions.

LO 2 Explain how the information for a job analysis is typically collected and incorporated into various sections of a job's description.

LO 3 Provide examples illustrating the various factors that must be taken into account in designing a job, including what motivates employees.

LO 4 Describe the different group techniques and types of work schedules used to broaden a firm's job functions and maximize employee contributions.

job
A group of related activities and duties

position
The different duties and responsibilities performed by only one employee

job family
A group of individual jobs with similar characteristics

The business environment is becoming more complex, highly dynamic, and increasingly competitive. Rapidly changing technology, changing demographics, shifts in consumer tastes and preferences, emphasis on a team-based approach, and a globalized business environment, among other drivers of change, are forcing organizations to "reengineer" themselves to gain competitive advantage and profitability.[1] The goal is to become more efficient and effective. There is emphasis on smaller scale, less hierarchy, fewer layers, and more decentralized work units.[2] As organizational reshaping takes place, managers want employees to operate more independently and flexibly to meet customer demands. Less bureaucracy speeds up the decision-making process and enables greater interaction and communication, which are necessary in today's changing times and with changing consumer needs/tastes.[3]

To do this, they require that decisions be made by the people who are closest to the information and who are directly involved in the product or service delivered.[4] The objective is to develop jobs and basic work units that are adaptable enough to thrive in a world of high-velocity change.

In this chapter, we will discuss how jobs can be designed so as to best contribute to the objectives of the organization and at the same time satisfy the needs of the employees who are to perform them. Clearly, the duties and responsibilities present in jobs greatly influence employee productivity, job satisfaction, and employment retention.[5] Therefore, the value of job analysis, which defines clearly and precisely the requirements of each job, will be stressed. Importantly, we will emphasize that these job requirements provide the foundation for making objective and legally defensible decisions in managing HR. The chapter concludes by reviewing several innovative job design and employee contribution techniques that increase job satisfaction while improving organizational performance. Teamwork and the characteristics of successful teams are highlighted.

RELATIONSHIP OF JOB REQUIREMENTS AND HRM FUNCTIONS

LEARNING OUTCOME 1

Are there any HR functions that are not affected by the job analysis process? If so, what are they?

A **job** consists of a group of related activities and duties. Ideally, the duties of a job should consist of natural units of work that are similar and related. They should be clear and distinct from those of other jobs to minimize misunderstanding and conflict among employees and to enable employees to recognize what is expected of them. For some jobs, several employees may be required, each of whom will occupy a separate position. A **position** consists of different duties and responsibilities performed by only one employee. In a city library, for example, four employees (four positions) may be involved in reference work, but all of them have only one job (reference librarian). Where different jobs have similar duties and responsibilities, they may be grouped into a **job family** for the purposes of recruitment, training, compensation, or advancement opportunities.

The information collected for jobs is useful for almost all HRM functions, including strategic HR planning, recruitment, selection, training and development, performance appraisals, compensation management, and legal compliance. This is why job analysis is usually referred to as the "bedrock" for HRM.

STRATEGIC HRP

Information on jobs is used to examine a company's organizational structure and strategically position it for the future. Does the firm have the right numbers and types of jobs needed to cover the scope of its activities? What jobs need to be created? What skills do they require? Are those skills different from the skills required by the company's current jobs?

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RECRUITMENT

Before they can find capable employees for an organization, recruiters need to know the job specifications for the positions they are to fill. A **job specification** is a statement of the knowledge, skills, and abilities required of the person performing the job. See Highlights in HRM 4.1 for examples of job specifications.

Because job specifications establish the qualifications required of applicants for a job opening, they serve an essential role in the recruiting function. These qualifications are typically contained in the notices of job openings. Whether posted on organizational bulletin boards or human resource information system (HRIS) Internet sites or included in help wanted advertisements or employment agency listings, job specifications provide a basis for attracting qualified applicants and discouraging unqualified ones.

SELECTION

In addition to job specifications, managers and supervisors use **job descriptions** to select employees and orient them to jobs. A job description is a statement of the tasks, duties, and responsibilities of a job. (See "Job Descriptions" later in this chapter.)

In the past, job specifications used as a basis for selection sometimes bore little relation to the duties to be performed under the job description. Examples of such non-job-related specifications abounded. Applicants for the job of labourer were required to have a high school diploma. Firefighters were required to be at least six feet tall, and applicants for skilled craft positions—plumbers, electricians, machinists—were required to be male. These kinds of job specifications discriminated against members of designated groups, many of whom were excluded from these jobs.

TRAINING AND DEVELOPMENT

Any discrepancies between the knowledge, skills, abilities, and other factors (often referred to as KSAOs) demonstrated by a jobholder and the requirements contained in the description and specification for that job provide clues to training needs. Also, career development as part of the training function is concerned with preparing employees for advancement to jobs where their capacities can be utilized to the fullest extent possible. The formal qualification requirements set forth in high-level jobs indicate how much more training and development are needed for employees to advance to those jobs.

PERFORMANCE APPRAISAL

The requirements contained in the description of a job provide the criteria for evaluating the performance of the holder of that job. The results of performance appraisal may reveal, however, that certain requirements established for a job are not completely valid. As we have already stressed, these criteria must be specific and job related. If the criteria used to evaluate employee performance are vague and not job related, employers may find themselves being charged with unfair discrimination.

COMPENSATION MANAGEMENT

In determining the rate to be paid for performing a job, the relative worth of the job is one of the most important factors. This worth is based on what the job demands of an employee in terms of skill, effort, and responsibility, as well as the conditions and hazards under which the work is performed. The systems of job evaluation by which this worth may be measured are discussed in Chapter 9. As the Business Case outlines, job analysis has financial implications and could cause workplace problems if handled poorly.

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job specification
A statement of the needed knowledge, skills, and abilities of the person who is to perform the job

job description
A statement of the tasks, duties, and responsibilities of a job to be performed

---

FIGURE 4.1

JOB ANALYSIS: THE CORNERSTONE OF HRM FUNCTIONS

Alignment of:	Job Description (TDRs)	Job Specification (KSAOs)
HR Strategy and Planning	Nature of structure and work to achieve business results and goals	Supply and demand of labour, number and kinds of people needed to fill open positions
Workflow Analysis and Job Design	Sequencing or grouping of related jobs, and the nature of interdependence	Enriching or expanding jobs to develop and motivate employees further
Recruitment and Selection	Posting advertisements, etc. of jobs to fill and the nature of responsibilities	Hiring criteria for evaluating candidates who apply for open positions
Performance Appraisal Process	Setting goals, duties, and activities that define the desired performance	Attributes and demonstrated qualities used to assess performance and give feedback
Compensation and Benefits	Job evaluation of the job in terms of responsibilities and working conditions	Job evaluation of the skills, effort required, etc. that are rewarded
Legal Compliance	Equal employment requirements	Fair treatment and valid employment practices

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The Business Case

Purolator and NBANH Reduce Skyrocketing Costs

Purolator has been delivering parcels across Canada (and globally) for over 50 years. A few years ago, it decided to grapple with the skyrocketing costs incurred through workers' compensation claims. In 2005, with 2,130 claims filed, the workers' compensation premiums for the company were $13 million. The firm was able to trace 90 percent of the claims to two occupations: couriers and sorters. These jobs required workers to haul, lift, push, and pull on a daily basis; thus, it is not difficult to understand why injuries are common. As part of its strategy to deal with this issue, Purolator implemented a proactive-approach return-to-work program that encouraged workers to return earlier to their jobs. To do so, the company conducted a job analysis of the 25 jobs in the operations area, where most of the injuries occurred. They were able to identify the physical demands of the jobs; this helped coordinators identify suitable jobs for those returning to work and helped convince union representatives and doctors that workers were not at further risk if they returned earlier to the jobs. This helped saved Purolator significant costs in terms of days lost to injuries.

A more recent example illustrates the same effects. New Brunswick Association of Nursing Homes (NBANH) has been operating some 65 licensed nursing homes in New Brunswick for over 30 years. A few years ago, NBANH became increasingly concerned with the number of workplace injuries and, as a result, the high cost of funding workers compensation insurance coverage. NBANH was paying 7 percent, or over $14 million, of their annual budget toward funding workers compensation insurance coverage, and this was even after government subsidies kicked in. The company wanted not only to reduce the cost but also to improve the employee morale and overall energy and well-being. Through the help of Morneau Shepell Consulting, NBANH was able to focus on training to increase expertise among employees as well as improve the reporting practices around injuries at work and prevention. This led to a huge reduction in cost from $14 million to $10 million in one year, and projections are that they will reduce cost even further in the coming years. They also enjoy a 24 percent reduction in the number of sick days, a 10 percent reduction in claims filed, and overall improvement in safety and prevention.

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LEGAL COMPLIANCE

A systematic collection of job data ensures that a job's duties match its job description. If the criteria used to hire and evaluate employees are vague and not job related, employers are more likely to find themselves being accused of discrimination. In fact, before firms recognized the importance of regularly engaging in the job analysis process, examples of non–job-related criteria were prevalent: job applicants for labourer positions were required to have high school diplomas; applicants for skilled craft positions—plumbers, electricians, machinists—were sometimes required to be male. These kinds of job specifications are discriminatory.

JOB ANALYSIS

Organizations exist because people can accomplish more together than they can on their own. However, the actions of an organization need to be coordinated, and each person within it needs to do those things he or she does best. This coordination is typically achieved by creating individual jobs. A job can be defined as an activity people do for which they get paid, particularly as part of the trade or occupation they occupy. But how exactly should the work be divided, and which people should do which tasks or jobs? These are questions that businesspeople such as Henry Ford and scientific management researchers such as Frederick Winslow Taylor sought to answer at least a century ago, and ones managers still ask today.

The answers to the questions about what jobs an organization should have stem from a firm's strategy. What good or service does the firm intend to provide and how much of it? What does the firm believe its competitive advantage is? Is the company trying to capture market share based on a new product it has developed? A lower-priced product? A higher-quality product? How and where will the product will be produced, and distributed, and with what technology? What types of people and skills will be needed to accomplish these tasks and how should they be organized?

A *workflow analysis* can help a company answer these questions. A workflow analysis helps a firm determine the best processes, types, and mix of jobs, and how they should ideally be organized to execute the firm's mission. For example, both Apple and Lenovo make computers. However, Apple focuses on producing innovative products, whereas Lenovo has traditionally focused on producing low-priced products. As a result, how the companies are organized, their workflows, and numbers and types of jobs differ in significant ways. To develop and improve their workflows, large organizations often hire outside business analysts and operations management specialists who work in conjunction with the firm's top managers and HR personnel to do so. The resulting workflow analysis outlines the division of labour among employees, the degree to which they are specialized, to whom they report to, and that person's authority, or span of control over his or her subordinates.

However, as the competitive environment changes, these elements have to change as well. Formerly Lenovo had a typical hierarchical organizational structure. (Recall from your introduction to business and management classes that tall organizational structures are characterized by many managerial levels with narrow spans of control and jobs that are narrowly focused.) That structure worked well for the firm's PC business, but to remain competitive, the company needed to improve its innovation capabilities and expand its product lineup to attract new types of customers.

So, a few years ago, Lenovo flattened its organization by dividing its PC-focused division into four separate business units: PCs, mobiles devices, servers and storage, and cloud computing systems. It also divided countries into emerging and mature markets and developed different strategies and personnel for each. Today, not only is Lenovo the biggest seller of PCs in the world, it also sells more mobile phones in China than any other company, including Apple.

LEARNING OUTCOME 2

Reflect on the job you currently hold or most recently held (or a job you are familiar with if you have never worked). Try to answer the questions in Figure 4.3. Then organize the information into the various job sections of a job description.

What will workflows and jobs look like in the near future? The biggest game changer is likely to be automation. Virtually all companies must compete on price, at least to some extent. And in the long run, automating repetitive tasks is cheaper than hiring people to do them. **Amazon.com** has developed a grocery store that allows people to walk in, load up their groceries, automatically pay for them, and leave without going through a checkout stand. In Japan, conveyor belts deliver sushi to customers almost as soon as they click on a menu to choose their selections. Computer chips in the plates sense when entrées have been chosen and the customer's bill gets tallied up based on what they grab. Canadian restaurants are automating, too.

And it's not just service jobs that are being replaced. In the oil and gas industry, thousands of workers who drilled and monitored wells have been replaced by robots and electronic equipment and sensors. Oil companies are hiring smaller numbers of high-tech workers, such as engineers, data scientists, and mathematicians, who often work in mission–control-like centres. In the manufacturing sector, robots are making cars. And the list goes on.
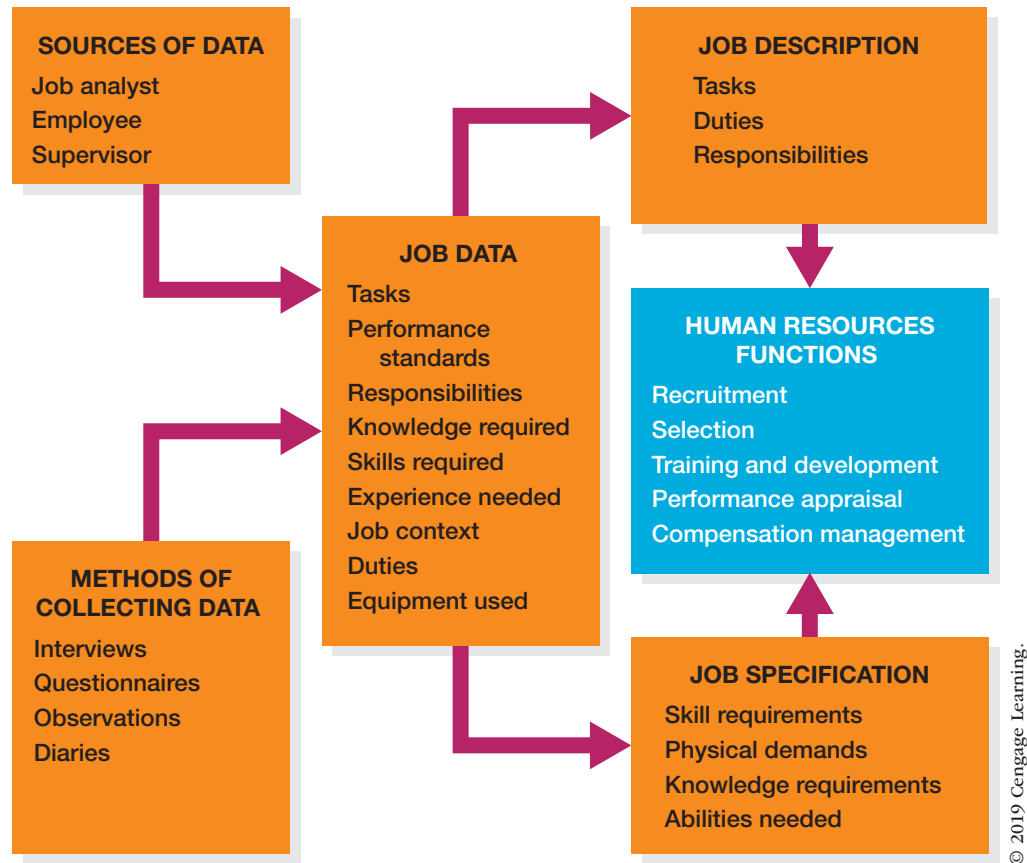
Think about an organization you worked for or a job or position you have held. Did you ever think about ways to make the organization's workflow better? If so, you were doing an informal work analysis. Likewise, did you analyze the tasks you were doing and conclude they should be done by someone else or vice versa? If so, you were doing an informal analysis of your job.

Job analysis is sometimes called the cornerstone of HRM because the information it collects serves so many HRM functions. **Job analysis** is the process of obtaining information about jobs by determining the duties, tasks, or activities of those jobs.[6] The procedure involves systematically investigating jobs by following a number of predetermined steps specified in advance of the study.[7] When completed, job analysis results in a written report summarizing the information obtained from the analysis of 20 or 30 individual job tasks or activities. HR managers use these data to develop job descriptions and job specifications. These documents, in turn, are used to perform and enhance the different HR functions, such as the development of performance appraisal criteria or the content of training classes. The ultimate purpose of job analysis is to improve organizational performance and productivity. Figure 4.2 illustrates how job analysis is performed, including the functions for which it is used. In contrast to job design, which reflects subjective opinions about the ideal requirements of a job, job analysis is concerned with objective and verifiable information about the actual requirements of a job. The job descriptions and job specifications developed through job analysis should be as accurate as possible if they are to be of value to those who make HRM decisions. These decisions may involve any of the HR functions—from recruitment to termination of employees.

GATHERING JOB INFORMATION

Job data may be obtained in several ways. The more common methods of analyzing jobs are through interviews, questionnaires, observation, and diaries.

- *Interviews*. The job analyst may question individual employees and managers about the job under review.

- *Questionnaires*. The job analyst may circulate carefully prepared questionnaires to be filled out individually by jobholders and managers. These forms will be used to obtain data in the areas of job duties and tasks performed, purpose of the job, physical setting, requirements for performing the job (skill, education, experience, physical and mental demands), equipment and materials used, and special health and safety concerns.

- *Observation*. The job analyst may learn about the jobs by observing and recording on a standardized form the activities of jobholders. Video recording jobs for later study is an approach used by some organizations.

FIGURE 4.2

THE PROCESS OF JOB ANALYSIS

SOURCES OF DATA

Job analyst
Employee
Supervisor

JOB DATA

Tasks
Performance
 standards
Responsibilities
Knowledge required
Skills required
Experience needed
Job context
Duties
Equipment used

**METHODS OF
COLLECTING DATA**

Interviews
Questionnaires
Observations
Diaries

JOB DESCRIPTION

Tasks
Duties
Responsibilities

**HUMAN RESOURCES
FUNCTIONS**

Recruitment
Selection
Training and development
Performance appraisal
Compensation management

JOB SPECIFICATION

Skill requirements
Physical demands
Knowledge requirements
Abilities needed

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- *Diaries.* Jobholders themselves may be asked to keep a diary of their work activities during an entire work cycle. Diaries are normally filled out at specific times of the work shift (such as every half-hour or hour) and maintained for a two- to four-week period.

Although HR specialists, called job analysts, are the personnel primarily responsible for the job analysis program, they usually enlist the cooperation of the employees and managers in the departments where jobs are being analyzed (see Reality Check). These managers and employees are the sources of much of the information about the jobs and may be asked to prepare rough drafts of the job descriptions and specifications the job analysts need.

CONTROLLING THE ACCURACY OF JOB INFORMATION

If job analysis is to accomplish its intended purpose, the job data collected must be accurate. Care must be taken to ensure that all important facts are included. A job analyst should be alert for employees who tend to exaggerate the difficulty of their jobs to inflate their egos and their paycheques (see Ethics in HRM).[8] When interviewing employees or reviewing their questionnaires, the job analyst must look for any responses that do not agree with other facts or impressions the analyst has received. One job analyst noted, "When in doubt about the accuracy of employee responses, always double-check the data with others."[9] Furthermore, when job information is collected from employees, a representative group of individuals should be surveyed.

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Reality Check

Job Analysis at EDS Canada Inc.

As the senior HR specialist at EDS Canada Inc., Don Weatherbee is responsible for conducting job analyses. Although new job codes and classifications are normally developed by head office in Texas, there are three cases that warrant job analysis in Canada. The first is to comply with pay equity legislation that states that men and women should be paid equally for performing work of equal value. To comply with pay equity, jobs are analyzed and weighted for specialized knowledge, effort, responsibility, and the working environment.

The second occasion is when new jobs are created, which need to be classified and their compensation rates assessed. In one example, EDS Canada Inc. did not have an entry-level position in HR, so the task force developed an HR administrator position. On another occasion, a business services consultant position needed to be developed at the top end of the business analyst family. Because these positions were new to EDS Canada Inc., the full range of duties needed to be assessed and coded.

The third occasion occurs when, through acquisitions and transitioning people to EDS Canada Inc., job analysis is needed to verify what the employees do because job titles are frequently poor indicators of what a person actually does. For example, when EDS Canada Inc. won a contract bid to do information technology outsourcing for a land registry company, a job analysis was needed to create new job codes for the employees who were transitioning to the company.

Information for both the employees and their supervisors is gathered on a job summary questionnaire (JSQ). This is done to ensure that there is no artificial inflation of job duties. There is one form for management and another form for professional, technical, clerical, trades, and services employees. The management questionnaire is more detailed as it includes areas of responsibilities, supervision given to direct reports, and previous work history that explains how it relates to the present job. Each questionnaire is designed to determine the percentage of time spent on each task, what that task is, for whom the task is done, how it is accomplished, and why it is done.

Ethics in HRM

Job Inflation

Many organizations update their job descriptions at regular intervals. This is because, among other reasons, jobs change; others may become obsolete, and some may be new. During this process, a job analysis will most likely be done and employees may be asked, through interviews or surveys, for instance, to describe their job, including the tasks they perform and their responsibilities. They may sense that this is an opportunity to inflate their job so as to make it appear more important. They may perceive that by inflating their job, they will become entitled to better compensation and benefits. Or it may just satisfy their egos. Even managers and supervisors may be tempted to inflate the jobs of their subordinates. This would make their own roles appear to be more complex, thus providing the possibility of increased pay and promotions. Some firms give fancy titles to reflect these outcomes—a senior teller at a bank becomes a senior customer service coordinator

or a supervisor at a call centre becomes a second vice president. Night clerks in hotels become auditors, receptionists become administrators, paper boys become media distribution officers, janitors become sanitation consultants, binmen become recycling officers, and cleaning ladies become surface technicians. Some claim that there are too many chiefs today compared to when most firms only had one chief executive officer. This inflation of title stretches across all types of industries; for example, Southwest Airlines has a chief twitter officer, Marriott Hotels and Coco-Cola have chief blogging officers, and Kodak has a chief listening officer. Although some of these new titles offer a fleeting boost to the egos of the jobholders and some reflect the emerging importance of technology-related jobs, there are questions as to the ethics of the process, especially when the hope of increased pay may be tied to the outcomes for some of the jobs cited above.

Sources: Schumpeter, "Too Many Chiefs: Inflation in Job Titles Is Approaching Weimar Levels," *The Economist* (June 24, 2010), http://www.economist.com/node/16423358; Graham Snowdon, "The Rise of the Meaningless Job Title," *The Guardian* (March 20, 2014), http://www.theguardian.com/money/work-blog/2012/mar/02/rise-of-meaningless-job-title.

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A job analyst who doubts the accuracy of information provided by employees should obtain additional information from them, their managers, or other individuals who are familiar with or perform the same job. It is common practice to have the descriptions for each job reviewed by the jobholders and their managers.

NOC and Job Analysis

Commonly referred to as the NOC, the National Occupational Classification is compiled by the federal government. The purpose of the NOC is to compile, analyze, and communicate information about occupations. This information can be used for employment equity, HR planning, and occupational supply-and-demand forecasts and analyses.

The NOC is a composite of the Canadian labour market and has helped bring about a greater degree of uniformity in the job titles and descriptions used by employers in different parts of the country. This uniformity has facilitated the movement of workers from regions that may be experiencing widespread unemployment to areas where employment opportunities are greater. Also, the NOC code numbers facilitate the exchange of statistical information about jobs and are useful in reporting research in the HR area, in vocational counselling, and in charting career paths through job transfers and/or advancements.[10]

APPROACHES TO JOB ANALYSIS

The systematic and quantitative definition of job content that job analysis provides is the foundation of many HRM practices. Specifically, the job analysis serves to justify job descriptions and other HRM selection procedures. Several different job analysis approaches are used to gather data, each with specific advantages and disadvantages.[11] Five of the more popular methods are the position analysis questionnaire, critical incident method, task inventory analysis, the functional job analysis, and competency-based analysis.

The Position Analysis Questionnaire System

The **position analysis questionnaire (PAQ)** is a quantifiable data collection method covering 194 different worker-oriented tasks. Using a five-point scale, the PAQ seeks to determine the degree, if any, to which the different tasks, or job elements, are involved in performing a particular job.

A sample page from the PAQ covering 10 elements of the Information Input Division is shown in Figure 4.3. The person conducting an analysis with this questionnaire would rate each of the elements using the five-point scale shown in the upper right-hand corner of the sample page. The results obtained with the PAQ are quantitative and can be subjected to statistical analysis. The PAQ also permits dimensions of behaviour to be compared across a number of jobs and permits jobs to be grouped on the basis of common characteristics.

The Critical Incident Method

The objective of the **critical incident method** is to identify critical job tasks. Critical job tasks are those important duties and job responsibilities performed by the jobholder that lead to job success. Information about critical job tasks can be collected through interviews with employees or managers or through self-report statements written by employees.

Suppose, for example, that the job analyst is studying the job of reference librarian. The interviewer will ask the employee to describe the job on the basis

position analysis questionnaire (PAQ)
A questionnaire covering 194 different tasks that, by means of a five-point scale, seeks to determine the degree to which different tasks are involved in performing a particular job

critical incident method
A job analysis method by which important job tasks are identified for job success

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FIGURE 4.3

JOB ANALYSIS INTERVIEW

The following are examples of typical interview questions HR professionals might use to gather information for a job analysis.

1. Job's purpose
   - What is the essence of work in your position? What is the job's overall purpose?
   - How do you see your work contributing to the overall mission or purpose of the organization, now and in the future?

2. Job's duties
   - Describe your duties in terms of what they are, how you do them, how often you perform them, and how long they each take.
   - Does the job have to be done in the way you were trained to do it, or do you see ways to improve it?
   - Are you performing duties not presently included in your job description? Describe.
   - Are the instructions you receive from your supervisor clear and consistent with your job description?

3. Job criteria and results
   - Have work standards been established (errors allowed, time taken for a particular task, etc.)? If so, what are they?
   - Describe the successful completion and/or end results of the job.

4. Background and knowledge
   - What personal attributes are needed to be successful in this position?
   - Describe the level, degree, and breadth of knowledge required for this position.
   - Indicate the education, certification, and licence requirements for the job.

5. Training
   - Describe the orientation you received when you first started in this job and evaluate its efficacy.
   - What sort of on-the-job training and length of training period are needed for this position?
   - What sorts of tools, equipment, or other resources are needed for sufficient training (not performance) for this position?
   - What assessment tests are needed to establish competency in this position?

6. Abilities required
   - What are the manual skills that are required to operate machines, vehicles, or equipment or to use tools?
   - Do you use special tools, equipment, or other sources of aid? If so, list the names of the principal tools, equipment, or sources of aid you use.
   - What reasoning or problem-solving ability must you have?
   - Are any supervisory or managing abilities required?
   - What physical abilities, such as strength, coordination, or visual acuity, must you have?

7. Working conditions
   - Describe your working conditions.
   - Describe the frequency and degree to which you encounter working conditions such as these: contact with hazardous materials, strenuous physical labour, cramped quarters, moving objects, vibration, and inadequate ventilation.

8. Authority
   - What is the level of accountability, and to whom are you accountable?
   - What kinds of independent action are you allowed to take?

9. Responsibilities
   - Are you responsible for any confidential material? If so, describe how you handle it.
   - Are you responsible for any money or things of monetary value? If so, describe how you handle it.

10. Evaluation and compensation
    - In what ways and how often is your performance evaluated and feedback provided?
    - What criteria do you think should be used in the evaluation process?
    - Considering your level of productivity and the skill level required to fulfill your responsibilities, do you think you are compensated adequately?
    - Describe the criteria you think should be used to determine adequate compensation for the position: responsibilities, skills, experience, knowledge, work environment, safety hazards, and so forth.

Sources: David Ngo, "Job Analysis Questions," *hrvinet.com*, http://www.humanresources.hrvinet.com, accessed March 3, 2011; "Job Analysis: Overview," *HR Guide to the Internet*, http://www.job-analysis.net/G000.htm; "Job Analysis: Asking Questions," Department for Business Innovation & Skills, http://www.bis.gov.uk. © 2019 Cengage Learning.

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of what is done, how the job is performed, and what tools and equipment are used. The reference librarian may describe the job as follows:

> I assist clients by answering their questions related to finding books, periodicals, or other library materials. I also give them directions to help them find materials within the building. To perform my job, I may have to look up materials myself or refer patrons to someone who can directly assist them. Some individuals may need training in how to use reference materials or special library facilities. I also give library tours to new patrons. I use computers and a variety of reference books to carry out my job.

After the job data are collected, the analyst then writes separate task statements that represent important job activities. For the reference librarian, one task statement might be, "Listens to clients and answers their questions related to locating library materials." Typically, the job analyst writes 5 to 10 important task statements for each job under study. The final product comprises written task statements that are clear, complete, and easily understood by those unfamiliar with the job. The critical incident method is an important job analysis method because it teaches the analyst to focus on employee behaviours critical to job success.

Task Inventory Analysis

The **task inventory analysis** method can be considered a job-oriented type of job analysis. The technique was pioneered by the U.S. Air Force to analyze jobs held by Air Force specialists. Unlike the PAQ, which uses a standardized form to analyze jobs in different organizations, a task inventory questionnaire can be tailor-made to a specific organization.

The technique is developed by identifying—with the help of employees and managers—a list of tasks and their descriptions that are components of different jobs. The goal is to produce a comprehensive list of task statements that are applicable to all jobs. Task statements are then listed on a task inventory survey form to be completed by the person analyzing the job under review. A task statement might be, "Inventories current supplies to maintain stock levels." The job analysis would also note the importance and frequency of use of the task to the successful completion of the job.

Functional Job Analysis

The **functional job analysis (FJA)** approach utilizes an inventory of the various types of work activities that can constitute any job. Basic activities called worker functions are used to describe what workers do with regard to "information, people, and things" as part of this system. For example, when it comes to people, the basic functions of a job might include coordinating and supervising them. Each job function is assigned a percentage in terms of its importance to the job. For example, supervising might be 75 percent of the job.

Competency-Based Analysis

The traditional approach to job analysis assumes a static job environment in which jobs remain relatively stable apart from incumbents who might hold these jobs. Here, jobs can be meaningfully defined in terms of tasks, duties, processes, and skills necessary for job success. This assumption, unfortunately, discounts technological advances, which are often so accelerated that jobs as they are defined today may be obsolete tomorrow. Furthermore, the need to respond to global change can alter the nature of jobs and the requirement of individuals needed to

task inventory analysis
An organization-specific list of tasks and their descriptions used as a basis to identify components of jobs

functional job analysis (FJA)
A job analysis approach that utilizes an inventory of the various types of work activities that can constitute any job

perform them successfully. Therefore, in a dynamic environment where job demands rapidly change, obsolete job analysis information simply hinders an organization's ability to adapt to change.

When organizations operate in a fast-moving environment, managers may adopt a competency-based approach to job analysis.[12] This job analysis method relies on building job profiles that look at the responsibilities and activities of jobs and the worker competencies necessary to accomplish them. The objective is to identify "key" competencies for organizational success. Competencies can be identified through focus groups, surveys, or interviews and might include such things as interpersonal communication skills, decision-making ability, conflict resolution skills, adaptability, or self-motivation. An organization's job descriptions, recruitment requirements, and performance evaluation system will reflect the competencies needed by employees.

HRIS and Job Analysis

HRISs have greatly facilitated the job analysis process. Available today are various software programs designed specifically to analyze jobs and to write job descriptions and job specifications based on those analyses. These programs normally contain generalized task statements that can apply to many different jobs. Managers and employees select those statements that best describe the job under review, indicating the importance of the task to the total job where appropriate. Advanced computer applications of job analysis combine job analysis with job evaluation (see Chapter 9) and the pricing of organizational jobs. Computerized job analysis systems can be expensive to initiate, but where the organization has many jobs to analyze, the cost per job may be low. HR publications such as *Canadian HR Reporter* contain advertisements from numerous software companies offering HRIS job analysis packages.

A task inventory analysis uses employee input to develop lists of job tasks and descriptions common to all jobs.

MBI/Alamy Stock Photo

JOB DESCRIPTIONS

As previously noted, a job description is a written description of a job and the types of duties it includes. Since there is no standard format for job descriptions, they tend to vary in appearance and content from one organization to another. However, most job descriptions will contain at least three parts: a job title, a job identification section, and a job duties section. If the job specifications are not prepared as a separate document, they are usually stated in the concluding section of the job description. Highlights in HRM 4.1 shows a job description for a talent acquisition assistant. This sample job description includes both job duties and job specifications and should satisfy most of the job information needs of managers who must recruit, interview, and orient a new employee.[13]

Job descriptions are of value to both the employees and the employer. From the employees' standpoint, job descriptions can be used to help them learn their job duties and to remind them of the results they are expected to achieve. From the employer's standpoint, written job descriptions can serve as a basis for minimizing the misunderstandings that occur between managers and their subordinates concerning job requirements. They also establish management's right to take corrective action when the duties covered by the job description are not performed as required.

Highlights in HRM 4.1

Job Description for a Talent Acquisition Assistant

Job Identification

JOB TITLE: Talent Acquisition Assistant

Division:	Western Canada
Department:	Human Resources Management
Job Analyst:	Virginia Sasaki
Date Analyzed:	12/3/18
Report to:	HR Manager Job Code: 14–17
Date Verified:	12/17/18

Brief Listing of Major Duties

Job Statement

Performs professional human resources work in the areas of employee recruitment and selection, testing, orientation, transfers, and maintenance of employee human resources files. May handle special assignments and projects in employment equity, employee grievances, training, or classification and compensation. Works under general supervision. Incumbent exercises initiative and independent judgment in the performance of assigned tasks.

Essential Functions and Responsibilities

Essential Functions

1. Prepares recruitment literature and job advertisements for applicant placement.

2. Schedules and conducts personal interviews to determine applicant suitability for employment. Includes reviewing mailed applications and résumés for qualified personnel.

3. Supervises administration of testing program. Responsible for developing or improving testing instruments and procedures.

4. Presents orientation program to all new employees. Reviews and develops all materials and procedures for orientation program.

5. Coordinates division job posting and transfer program. Establishes job-posting procedures. Responsible for reviewing transfer applications, arranging transfer interviews, and determining effective transfer dates.

6. Maintains a daily working relationship with division managers on human resources matters, including recruitment concerns, retention or release of probationary employees, and discipline or discharge of permanent employees.

7. Distributes new or revised human resources policies and procedures to all employees and managers through bulletins, meetings, memorandums, and/or personal contact.

8. Performs related duties as assigned by the human resources manager.

Job Specifications and Requirements

Job Specifications

1. Four-year college or university degree with major course work in human resources management, business administration, or industrial psychology OR a combination of experience, education, and training equivalent to a four-year degree in human resources management.

2. Considerable knowledge of principles of employee selection and assignment of personnel.

3. Ability to express ideas clearly in both written and oral communications.

4. Ability to independently plan and organize one's own activities.

5. Knowledge of human resources computer applications desirable.

Job Title

Selection of a job title is important for several reasons. First, the job title is of psychological importance, providing status to the employee. For instance, "sanitation engineer" is a more appealing title than "garbage collector." Second, if possible, the title should provide some indication of what the duties of the job entail. Titles such as *meat inspector, electronics assembler, salesperson,* and *engineer* obviously hint at the nature of the duties of these jobs. The job title also should indicate the relative level occupied by its holder in the organizational hierarchy. For example, the title *junior engineer* implies that this job occupies a lower level than that of *senior engineer*.

Job Identification Section

The job identification section of a job description usually follows the job title. It includes items such as the departmental location of the job, the person to whom the jobholder reports, and the date the job description was last revised. "Job Statement" usually appears at the bottom of this section and distinguishes the job from other jobs—something the job title may fail to do.

Job Duties, or Essential Functions, Section

Statements covering job duties are typically arranged in order of importance. These statements should indicate the weight, or value, of each duty. Usually, but not always, the weight of a duty can be gauged by the percentage of time devoted to it. The statements should stress the responsibilities all the duties entail and the results they are to accomplish. It is also general practice to indicate the tools and equipment used by the employee in performing the job. Remember, the job duties section must list only the essential functions of the job to be performed.

Job Specification Section

As stated earlier, the personal qualifications an individual must possess to perform the duties and responsibilities contained in a job description are compiled in the job specification. Typically, this section covers two areas: (1) the skill required to perform the job and (2) the physical demands the job places on the employee performing it.

Skills relevant to a job include education or experience, specialized training, personal traits or abilities, and manual dexterities. The physical demands of a job refer to how much walking, standing, reaching, lifting, or talking must be done on the job. The condition of the physical work environment and the hazards employees may encounter are also among the physical demands of a job.

Job specifications should also include interpersonal skills or key competencies necessary for job success. For example, behavioural competencies might include the ability to make decisions on imperfect information, decisiveness, the ability to handle multiple tasks, and conflict resolution skills. Behavioural competencies can be assessed by asking applicants situational interview questions (see Chapter 6). For example, a manager could ask an applicant about a time when he or she had to make a critical decision quickly.

PROBLEMS WITH JOB DESCRIPTIONS

Managers consider job descriptions a valuable tool for performing HRM functions. Nevertheless, several problems are frequently associated with these documents, including the following:

1. If they are poorly written, using vague rather than specific terms, they provide little guidance to the jobholder.
2. They are sometimes not updated as job duties or specifications change.

3. They may violate the law by containing specifications not related to job success.
4. They can limit the scope of activities of the jobholder, reducing organizational flexibility.

Writing Clear and Specific Job Descriptions

When writing a job description, it is essential to use statements that are terse, direct, and simply worded. Unnecessary words or phrases should be eliminated. Typically, the sentences that describe job duties begin with a present-tense verb, with the implied subject of the sentence being the employee performing the job. The term *occasionally* is used to describe duties that are performed once in a while. The term *may* is used in connection with duties performed only by some workers on the job.

Managers may find that writing job descriptions is a tedious process that distracts from other supervisory responsibilities. Fortunately, software packages are available to simplify this time-consuming yet necessary task. One program provides an initial library of more than 2,500 prewritten job descriptions. Since the program works much like a word processor, text can be easily deleted, inserted, or modified to user demands.

JOB DESIGN

It is not uncommon for managers and supervisors to confuse the processes of job analysis and job design. Job analysis is the study of jobs as currently performed by employees. It helps with the job description, which identifies job duties and the requirements needed to perform the work successfully. **Job design**, which is an outgrowth of job analysis, is concerned with structuring jobs to improve organization efficiency and employee job satisfaction. Job design is concerned with changing, modifying, and enriching jobs to capture the talents of employees while improving organizational performance.[14] Job design should facilitate the achievement of organizational objectives. At the same time, the design should recognize the capabilities and needs of those who are to perform the job.

As Figure 4.4 illustrates, job design is a combination of four basic considerations: (1) the organizational objectives the job was created to fulfill; (2) behavioural concerns that influence an employee's job satisfaction; (3) industrial engineering
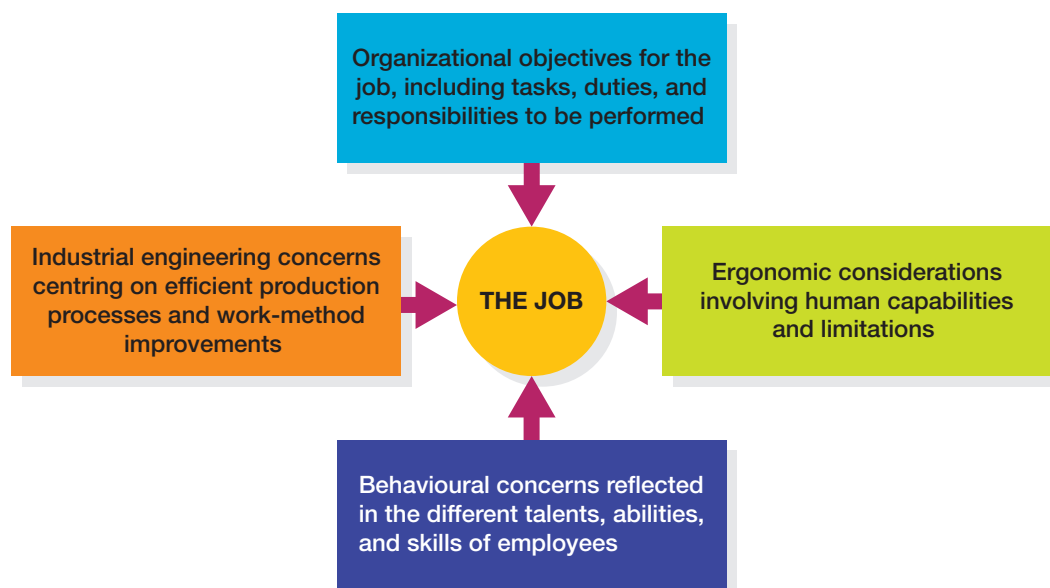
FIGURE 4.4

BASIS FOR JOB DESIGN

- Organizational objectives for the job, including tasks, duties, and responsibilities to be performed
- Industrial engineering concerns centring on efficient production processes and work-method improvements
- THE JOB
- Ergonomic considerations involving human capabilities and limitations
- Behavioural concerns reflected in the different talents, abilities, and skills of employees

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considerations, including ways to make the job technologically efficient; and (4) ergonomic concerns, including workers' physical and mental capabilities.[15] We have already briefly discussed the organizational objective considerations of job design—for example, to improve efficiency and employee job satisfaction. We will now look more closely at the other three considerations.

BEHAVIOURAL CONCERNS

Would you like it if your supervisor timed down to the minute each task associated with your job and then asked you to adhere to those times? Would you find this motivating? Probably not. In an effort to counter the motivational problems that occur when workers do standardized, repetitive tasks, researchers began proposing theories they believed could improve simultaneously the efficiency of organizations and the job satisfaction of employees. Job design methods seek to incorporate the behavioural needs of employees as they perform their individual jobs. The two methods discussed below strive to satisfy the intrinsic needs of employees and motivate them in their work environments. The job enrichment model and the job characteristics model have long been popular with researchers and practitioners as ways to increase the job satisfaction of employees.

Job Enrichment

Any effort that makes work more rewarding or satisfying by adding more meaningful tasks to an employee's job is called **job enrichment**. Originally popularized by Frederick Herzberg, job enrichment is touted as fulfilling the high motivational needs of employees, such as self-fulfillment and self-esteem, while achieving long-term job satisfaction and performance goals.[16] Job enrichment, or the vertical expansion of jobs, may be accomplished by increasing the autonomy and responsibility of employees. Herzberg discusses five factors for enriching jobs and thereby motivating employees: achievement, recognition, growth, responsibility, and performance of the whole job versus only parts of the job. For example, managers can use these five factors to enrich the jobs of employees by

- increasing the level of difficulty and responsibility of the job;
- allowing employees to retain more authority and control over work outcomes;
- providing unit or individual job performance reports directly to employees;
- adding new tasks to the job that require training and growth; and
- assigning individuals specific tasks, enabling them to use their particular competencies or skills.

These factors allow employees to assume a greater role in the decision-making process and become more involved in planning, organizing, directing, and controlling their own work. Vertical job enrichment can also be accomplished by organizing workers into teams and giving these teams greater authority for self-management.

In spite of the benefits to be achieved through job enrichment, it must not be considered a panacea for overcoming production problems and employee discontent. Job enrichment programs are more likely to succeed in some jobs and work situations than in others. They are not the solution to problems such as dissatisfaction with pay, employee benefits, or employment security. Moreover, not all employees object to the mechanical pacing of an assembly line, nor do all employees seek additional responsibility or challenge. Some prefer routine jobs because these jobs are predictable and concise.

Job Characteristics

Job design studies explored a new field when behavioural scientists focused on identifying various job dimensions that would improve simultaneously the efficiency of organizations and the job satisfaction of employees. Perhaps the theory

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that best exemplifies this research is the one advanced by Richard Hackman and Greg Oldham.[17] Their **job characteristics model** proposes that three psychological states of a jobholder result in improved work performance, internal motivation, and lower absenteeism and turnover.[18] A motivated, satisfied, and productive employee (1) experiences *meaningfulness* of the work performed, (2) experiences *responsibility* for work outcomes, and (3) has *knowledge of the results* of the work performed. Hackman and Oldham believe that five core job dimensions produce the three psychological states. The five job characteristics are as follows:

1. *Skill variety*: the degree to which a job entails a variety of different activities, which demand the use of a number of different skills and talents by the jobholder
2. *Task identity*: the degree to which the job requires completion of a whole and identifiable piece of work, that is, doing a job from beginning to end with a visible outcome
3. *Task significance*: the degree to which the job has a substantial impact on the lives or work of other people, whether in the immediate organization or in the external environment
4. *Autonomy*: the degree to which the job provides substantial freedom, independence, and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out
5. *Feedback*: the degree to which carrying out the work activities required by the job results in the individual being given direct and clear information about the effectiveness of his or her performance

The job characteristics model appears to work best when certain conditions are met. One of these conditions is that employees must have the psychological desire for the autonomy, variety, responsibility, and challenge of enriched jobs. When this personal characteristic is absent, employees may resist the job redesign effort. In addition, job redesign efforts almost always fail when employees lack the physical or mental skills, abilities, or education needed to perform the job. Forcing enriched jobs on individuals lacking these traits can result in frustrated employees.

Employee Empowerment

Job enrichment and job characteristics are specific programs by which managers or supervisors can formally change the jobs of employees. A less structured method is to allow employees to initiate their own job changes through the concept of empowerment. **Employee empowerment** is a technique of involving employees in their work through the process of inclusion. Empowerment encourages employees to become innovators and managers of their own work and involves them in their jobs in ways that give them more control and autonomous decision-making capabilities (see Highlights in HRM 4.2).

Additionally, employee empowerment succeeds when the culture of the organization is open and receptive to change. Workers with innovative ideas need to be encouraged to explore new paths and take reasonable risks at reasonable costs. An empowered environment is created when curiosity is as highly regarded as technical expertise. Employees also must have access to a wide range of information within their firms and be held accountable for the results of their empowerment.

Employee empowerment won't work without the support of an organization's senior managers though. They set the tone of the organization. If they are honest, confident, trusting, receptive to new ideas, and respect employees as partners in the organization's success, it's more likely the firm will be able to empower its employees.

Another type of empowerment technique that occurs at the individual level is job crafting. **Job crafting** is a naturally occurring phenomenon whereby employees mould their tasks to better fit their individual strengths, passions, and motives.[19]

job characteristics model
A job design theory that purports that three psychological states (experiencing meaningfulness of the work performed, responsibility for work outcomes, and knowledge of the results of the work performed) of a jobholder result in improved work performance, internal motivation, and lower absenteeism and turnover

employee empowerment
Granting employees power to initiate change, thereby encouraging them to take charge of what they do

job crafting
A naturally occurring phenomenon whereby employees mould their tasks to fit their individual strengths, passions, and motives better

Highlights in HRM 4.2

Empowered Employees Achieve Results

In today's highly competitive and dynamic business environment, employers as diverse as Home Depot and RBC have turned to their employees to improve organizational performance. Empowered employees have made improvements in product or service quality, reduced costs, and modified or, in some cases, designed products.

- At Kraft Foods, employees participated in work redesign changes and team building that increased productivity, reduced overhead, and cut assembly time.

- At a Ford factory, one group of employees made a suggestion that resulted in savings of $115,000 annually on the purchase of gloves used to protect workers who handle sheet metal and glass. The group figured out how to have the gloves washed so that they could be used more than once.

- Home Depot's Special Project Support Teams (SPSTs) work to improve the organization's business and information services. Employees with a wide range of backgrounds and skills collaborate to address a wide range of strategic and tactical business needs.

- At Osler, Hosking and Harcourt LLP, teamwork is used to deliver integrated, superior legal advice, which leads to innovative solutions for their clients.

- Telus Mobility's high-performance teams make them one of the top telecommunications leaders worldwide.

- Levi Strauss's Design Team came up with the waterless Collection Jeans and saved the company 16 million litres of water per 1.5 million jeans produced, all while advancing sustainability.

- Apple uses a holistic team-based approach to running its business. There are no committees at Apple. Teams are used to distribute the various responsibilities among key executives, and they meet for three hours each week to touch base.

Although defining empowerment can become the first step to achieving it, for empowerment to grow and thrive, organizations must encourage these conditions:

- *Participation*. Employees must be encouraged to take control of their work tasks. Employees, in turn, must care about improving their work process and interpersonal work relationships.

- *Innovation*. The environment must be receptive to people with innovative ideas and encourage people to explore new paths and to take reasonable risks at reasonable costs. An empowered environment is created when curiosity is as highly regarded as is technical expertise.

- *Access to information*. Employees must have access to a wide range of information. Involved individuals decide what kind of information they need for performing their jobs.

- *Accountability*. Empowerment does not involve being able to do whatever you want. Empowered employees should be held accountable for their behaviour toward others, producing agreed-on results, achieving credibility, and operating with a positive approach.

Sources: Mindy S. Lubber, "How Timberland, Levi's Use Teamwork to Advance Sustainability," *GreenBiz* (May 9, 2011), http://www.greenbiz.com/blog/2011/05/09/how-companies-court-stakeholders-accelerate-sustainability; http://www.osler.com/aboutus/, accessed February 2015; Mark Milian, "Why Apple Is More Than Just Steve Jobs," *CNN* (August 25, 2011). © 2019 Cengage Learning.

INDUSTRIAL ENGINEERING CONSIDERATIONS

industrial engineering
A field of study concerned with analyzing work methods and establishing time standards

The study of work is an important contribution of the scientific management movement. **Industrial engineering**, which evolved with this movement, is concerned with analyzing work methods and establishing time standards.[20] Specifically, it involves the study of work cycles to determine which, if any, elements can be modified, combined, rearranged, or eliminated to reduce the time needed to complete the cycle. Next, time standards are established by recording the time required to complete each element in the work cycle, using a stopwatch or work-sampling technique. By combining the times for each element, observers can determine the total time required. This time is subsequently adjusted to allow for the skill and effort demonstrated by the observed worker and for interruptions that may occur in performing the work. The adjusted time becomes the time standard for that particular work cycle.

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Industrial engineering constitutes a disciplined and objective approach to job design. Unfortunately, the concern of industrial engineering for improving efficiency and simplifying work methods may cause the behavioural considerations in job design to be neglected. What may be improvements in job design and efficiency from an engineering standpoint can sometimes prove psychologically unsound. For example, the assembly line, with its simplified and repetitive tasks, embodies sound principles of industrial engineering, but these tasks are often not psychologically rewarding for those who must perform them. Thus, to be effective, job design must also provide for the satisfaction of behavioural needs.

ERGONOMIC CONSIDERATIONS

Consider this statistic. In North America, millions of workplace injuries occur yearly from motions such as lifting, bending, and typing. These injuries cost employers through lost productivity, medical benefits, and lost time payments. Therefore, ergonomics is an important element of job design.

Ergonomics is the study of people at work and the practice of matching the features of products and jobs to human capabilities, preference, and the limitations of those who are to perform a job. Ergonomics focuses on ensuring that jobs are designed for safe and efficient work while improving the safety, comfort, and performance of users. In short, it seeks to fit the job to the person rather than the person to the job. Additionally, ergonomics attempts to minimize the harmful effects of carelessness, negligence, and other human fallibilities that otherwise may cause product defects, damage to equipment, or even the injury or death of employees.[21] Alan Hedge, professor of ergonomics at Cornell University, notes, "The goal of sound ergonomics is to boost employee performance while reducing injuries and errors."[22]

Equipment design must consider the physical abilities of operators to use the equipment and to react through vision, hearing, and touch to the way the equipment operates. For example, there is substantial variation in the way individuals move depending on their physical size, gender, age, and other factors. Designing equipment controls to be compatible with both the physical characteristics and the reaction capabilities of the people who must operate them and the environment in which they work is critically important.

Ergonomics improves productivity and morale and yields a positive return on investment (ROI). Ergonomics has proven cost-effective at organizations such as Compaq Computer and Pratt & Whitney. Ergonomics has recently focused on the elimination, or at least reduction, of many repetitive-motion injuries, particularly those related to the back and wrist. For example, with the increased use of computers, ergonomics has particular application at employee workstations. Figure 4.5 provides a checklist of potential repetitive-motion problem areas for employees using computers.

DESIGNING WORK FOR GROUPS AND TEAMS

Although a variety of group techniques have been developed to involve employees more fully in their organizations, all of these techniques have two characteristics in common: enhancing collaboration and increasing synergy. In increasing the degree of collaboration in the work environment, these techniques can improve work processes and organizational decision making. In increasing group synergy, the techniques underline the adage that the contributions of two or more employees are greater than the sum of their individual efforts. Furthermore, research has shown that working in a group setting strengthens employee commitment to the organization's goals, increases employee acceptance of decisions, and encourages a cooperative approach to workplace tasks.[23] Two collaborative techniques are discussed here: employee involvement groups and employee teams.

FIGURE 4.5

COMPUTER WORKSTATION ERGONOMICS CHECKLIST

Use the following list to identify potential problem areas that should receive further investigation. Any "no" response may point to a problem.

1. Does the workstation ensure proper worker posture, such as
   - thighs in the horizontal position?
   - lower legs in the vertical position?
   - feet flat on the floor or on a footrest?
   - wrists straight and relaxed?

2. Does the chair
   - adjust easily?
   - have a padded seat with a rounded front?
   - have an adjustable backrest?
   - provide lumbar support?
   - have casters?

3. Are the height and tilt of the work surface on which the keyboard is located adjustable?

4. Is the keyboard detachable?

5. Do keying actions require minimal force?

6. Is there an adjustable document holder?

7. Are armrests provided where needed?

8. Are glare and reflections minimized?

9. Does the monitor have brightness and contrast controls?

10. Is there sufficient space for knees and feet?

11. Can the workstation be used for either right- or left-handed activity?

Sources: Ontario Ministry of Labour, "Workstation Layout – Computer Ergonomics," https://www.labour.gov.on.ca/english/hs/pubs/comp_erg/gl_comp_erg_2.php, accessed April 22, 2018; The National Institute of Occupational Safety and Health (NIOSH), *Elements of Ergonomics Programs: A Primer Based on Workplace Evaluations of Musculoskeletal Disorders* (Washington, DC: U.S. Government Printing Office, March 1997).

EMPLOYEE INVOLVEMENT GROUPS

employee involvement groups (EIGs)
Groups of employees who meet to resolve problems or offer suggestions for organizational improvement

Groups of 5 to 10 employees doing similar or related work who meet regularly to identify, analyze, and suggest solutions to shared problems are often referred to as **employee involvement groups (EIGs)**. Also known as *quality circles (QCs)*, EIGs are used principally as a means of involving employees in the larger goals of the organization through their suggestions for improving product or service quality and cutting costs.[24] Generally, EIGs recommend their solutions to management, which decides whether to implement them.

Many companies willingly invest in ergonomically designed workstations because they protect the health and productivity of employees.

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The EIG process, illustrated in Figure 4.6, begins with EIG members brainstorming job-related problems or concerns and gathering data about these issues. The process continues through the generation of solutions and recommendations, which are then communicated to management. If the solutions are implemented, the results are measured, and the EIG and its members are usually recognized for the contributions they have made. EIGs typically meet four or more hours per month, and the meetings are chaired by a leader chosen from the group. The leader does not hold an authority position but instead serves as a discussion facilitator.

Although EIGs have become an important employee contribution system, they are not without their problems and their critics. First, to achieve the results desired, those participating in EIGs must receive comprehensive training in problem identification, problem analysis, and various decision-making tools, such as statistical analysis and cause-and-effect diagrams. Comprehensive training for EIGs is often cited as the most important factor leading to their success. Second, managers should recognize the group when a recommendation is made, regardless of whether the recommendation is adopted. This approach encourages the group to continue coming up with ideas even when they are not all implemented by management. Third, some organizations have found that EIGs run out of ideas, and management must feed them ideas to keep the process going. Finally, and most importantly, managers and supervisors must exhibit a participative/democratic leadership style in which employees are encouraged to work collaboratively with management to improve organizational performance.

EMPLOYEE TEAMS

Perhaps one of the more radical changes to how work is done is the introduction of organizational teams. Jim Barksdale, former president and CEO of Netscape Communications, states, "These days it seems as if every time a task needs to be accomplished within an organization, a team is formed to do it." This statement simply emphasizes the increasing importance of teams to organizational success in an ever-dynamic business climate. At such diverse organizations as

FIGURE 4.6

THE DYNAMICS OF EMPLOYEE INVOLVEMENT GROUPS

STEP 1
Group members brainstorm ideas for organizational improvement. Ideas can be for product/service improvements, safety concerns, cost reductions, etc.

STEP 2
Group members prepare solutions and recommendations for improvements.

STEP 3
Managers evaluate group recommendations and make decisions.

STEP 4
Recommendations are implemented and group members are rewarded for their contributions.

REASONS FOR EMPLOYEE INVOLVEMENT GROUPS
- Employee knowledge of affected areas
- Special skills and abilities of employees
- Technical changes
- Customer requirements

Source: Adapted from materials prepared by The Family and Relationship Center, 7946 Ivanhoe Avenue, La Jolla, CA 92037.

FedEx, Hewlett-Packard, and Lucasfilm, producer of the *Star Wars* and *Indiana Jones* films, the benefits of employee teams have included more integration of individual skills, better performance in terms of quality and quantity, solutions to unique and complex problems, reduced delivery time, reduced turnover and absenteeism, and accomplishments among team members. The study of teams at Google under Project Aristotle is perhaps one of the most extensive initiatives in the corporate world to analyze how teams work and their effectiveness. About six years ago, Google became focused on building the perfect team. There was a feeling at Google that the best teams meant putting together the best people. As they soon learned, this was not the case. In 2012, they launched Project Aristotle to study hundreds of teams at Google. As part of this initiative, the People's Operations Department (the HRM Department) studied decades of academic research and their own in-house research but they were puzzled on what actually worked. Traditional explanations such as personality of team members, skill levels, backgrounds, and so on, were falling short when they considered their data. In the end, they started to focus on what psychologists and sociologists call group norms—traditions, behavioural standards, and unwritten rules—and here is where they made a "breakthrough." There were several group norms that helped to explain the effectiveness of teams at Google, including being dependable (getting things done on time and meeting expectations), having structure and clarity, the work having meaning for members, and group members' belief that their work would have impact. However, the most significant norm was what they called psychological safety, where members were willing to take risks because they felt safe, where they could voice their opinions, and ask judgement-free questions. In these instances, managers provided "safe zones" for opinions.[25]

Employee teams are a logical outgrowth of employee involvement and the philosophy of empowerment. Although many definitions of teams exist, we define a work team as a group of individuals working together toward a common purpose, in which members have complementary skills, members' work is mutually dependent, and the group has discretion over tasks performed. Furthermore, teams seek to make members of the work group share responsibility and accountability for their group's performance. Inherent in the concept of employee teams is that employees, not managers, are in the best position to contribute to workplace performance. With work teams, managers accept the notion that the group is the logical work unit for applying resources to resolve organizational problems and concerns.[26]

Teams create synergy through the integration of their members' knowledge, skills, and abilities and the acceptance of individual diversities.

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FIGURE 4.7

SYNERGISTIC TEAM CHARACTERISTICS

Team synergy is heightened when team members engage in these positive behaviours.

- *Support*. The team exhibits an atmosphere of inclusion. All team members speak up and feel free to offer constructive comments.

- *Listening and clarification*. Active listening is practised. Members honestly listen to others and seek clarification on discussion points. Team members summarize discussions held.

- *Disagreement*. Disagreement is seen as natural and is expected. Member comments are nonjudgmental and focus on factual issues rather than personality conflicts.

- *Consensus*. Team members reach agreements through consensus decision making. Consensus decisions require finding a proposal that is acceptable to all team members, even if not the first choice of individual members. Common ground among ideas is sought.

- *Acceptance*. Team members are valued as individuals, recognizing that each person brings a valuable mix of skills and abilities to team operations.

- *Quality*. Each team member is committed to excellent performance. There is emphasis on continuous improvement and attention to detail.

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Teamwork also embraces the concept of *synergy*. Synergy occurs when the interaction and outcome of team members are greater than the sum of their individual efforts.[27] Unfortunately, synergy may not automatically happen; rather, it must be nurtured within the team environment.[28] Figure 4.7 lists the factors contributing to a synergistic team setting.

Teams can operate in a variety of structures, each with different strategic purposes or functional activities. Figure 4.8 describes common team forms. One form—self-directed teams—is often championed as being the highest form of team structure. Self-directed teams, also called *autonomous work groups, self-managed teams*, or *high-performance teams*, are groups of employees who are accountable for a "whole" work process or segment that delivers a product or service to an internal or external customer. For example, in a manufacturing environment, a team might be responsible for a whole product (e.g., a computer screen) or a clearly defined segment of the production process, such as the building of an engine for a passenger car. Similarly, in a service environment, a team is usually responsible for entire groupings of products and services, often serving clients in a designated geographic area. Typical team functions include setting work schedules, dealing directly with external customers, training team members, setting

FIGURE 4.8

FORMS OF EMPLOYEE TEAMS

- *Cross-functional team:* a group staffed with a mix of specialists (e.g., marketing, production, engineering) and formed to accomplish a specific objective. Cross-functional teams are based on assigned rather than voluntary membership.

- *Project team:* a group formed specifically to design a new product or service. Members are assigned by management on the basis of their ability to contribute to success. The group normally disbands after task completion.

- *Self-directed team:* a group of highly trained individuals performing a set of interdependent job tasks within a natural work unit. Team members use consensus decision

making to perform work duties, solve problems, or deal with internal or external customers.

- *Task force team:* a task force formed by management to immediately resolve a major problem. The group is responsible for developing a long-term plan for problem resolution, which may include a charge for implementing the solution proposed.

- *Process improvement team:* a group made up of experienced people from different departments or functions and charged with improving quality, decreasing waste, or enhancing productivity in processes that affect all departments or functions involved. Team members are normally appointed by management.

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virtual team
A team with widely dispersed members linked together through computer and telecommunications technology

performance targets, budgeting, managing inventory, and purchasing equipment or services. To operate efficiently, team members acquire multiple skills, enabling them to perform a variety of job tasks.

To compete in today's national and international markets, managers increasingly form virtual teams. **Virtual teams** use advanced computer and telecommunications technology to link team members who are geographically dispersed, often worldwide. Management may form a project team (see Figure 4.8) to develop a new pharmaceutical drug and have the team operate in a virtual environment to achieve its goal. For a major telecommunications client, IBM used a global team to develop a Web-based tool for launching new services. The team included members from Japan, Brazil, and Britain and delivered a finished product in two months—a considerable reduction in product delivery time.[29] Although virtual teams have many benefits, they are not without problems.[30] Paulette Tichenor, president of Organizational Renaissance, a team-training organization, notes these concerns with virtual teams: language and cultural barriers, unclear objectives, time conflicts due to diverse geographic locations, and selecting people who can work in a collaborative setting.[31]

People can also lose the intimacy of physically meeting, for instance, in workplaces and cafeterias. To reduce this problem, companies such as Nokia are careful to select people who have a collaborative mindset. At Nokia, team members are encouraged to network online and to share their pictures and personal biographies. In another example, Accenture, a worldwide consulting organization, yearly involves 400 managers in virtual team leadership training. The goal is to create team effectiveness and to promote understanding of cross-cultural differences.

Regardless of the structure or purpose of the team, the following characteristics have been identified with successful teams:

- commitment to shared goals and objectives
- motivated and energetic team members
- open and honest communication
- shared leadership
- clear role assignments
- climate of cooperation, collaboration, trust, and accountability
- recognition of conflict and its positive resolution

Online services such as Skype and iMeet allow virtual workers to get acquainted with others.

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Unfortunately, not all teams succeed or operate to their full potential. Therefore, in adopting the work team concept, organizations must address several issues that could present obstacles to effective team function, including overly high expectations, group compensation, specialized team training, career movement, and conflict resolution. For example, new team members must be retrained to work outside their primary functional areas, and compensation systems must be constructed to reward individuals for team accomplishments. Importantly, research shows that teams achieve greater effectiveness when team members initially establish team ground rules, or team norms, for operational and behavioural success. HRM Experience, at the end of the chapter, presents an exercise to set team ground rules.

Another difficulty with work teams is that they alter the traditional manager–employee relationship. Managers often find it hard to adapt to the role of leader rather than supervisor and sometimes feel threatened by the growing power of the team and the reduced power of management. Furthermore, some employees may also have difficulty adapting to a role that includes traditional supervisory responsibilities. Therefore, from our experience in working with teams, extensive attention must be given to training team members as they move through the four stages of team development: forming, storming, norming, and performing.[32]

FLEXIBLE WORK SCHEDULES

Flexible work schedules are not a true part of job design because job tasks and responsibilities are not changed. Nevertheless, we discuss adjustments in work schedules here because they alter the normal workweek of five 8-hour days in which all employees begin and end their workday at the same time. Employers may depart from the traditional workday or workweek in their attempt to improve organizational productivity and morale by giving employees increased control over the hours they work.[33]

Speaking on the importance of flexible work schedules, Lois Brakon, co-director of the Families and Work Institute, notes, "Flexible schedules are going to be the way good, competitive businesses work." Flexible work schedules may be assigned by the organization or requested by individual employees—and are particularly valuable to students. The more common flexible work schedules are the compressed workweek, flextime, job sharing, and telecommuting.

Compressed Workweek

Under the compressed workweek, the number of days in the workweek is shortened by lengthening the number of hours worked per day. This schedule is best illustrated by the 4-day, 40-hour week, generally referred to as 4/10 or 4/40. Employees working a 4-day workweek might work 10 hours a day, Monday through Thursday. Although the 4/10 schedule is probably the best known, other compressed arrangements include reducing weekly hours to 38 or 36 or scheduling 80 hours over 9 days (9/80), taking one day off every other week. Managers cite the following reasons for implementing compressed workweek schedules:

- recruitment and retention of employees[34]
- coordinating employee work schedules with production schedules
- accommodating the leisure-time activities of employees while facilitating employee personal appointments (medical, dental, financial)
- improvements in employee job satisfaction and morale[35]

FLEXTIME

Flextime, or flexible working hours, permits employees the option of choosing daily starting and quitting times provided that they work a certain number of hours per day or week. With flextime, employees are given considerable latitude in scheduling their work. However, there is a "core period" during the morning and afternoon when all employees are required to be on the job. Flexible working hours are most common in service-type organizations—financial institutions, government agencies, and other organizations with large clerical operations.

Flextime provides both employees and employers with several advantages. By allowing employees greater flexibility in work scheduling, employers can reduce some of the traditional causes of tardiness and absenteeism.[36] Employees can adjust their work to accommodate their particular lifestyles and, in doing so, gain greater job satisfaction. Employees can also schedule their working hours for the time of day when they are most productive. In addition, variations in arrival and departure times can help reduce traffic congestion at the peak commuting hours. In some cases, employees require less time to commute, and the pressures of meeting a rigid schedule are reduced.

From the employer's standpoint, flextime can be most helpful in recruiting and meeting the challenges of age diversity in the workforce.[37] It has proved invaluable to organizations wishing to improve service to customers or clients by extending operating hours. Qwest, a telecommunications company, uses flextime to keep its business offices open for customers who cannot get there during the day. Research demonstrates that flextime can have a positive impact on the performance measures of reliability, quality, and quantity of employee work.

There are, of course, several disadvantages to flextime. First, it is not suited to some jobs. It is not feasible, for example, where specific workstations must be staffed at all times. Second, it can create problems for managers in communicating with and instructing employees. Flextime schedules may also force these managers to extend their workweek if they are to exercise control over their subordinates.

Job Sharing

The arrangement whereby two part-time employees perform a job that otherwise would be held by one full-time employee is called **job sharing**. Job sharers usually work three days a week, "creating an overlap day for extended face-to-face conferencing." Their pay is three-fifths of a regular salary. Employers note that without job sharing, two good employees might otherwise be lost.

Job sharing is suited to the needs of families in which one or both spouses desire to work only part-time.[38] It is also suited to the needs of older workers who want to phase into retirement by shortening their workweek. For the employer, the work of part-time employees can be scheduled to conform to peaks in the daily workload. Job sharing can also limit layoffs in hard economic times. A final benefit is that employees engaged in job sharing have time off during the week to accommodate personal needs, so they are less likely to be absent.

Job sharing does have several problems, however. Employers may not want to employ two people to do the work of one because the time required to orient and train a second employee constitutes an added burden. Additionally, managers may find it more difficult to supervise two employees, particularly when one job sharer is not dependable, job sharers cannot effectively work together, or they simply distrust one another.[39] The key to making job sharing work is good communication between partners, who can use a number of ways to stay in contact—phone calls, written updates, email, and voice mail.

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Telecommuting

Telecommuting is the use of personal computers, networks, and other communications technology to do work in the home that is traditionally done in the workplace. A variant of telecommuting is the *virtual office*, where employees are in the field helping customers or are stationed at other remote locations working as if they were in the home office.[40] Telecommuting has several advantages:

- increased flexibility for employees—better work–life balance
- reduced absenteeism
- retention of valued employees who might otherwise quit
- reduced "carbon footprints" through minimizing daily commuting
- increased productivity (e.g., reduced wasted office time)
- lower overhead costs and reduced office space

Although telecommuting offers significant benefits to employers, it also presents potential drawbacks. These include the loss of creativity as employees are not interacting with one another on a regular basis, the difficulty of developing appropriate performance standards and evaluation systems for telecommuters, and the need to formulate an appropriate technology strategy for allocating the necessary equipment.[41] Traditional line managers accustomed to managing by observation may find supervising distributed employees stressful. Additionally, managers may believe that telecommuting negatively affects employee–supervisor relationships through loss of knowledge or information, training or development, and a sense of connectedness.[42]

Employers wishing to have their employees telecommute must comply with wage and hour laws, liability and workers' compensation regulations, equipment purchase or rental agreements with employees, and all employment equity regulations (see Chapter 3). Employees who are denied the opportunity to work from home may feel discriminated against and resent home telecommuters. Figure 4.9 presents suggestions for establishing a successful telecommuting program. Highlights in HRM 4.3 features work–life balance expert Nora Spinks.

FIGURE 4.9

KEYS FOR SUCCESSFUL TELECOMMUTING

- *Identify jobs best suited to distance work.* Those involving sales, customer service, and auditing are logical choices.
- *Select responsible employees.* Employees who are self-starters, motivated, and trustworthy and who can work independently are ideal candidates. Establish employee feedback procedures and performance review methods for employee evaluation.
- *Establish formalized telecommuting procedures.* Telecommuting guidelines could cover hours of availability, office reporting periods, performance expectations, and weekly progress reports or email updates.
- *Begin a formal training program.* Training for both telecommuters and managers should include the technical aspects of equipment use and relationship factors such as how and when to contact the office or availability and location of support facilities.
- *Keep telecommuters informed.* Physical separation can make telecommuters feel isolated and invisible. Department and staff updates, inclusion of telecommuters on project teams, required attendance at meetings, and "chat room" discussions all keep telecommuters "in the loop."
- *Recognize when telecommuting is not working.* State in telecommunicating policies that the arrangement may be terminated when it no longer serves company needs or if the employee's performance declines.

Source: Adapted from Barbara Hemphill, "Telecommuting Productivity," *Occupational Health and Safety* 73, no. 3 (March 2004): 16. © 2019 Cengage Learning.

Highlights in HRM 4.3

Flextime and Work–Life Balance

Nora Spinks, the former president and CEO of Work–life Harmony Enterprises, has worked with employers to create organizational cultures that enable employees to achieve work–life balance. The goal has been to develop successful work environments where individuals and organizations have the ability to reach their full potential and where employees have full and satisfying lives outside their work.

Spinks asserts that employers benefit from these family-friendly policies: "The most effective and productive employees are those who do work they enjoy; are challenged; have access to the necessary resources to meet that challenge; have control over how they work; receive recognition, rewards, and compensation based on the effort they put forth; and feel their life outside work is respected and valued. These employees are highly resilient. In today's world of work, individual and organizational resiliency is critical for success. People in resilient, adaptable, responsive environments have the ability to change, the capacity to adapt to change, the energy to drive change and the flexibility to react positively to change, regardless of the intensity or the factors outside of their immediate control such as market forces, economic pressures, and social or political circumstances."

Today's most popular employee-support initiative is workplace flexibility: flextime with core hours and flexible start and end times, compressed workweeks (full workload completed in less than five days per week), and/or permanent part-time hours with equal status, prorated benefits, and the same development opportunities as full-time employees. Gaining in popularity are creative alternatives

such as extended workweeks (full workload completed in six days) and self-funded or radical sabbaticals (setting aside a portion of pay for a period of time and taking an extended leave while collecting the banked salary—for example, 2.5 years working at 85 percent pay and six months away from the workplace on a self-funded sabbatical).

Employees are using the time gained from workplace flexibility to fulfill family responsibilities, create a balanced lifestyle, continue their education, make a contribution to their community, or volunteer in developing countries.

Spinks argues strongly for these policies:

Establishing control over hours of work has very specific, well-documented results: reduction in illness, injury, absenteeism, presenteeism (physically present, but mentally and emotionally absent), turnover, conflict, and unhealthy lifestyles and behaviours such as smoking, drinking, and drugs.

When you work too hard or too long, you tend to rely on substances such as nicotine, caffeine, or sugar boosters to get you through the day. When you are tired all the time, your ability to solve problems and resolve conflicts is decreased significantly. When you are rundown, you become uninterested and disengaged. Employees who have control over their working hours have more energy, more time, and are more engaged at home, at work, and in the community. Employers, customers, and coworkers benefit during the day, and employees, their family, friends, and community benefit at the end of the day."

Sources: Adapted from Julie Shields, "Showing How to Flex It," *Incentive* 178, no. 3 (March 2004): 47; Sonya Felix, "A Flexible Workplace," *Benefits Canada* 31, no. 6 (June 2007): 16–18, 20.

Small Business Application

As we have seen, to effectively provide performance feedback, train, or recruit new employees, developing and optimizing job requirements act as the cornerstone. Although this is not different in small companies, what is different is that in small enterprises, (1) these job requirements may be less structured than in large companies, (2) requirements may be more individualized to factor in the individual talents of team members, and (3) these requirements are less likely to be written down.

Take, for example, a small Internet development company with 25 employees. These 25 employees are involved in either sales, website development, or website maintenance for a variety of clients. Although there may be general classifications of roles, in that some people will be involved in sales, some in development, and some in maintenance, it will likely be the case that every employee in the company, rather than having specific duties, will be drawn based on his or her skills and how busy that person is. For example, a client may have identified that it would like to have a new feature added to its website. The employee responsible for the support of this site may not be the best person on the team to develop this new feature. The entire team will be consulted to determine not just who has developed or could develop the skill to do this. The end result is that the determination of what is to be done and who is to do it is based on situational requirements and the allocation of talent at that point in time.

This highlights a primary challenge in all organizations: that organizations hire individuals but then manage teams to deliver on changing requirements. In small enterprises especially, although the core job requirements will consist of a collection of tasks generally associated with the performance of the role, employees will be required to support requirements outside a prescribed job requirement. Small enterprises often neglect actions such as written job requirements or written performance reviews. These acts may be deemed to be unnecessary formalities that are counter to the informal culture in small companies. The advantages to both the company and employees are two-fold. First, documenting job requirements increases operational efficiency in recruiting and training future employees. Second, performance evaluations result in improving the effectiveness and morale of existing staff. What is different in small enterprises is that each of these will be carried out by a manager without the support of an HR professional.

Summary

OUTCOME 1 Job requirements reflect the different duties, tasks, and responsibilities contained in jobs. Job requirements, in turn, influence HR functions performed by managers, including recruitment, selection, training and development, performance appraisal, compensation, and various labour relations activities.

OUTCOME 2 Job analysis data may be gathered using several collection methods—interviews, questionnaires, observations, and diaries. Other, more quantitative approaches include the PAQ system, critical incident method, task inventory analysis, and competency-based analysis. It is the prevailing opinion of the courts that HRM decisions on employment, performance appraisal, and promotions must be based on specific criteria that are job related. These criteria can be determined objectively only by analyzing the requirements of each job.

The format of job descriptions varies widely, often reflecting the needs of the organization and the expertise of the writer. At a minimum, job descriptions should contain a job title, a job identification section, and a job duties, or essential functions, section. A job specifications section also may be included. Job descriptions should be written in clear and specific terms with consideration given to their legal implications.

OUTCOME 3 Job design is a combination of four basic considerations: organizational objectives; industrial engineering concerns of analyzing work methods and establishing time standards; ergonomic considerations, which accommodate human capabilities and limitations to job tasks; and employee contributions.

In the job characteristics model, five job factors contribute to increased job performance and satisfaction: skill variety, task identity, task significance, autonomy, and feedback. All factors should be built into jobs because each factor influences different employee psychological states. When jobs are enriched through the job characteristics model, employees experience more meaningfulness in their jobs, acquire more job responsibility, and receive direct feedback from the tasks they perform.

OUTCOME 4 To improve the internal process of organizations and increase productivity, greater efforts are being made by organizations to involve groups of employees in work operations. Employee involvement groups are composed of employees in work units charged with offering suggestions for improving product or service quality or fostering workplace effectiveness. Employee teams stress employee collaboration over individual accomplishment. Teams rely on the expertise and different abilities of members to

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achieve a specific goal or objective. Self-directed teams are characterized by their willingness to perform traditional managerial tasks.

Changes in work schedules—which include the compressed workweek, flextime, job sharing, and telecommuting—permit employees to adjust their work periods to accommodate their particular lifestyles. Employees can select from among these HR techniques to accommodate diverse employee needs while fostering organizational effectiveness.

Key Terms

critical incident method, 135
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Discussion Questions

1. Why is job analysis often described as the "bedrock" of HRM practices? In your answer, explain how job analysis helps with HRM practices such as recruitment, selection, compensation, and performance appraisals.

2. Discuss the various methods by which job analysis can be completed. Compare these methods, noting the pros and cons of each.

3. The description of the "administrative assistant" position often varies across organizations. Search the Internet for a few of these job descriptions and compare them. How can this "problem" be solved?

4. Explain how industrial engineering and behavioural considerations can both clash with and complement each other in the design of jobs.

5. The job characteristics model has five components that enhance employee jobs: skill variety, task identity, task significance, autonomy, and feedback. Give an example illustrating how each component can be used to improve the organization and the job of the employee. (Suggestion: Consider your present or a recent job to answer this question.)

6. Figure 4.8 shows the different forms of employee teams. Provide an example of where each type of team can be used. How do teams create synergy?

7. An argument could be advanced that some job design methods, including those involving industrial engineering, have led to employees being "deskilled" and "alienated from their work." Debate this issue.

HRM Experience

Establishing Ground Rules for Team Success

Ground rules—or team norms—are agreed-on formal that guide the behaviour of a team's members, including how they want to be treated and agree to treat others. Ground rules help teams maintain order, promote positive behaviour, and can be used to correct undesirable actions.

Assignment

1. Divide your class into teams.

2. Using the list below, have each team member silently select 10 behaviours they believe are most critical for a team's success. The first list of 10 behaviours (each person's A list) should consist of those most important for group conduct. The second list of 10 behaviours (each person's B list) should consist of those that are desirable.

3. Next, have the members of your team select a final list of 10 behaviours from both lists. These will become your team's ground rules. The items can be modified or combined to meet your team's specific needs.

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Behaviours List

While working in our team, individuals should do the following:

1. Do their fair share of the work.
2. Check to ensure that everyone clearly understands what is to be done.
3. Encourage planning, including short-range agendas and long-range goals.
4. Encourage open and candid opinions about issues.
5. Listen willingly and carefully to other people's ideas, even if those people have a different viewpoint.
6. Prepare thoroughly before meetings.
7. Make team members feel at ease in discussion.
8. Ask questions when they do not clearly understand tasks or procedures.
9. Propose specific analyses of the pros and cons of decisions faced by the team.
10. Follow through on task assignments.
11. Help other members when assistance is requested.
12. Treat all team members as equals.
13. Paraphrase or restate what someone else says to check meaning.
14. Openly voice opinions and share ideas.
15. Be flexible in arranging meeting schedules.
16. Compliment others for things they have said or done.
17. Be willing to meet whenever it is necessary to discuss a problem.
18. Deal with conflict directly, bringing it to the attention of the team.
19. Express enthusiasm about what the team is doing.
20. Encourage budgeting of the team's time.
21. At the end of a meeting, restate their own responsibilities to check for agreement.
22. Be serious about the team's work.
23. Arrive on time for regularly scheduled meetings.
24. Be willing to listen to other team members' ideas.
25. Get the team's approval on important matters before proceeding.

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Case Study 1

YAHOO CUTS THE CORD ON TELECOMMUTING

Not everyone thinks telecommuting is ideal for their organizations. In early 2013, Marissa Mayer, who had been named Yahoo's new CEO less than a month earlier, ended telecommuting at the struggling Internet-search company. Yahoo's decision surprised people because telecommuting is particularly prevalent in high-tech industries, particularly in Silicon Valley, where Yahoo is located. How could the firm hope to compete for employees in the area if it ended telecommuting? One tech news outlet called it "the worst decision Marissa Mayer has made in her tenure as Yahoo CEO."

Silicon Valley isn't the only place where telecommuting has taken off, however. Across the country, the number of employees telecommuting has grown by about 75 percent in the past 6 years. According to some statistics, more than 3 million people, or roughly 10 percent of the workforce, telecommute full time, and an estimated 16 percent telecommute one day a week. Many firms have embraced telecommuting, claiming that it leads to more productivity and a better work–life balance.

However, a recent survey by the independent research firm ORC International found that roughly 75 percent of people in the American workforce have *never* commuted. And although most of the people surveyed thought telecommuters were very productive, 29 percent of them said they believe telecommuters spend most of their time "goofing off." Reportedly, Mayer learned that many of Yahoo's telecommuters weren't logged onto Yahoo's intranet when they were supposed to be and that the company's offices were nearly empty on Fridays. It's also likely that Mayer thought some synergy was being lost by telecommuting because it left fewer Yahoo employees communicating face to face with one another. The memo Yahoo sent its employees announcing telecommuting would be discontinued read: "It is critical that we are all present in our offices. Some of the best decisions

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and insights come from hallway and cafeteria discussions, meeting new people and impromptu team meetings."

James Surowiecki, a writer for *The New Yorker*, agrees with Mayer. "It's possible to have conversations like this online. But in most organizations they don't happen." For a firm such as Yahoo that relies on the next great idea to stay ahead of the pack, that could be a serious detriment. In addition, much of the value that gets created in a company occurs when workers are in close proximity to one another and teach and learn from each other, Surowiecki says. He notes that it's telling that companies such as Google have outfitted their campuses with every perk imaginable to encourage employees to show up at the office.

Lastly, it's possible Mayer doesn't think telecommuting is necessarily a bad practice but that a firm's HR and other policies can't be set in stone if the company is going to adapt to changing business conditions. In other words, firms have to tailor their HR strategies and the design of jobs to meet the conditions they are facing. And the conditions Yahoo is facing as it struggles to keep pace with its competitors are currently dire.

Questions

1. How can a firm know when it's a good idea to implement telecommuting or not?
2. Can you think of any other pros and cons related to telecommuting that aren't mentioned in this case?

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Case Study 2

BUT MY JOB HAS CHANGED

Job descriptions are a critical tool used for job orientation and training and, importantly, in annual employee performance evaluations. When the duties and responsibilities listed in the job description do not reflect current job content, employee/management disagreements can arise, as this case illustrates.

Both employees and managers agree that Brenda Batten has been an exceptional employee. As a senior technical representative (STR) for Blackhawk Aironics, she is valued for her knowledge in airplane instrumentation. One manager described her as "simply an expert in the complex technology of satellite weather systems."

In May 2017, Blackhawk Aironics implemented a new work reorganization plan. STRs such as Brenda now work largely by telecommuting with managers and engineers at company headquarters and with customers scattered throughout North America. Additionally, under the new work plan, STRs were given more freedom to deal directly with customers and engineers without supervisory intervention. This freedom greatly facilitated customer service needs and demands in an aviation market everyone considers highly dynamic.

Brenda's current job description reflects the technical dimensions of her position but not the telecommuting requirements now performed. Personal competencies such as decision making, self-motivation, problem solving, and communication skills are not covered.

In May 2018, Brenda met with her manager, Martin Eaton, for her annual performance review. Unfortunately, unlike past meetings, which were highly satisfactory, this meeting quickly developed into a disagreement. At the centre of the controversy were the factors to be used to measure Brenda's new job demands. Martin wanted to place major emphasis on the tasks and duties listed in her current job description. As he explained to Brenda, "I hardly see you anymore, and I have no objective criteria or performance data by which to measure those behaviours you now use." Brenda, in response, acknowledged that some things in the current job description were still important aspects of her job, but, overall, the current job description did not capture the full scope of her new duties and responsibilities. Brenda concluded that she was satisfied with Martin's evaluation of the technical aspects of her job, but she was clearly not pleased with the overall evaluation of her performance. As she told Martin, "It's simply not fair; you just don't know what I do now."

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Case Study 3

THE ZAPPOS EXPERIMENT

There are many different ways in which firms can organize themselves: There are flat organizations and there are tall organizations. There are organizations structured by products, divisions, and geography. But one thing nearly all structures have in common is a chain of command, or hierarchy. Do companies have to set up that way? Tony Hsieh doesn't think so. Hsieh is the CEO of Zappos, the online seller of shoes. Hsieh is a guy who thinks outside of the box. When he started Zappos in 1999, no one was selling shoes online. It seemed like a crazy idea—you can't try on shoes online to see if they fit. But Zappos made the business work by offering good product, free shipping and returns, and great customer service.

Hsieh believes it's not just the Zappos business model that has led to its success. Employees and their satisfaction are, too. To keep workers happy and passionate about their jobs, the company offers top-of-the-line and unusual perks: good pay, free healthcare, and employees can bring their dogs to work if they are well socialized. Quirky celebrations and parties are the norm at the company, which routinely makes *Fortune*'s "Best Places to Work" List.

Happy Zapponians and a booming business weren't enough for Hsieh though. He had noticed that most companies on the *Fortune* 500 list in 1955 were no longer on it today. In fact, many of them no longer existed. Hisieh figured it was because as firms grow, they become slow and lose touch with their customers. Executives at the top make the decisions, but they don't really understand what customers want, how products can be improved, or have a lot ideas for transforming the business. Lower-level employees—the people closest to the work—often do, but their suggestions rarely make it up the food chain. He didn't want that to happen at Zappos. So what did Hsieh do? In 2014, he instituted a new type of self-management system. There

are no managers at Zappos anymore. Everyone is an equal, and no one can tell anyone else what to do.

Employees at Zappos don't have job titles. They have "roles" and their coworkers are their "partners." They work together in "circles" (or teams) of their choosing. The members of a circle meet regularly to talk about improvements and ideas. A "chit chat" is held at the beginning of each meeting. Everyone is required to speak, which ensures even the quietest employee is heard. A software system then tracks the circle's goals and who agreed to do what and when. "Really what we're trying to do is turn each employee into a mini entrepreneur who has the ability to sense ideas and do something about it," says John Bunch, who oversees the Zappos self-governing system.

There are also no performance appraisals at Zappos. If you're doing a poor job, your coworkers will let you know. Each employee gets 100 "people points" to distribute to the members in their circles. If an employee doesn't get enough points, the person may get booted from a circle—like contestants get voted off of the island in *Survivor*. And if the person has no circle to work in, he or she is out of job. Pay raises are based on new skills a person develops, a system called "badging." For example, a person might earn a badge for Java coding or merchandising.

If ditching the old corporate structure for something new sounds simple, it turned out to be anything but that for Zappos. First, there were all kinds of rules and meetings required to set up the system: "Tactical" meetings focused on the workflows, and "governance" meetings focused on hashing out processes and eliminating roadblocks. Second, employees had trouble understanding the new system and weren't sure what they were supposed to be doing. Former managers felt diminished. They no longer had any power or status, and they never would. So much for having climbed the corporate ladder. Writer/editor Roger Hodge

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referred to the new Zappos organizational structure as "a radical experiment … to end the office workplace as we know it."

Hsieh knew the transition wouldn't be easy, so he offered employees who didn't like the new system a buyout, which amounted to about 5 months' pay. Eighteen percent of the workforce, or 1,600 employees, took it. Another 15 percent or so quit later. Morale fell, and Zappos dropped off of *Fortune*'s "Best Companies to Work for List" for the first time in its history.

Does Hsieh have any regrets about implementing such a radical change at an already successful company? No, although he admits he was surprised how hard it was for people to leave their bureaucratic baggage behind. "In retrospect, I would have probably ripped off the Band-Aid sooner," he says. Employees say Zappos is running more smoothly now and that things improved after their coworkers who didn't like the system left. The company also implemented a program to better screen and prepare new employees to manage themselves. And reportedly the firm's profit margins are holding up. Derek Noel, an employee with Zappos, says the new system has let his ideas be heard and allowed him to take on a more substantive role in the company. "My worst day at Zappos is still better than my best day anywhere else," he says. "I can't imagine going back to traditional hierarchy anymore."

Questions

1. Is a self-managing organization a good idea? Why or why not?
2. Could Zappos have done anything to make the transition to the new system smoother? If so, what?

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Expanding the Talent Pool: Recruitment and Careers

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Describe how a firm's strategy affects its recruiting efforts.

LO 2 Outline the methods by which firms recruit internally.

LO 3 Outline the methods by which firms recruit externally.

LO 4 Explain the techniques organizations can use to improve their recruiting efforts.

LO 5 Explain how career management programs integrate the needs of individual employees and their organizations.

The competition for top talent requires recruiting not only to look for talented pools of employees but also to make an effort to figure out what they want and establish the firm as an employer of choice so people will want to work for it. And these efforts must be made within the context of the organization's strategy.

In the past, recruiting was often a reactive process firms engaged in periodically when a position needed to be filled. Today, however, more companies see the recruiting function as a strategic imperative and, therefore, an ongoing process. Instead of waiting for a job opening, HR managers are studying their firms' strategies in conjunction with their organizational charts, job analysis information, and external factors such as the labour market and the competition and then recruiting proactively and continually. The greater competition for talent means that recruiting has become more important for managers.

The National Bank of Canada (NBC) Financial Services in Montreal came in 10th on Canada's 50 Best Employers list in 2014, a remarkable showing that can in part be linked to its "whole package" recruiting strategy. Recruitment managers at NBC believe that their success hinges on their ability to serve their diverse markets. As a result, they ensure that as part of their recruitment process, they employ a diverse workforce, one that is more in line with the Canadian population. The bank has branded itself as Canada's diversity employer, and this seems to be leading to great success not just in recruitment but also in its day-to-day business operations. NBC's recruitment strategies also include attending job fairs, advertising online, and partnering with universities (where many new immigrants may study) and other organizations serving immigrants. Ultimately, NBC's goal is to ensure that recruitment managers are familiar with various cultures and the diverse work experiences and leverage this as a source of competitive advantage.[1]

In this chapter, we discuss the strategies and techniques organizations use both internally and externally to recruit the talent they need. For example, to find ways to reach out to and recruit the right kinds of candidates, some companies develop **employee profiles** by surveying their top performers about what they like to do, what events they attend, and how they like to be contacted and recruited. They then pursue candidates using this information. We also discuss the approaches that organizations take toward career management over time. This is important because, unlike physical assets, human assets (employees) can decide to leave the firm of their own accord. The Internet has helped make workers better informed about opportunities and allowed them to telecommute or work off-site. As a result, rival firms are in a better position to lure good employees away.

STRATEGIC ASPECTS OF RECRUITING

Decisions about talent—regardless of whether they pertain to recruiting, transferring, promoting, developing, or deploying people—need to be considered within the context of a business's strategies and priorities. Consider the decision to outsource and offshore work: most North American clothing makers have outsourced or offshored work because labour costs are cheaper outside North America. (Nearly all of the clothing purchased in Canada today is imported. Just check your clothing labels.)

The broad factors that can affect a firm's recruiting strategy include a firm's recruiting abilities, whether to recruit externally or internally, the labour market for the types of positions it is recruiting for, including global labour markets, and the strength of a firm's employment "brand." We will talk about each of these factors next. Note that at any given time, a firm might need to use multiple recruiting strategies. Moreover, a strategy that works for one firm or one job might not work for another firm (or job). For example, an engineering firm might place a premium on finding highly qualified applicants, whereas an amusement park ramping up for a new season might place a premium on hiring quickly. Recruiting strategies and their effectiveness can change over time as well. As a result, firms need to

employee profiles
Profiles of workers developed by studying an organization's top performers to recruit similar types of people

LEARNING OUTCOME 1
This section describes some of the major factors that can affect a firm's recruiting. What other factors might play a role? (Hint: Refer to Chapter 1.)

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continuously examine their recruiting efforts and refine them. So, for example, if the engineering firm landed a huge construction contract, being able to hire engineers could quickly become a priority.

WHO SHOULD DO THE RECRUITING?

The size of an organization often affects who performs the recruitment function. Most large firms have full-time, in-house HR recruiters. In smaller organizations, the recruiting might be done by an HR generalist. If the organization has no HR function, managers and/or supervisors recruit their own employees. At companies such as Williams-Sonoma, the members of work teams help select new employees for their groups.

Organizations that want to focus on their core functions, including small businesses that lack time or HR personnel, sometimes outsource their recruiting functions to outside firms. This practice is known as **recruiting process outsourcing (RPO)**. Organizations also sometimes use RPO providers when they need to hire a lot of employees or hire employees quickly. RPO providers can also be useful when a firm has had trouble finding suitable candidates in the past or needs a different way to tap different talent pools, perhaps to find more diverse candidates.

Regardless of who does the recruiting, it is imperative that these individuals have a good understanding of the knowledge, skills, abilities, experiences, and other characteristics required for the job and be personable, enthusiastic, and competent. Recruiters can often enhance the perceived attractiveness of a job and an organization—or detract from it. They are often a main reason why applicants select one organization over another.

SHOULD A FIRM RECRUIT INTERNALLY OR EXTERNALLY?

Most managers try to follow a policy of filling job vacancies above the entry-level position through promotions and transfers. By filling vacancies in this way, an organization can capitalize on the investment it has made in recruiting, selecting, training, and developing its current employees, who might look for jobs elsewhere if they lack promotion opportunities.

Many companies use their own internal intranet websites as well as the public-facing website and other job-posting websites to recruit candidates.

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Promoting employees rewards them for past performance and encourages them to continue their efforts. It also gives other employees a reason to believe that if they perform similarly, they will be promoted too. This can improve morale within the organization and support a culture of employee engagement. Furthermore, the employee's familiarity with the organization and its operations can eliminate the orientation and training costs that recruitment from the outside would entail. Most important, the transferee's performance record is likely to be a more accurate predictor of the candidate's success than the data gained about outside applicants. Promotion-from-within policies at Marriott and Whole Foods have contributed to the companies' overall growth and success.[2]

Managers need to be aware of the potential limitations of recruiting internally as well, however. For example, jobs that require specialized training and experience cannot always be easily filled from within the organization and may need to be filled from the outside. This is especially common in small organizations, where the existing talent pool is limited. Potential candidates from the outside should also be considered to prevent the "inbreeding" of ideas and attitudes. Chief executive officers (CEOs) are often hired externally. Applicants hired from the outside, particularly for certain technical and managerial positions, can be a source of creativity and innovation and may bring with them the latest knowledge acquired from their previous employers. It is not uncommon for firms to attempt to gain secrets from their competitors by hiring away their employees. Procter & Gamble (P&G) sued a rival papermaker when it hired former employees who had a great deal of knowledge about the making of Charmin toilet paper and Bounty paper towels—both P&G products. **Amazon.com** was sued by Walmart, which accused Amazon of hiring away employees who had in-depth knowledge about Walmart's sophisticated inventory systems.[3]

Some applicants bring more than knowledge to their new employers. They bring revenue. Talented salespeople, doctors, accountants, lawyers, and hairdressers are examples. When these people leave their organizations, their clients often go with them. Recruiting externally in this case makes sense. Reaching an employer's diversity goals is another factor that can lead a firm to recruit externally.

<div style="float:right; border:1px solid #eee; background:#fdf6e3; padding:8px;">

internal labour markets
Labour markets in which workers are hired into entry-level jobs and higher levels are filled from within

</div>

LABOUR MARKETS

The condition of the labour can have a big effect on a firm's recruiting plans. During periods of high unemployment in the economy, organizations might be able to maintain an adequate supply of qualified applicants from unsolicited résumés and from their **internal labour markets**. Internal labour markets are those where workers are hired into entry-level jobs and higher levels are filled from within.[4] A tight labour market, one with low unemployment, might force the employer to advertise heavily and/or seek assistance from local employment agencies. Keep in mind that the actual labour market a company faces depends on the industry in which the firm operates and the types of positions it is seeking to fill. In one industry, the supply of qualified individuals might be plentiful for a particular position. Other jobs are chronically hard to fill, such as the jobs for machinists, engineers, and IT professionals.

Regional and Global Labour Markets

Have you ever noticed that competing firms are often located in the same areas? Oil and gas companies are plentiful in the Calgary area. Film and television companies are clustered around Toronto and Vancouver. This is not a coincidence. The clustering occurs because the resources these firms need—both human and natural—are located in some areas and not others. Likewise, because the University of Waterloo is one of the top computer science schools in the country,

high-tech companies have flocked to the city of Waterloo in Ontario. You could open a high-tech firm in Churchill, Manitoba, but you might have a hard time getting talent to relocate there.

In addition to locating near their talent, to stay apace of their competitors and expand their operations around the world, companies are also looking globally for goods and services, including labour. This practice is referred to as **global sourcing**. As we explained earlier in this book, companies are no longer simply offshoring work to save labour costs. They are also looking abroad to develop better products around the clock via a global workforce and to attract the best talent wherever it may be. For example, after the fall of the Soviet Union in the 1990s, firms abroad began recruiting talented Soviet scientists who had worked for the government and no longer had jobs. Emerging countries such as China and India are also heating up the competition for talent as firms there attempt to staff the burgeoning high-tech industries in these nations.

Firms are trying to fill not just technical positions but also lower-skilled positions. Resorts and vacation areas are among the businesses having trouble finding employees to staff their operations. Recruiting abroad can be very complicated, however. In addition to having to deal with a myriad of local, national, and international laws, employers also have to take into account the different labour costs, preemployment and compensation practices, and cultural differences associated with the countries in which they are recruiting. In volatile areas of the world, security is a concern.

To help them navigate challenges such as these, many companies utilize firms such as Genpact and Robert Half International, which specialize in global recruiting. These firms help companies address the numerous legal complications associated with obtaining various types of visas and work permits for the foreign workers they are trying to hire. Foreign workers can be hired through Employment and Social Development Canada, which will provide foreign workers with temporary work permits.

BRANDING

Whomever and wherever a firm is recruiting, it wants to be *the* employer of choice to attract and hire top candidates before its competitors do. Branding can help organizations do this. **Branding** refers to a company's efforts to help existing and prospective workers understand why it is a desirable place to work.

So how does a company "burnish" its employment brand? One way is to think of applicants as consumers and focus on what they want in terms of jobs and careers as opposed to what an organization has to "sell" them. Companies have to listen to and reach out to applicants just like they do with consumers. In fact, some firms make their customers their employers. A high percentage of the people IKEA recruits are customers who like doing business with the company.

Some of the newer ways firms are building their employer brands is by reaching out to people via social networks. Firms are creating pages on websites like LinkedIn, Facebook, and Google + to promote their organizations and careers they have to offer. The sites allow recruiters to strike up conversations with potential applicants on those pages and give them a preview of what it is like to work for their firms. Instead of just posting jobs on the Internet, firms are creating options on their social media pages to promote the careers they have to offer, striking up conversations with potential applicants on those pages, and giving them a preview of what it is like to work for their firms. Writing blogs and articles for industry publications is another way. (We will talk more about social networks as a recruiting tool later in the chapter.)

Using the Internet and social networks is an inexpensive way to brand and recruit. The strategy can be particularly effective for small companies that can't afford to pay for a lot of job advertising to promote their firms and attract candidates. They can use social media tools—Facebook, LinkedIn, YouTube, Twitter,

Tumblr, Pinterest, and Vimeo—to post photos and videos about their employees, services, and products and to make announcements about specials, contests, and job openings. This can make it easy to recruit great employees. We will talk more about social networks as a recruiting tool later in the chapter.

Online games are good branding and recruiting tool as well. Barclays Investment Bank has a free online stock-trading game that uses real-time market data. More than 4,500 people, mostly college students, have played the game, and about 8 percent of them have applied for jobs with the company.[5]

Philanthropic activities are another avenue for reaching out to prospective employees, especially Generation Z and millennial applicants, who are looking for more than just a paycheque and promotions in their careers. For example, to establish relationships with promising young employees, the accounting and consulting firm Deloitte has teamed up with United Way Worldwide to sponsor alternative spring-break programs for undergraduate students who work alongside employees to help communities in need.

In the global arena, branding can be enormously helpful because locals are often unfamiliar with foreign firms. In India, the firms people work for are very important to applicants and their families. Genpact has set up "storefronts" in major Indian cities to promote the employment brands of its corporate clients. Candidates can walk in and chat with company representatives about what these firms do and the kinds of opportunities they offer.

Firms need to be sure that the brand they promote to prospective employees truly reflects their internal cultures, however. Painting a rosier picture of your organization can backfire because it can leave applicants disillusioned after they have been hired. (To help prevent this from occurring, some firms use realistic job previews, which are discussed later in this chapter.) Highlights in HRM 5.1 shows how the hotel chain Marriott has been able to establish its brand as an employer of choice by engaging in good recruiting practices. The brand reflects Marriott's culture.

> **9-box grid**
> A comparative diagram that includes appraisal and assessment data to allow managers to easily see an employee's actual and potential performance

RECRUITMENT CHANNELS

RECRUITING INTERNALLY

It is only natural for a firm to look internally first when it needs talent. Internal candidates are readily available and get up to speed faster, and there is less uncertainty about how they will perform. You also do not have to run advertisements to find them, which can be costly.

> **LEARNING OUTCOME 2**
> Sometimes firms do not post internal openings for which anyone may apply. Instead, they select someone to promote. Why might a firm do this, and what drawbacks could result?

Internal Job Postings

Internal job postings are a quick way to find qualified employees interested in a position. A small business might simply post a notice on a bulletin board in its break room. Larger companies generally post their openings on their intranet sites. The intranets of some companies alert employees about jobs in which they may be interested. As a position becomes available, a list of employees interested in that position is retrieved, and the records of these employees are reviewed to select possible candidates for interviews. The employees can be electronically notified about interview schedules and track their progress electronically through the various hiring stages.

Identifying Talent through Performance Appraisals

Successful performers are often good candidates for a promotion. Identifying and developing all employees is a role that all managers should take seriously. A tool called a **9-box grid** is helping firms such as General Electric (GE), Novartis, and others do this. The grid helps managers assess appraisal and assessment data to

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Highlights in HRM 5.1

Marriott's Recruitment Principles: Living Up to the Employment Brand
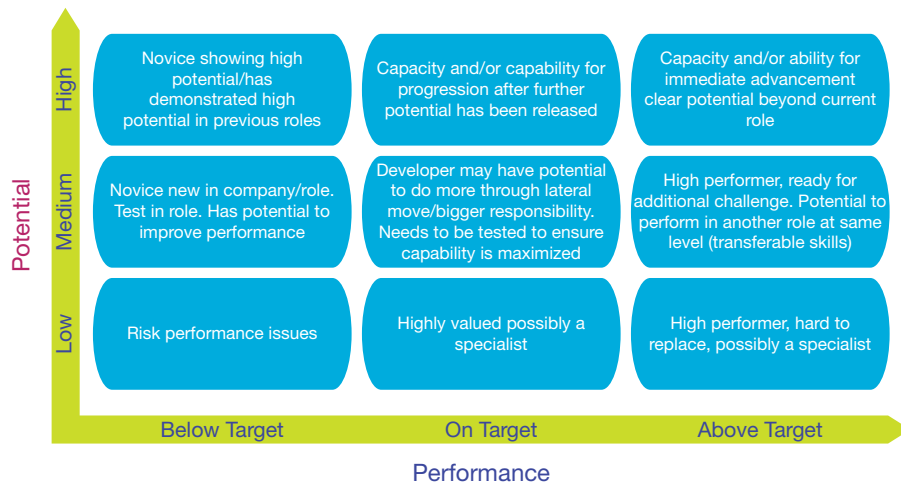
1. *Build the employment brand.* Marriott attracts employees the same way it attracts customers. Just as consumers buy experiences, not just products, potential employees are looking for a great work experience when they shop for jobs. Communicating the promise of a great work experience is what employment branding is all about. It is basically a value proposition. According to CEO J. W. Marriott, "For more than 70 years, we've lived by a simple motto: If we take care of our associates, they'll take care of our guests. That isn't just a sentiment. It is a strategy—one all businesses must adopt to remain competitive in an environment where our most valuable resource, human capital, drives economic value for our company."

2. *Get it right the first time.* Marriott "hires friendly" and "trains technical." It is better to hire people with "the spirit to serve" and train them to work than hire people who know business and try to teach them to enjoy serving guests. Marriott hires cooks who love to cook and housekeepers who love to clean. They have learned that this approach works for both delivering excellent service and retaining their employees.

3. *Money is a big thing, but …* The top concern of Marriott associates is total compensation. But intangible factors taken together, such as work–life balance, leadership quality, opportunity for advancement, work environment, and training, far outweigh money in their decisions to stay or leave. Pay matters less, and the other factors matter more the longer someone works for Marriott.

From flexible schedules to tailored benefit packages and development opportunities, Marriott has built systems to address these nonmonetary factors.

4. *A caring workplace is a bottom-line issue.* When employees come to work, they feel safe, secure, and welcome. Committed associates are less likely to leave, and associate work commitment is one of the key drivers of guest satisfaction. Managers are accountable for associate satisfaction ratings and for turnover rates. Every day, associates in each of Marriott's full-service hotels participate in a 15-minute meeting to review basic values, such as respect. Managers also encourage associates to raise their personal concerns. They take the time to celebrate birthdays and anniversaries. Marriott calls this the loyalty program because it builds loyalty among associates and repeat business from customers. The result is that everyone has a stake in making the hotel a success.

5. *Promote from within.* More than 50 percent of Marriott's current managers have been promoted from within. All associates are given the opportunity to advance as far as their abilities will carry them. Elevating veterans to positions of leadership helps Marriott pass on the soul of its business—its corporate culture—from one generation to the next. In addition, promoting from within is a powerful tool for recruitment and retention. Associates cite "opportunity for advancement" as a key factor in their decisions to stay with Marriott. (Accompanying that is a $100-million-a-year commitment to training.)

Sources: J. W. Marriott, "Competitive Strength," *Executive Excellence* 18, no. 4 (April 2001): 3–4; J. W. Marriott, "Our Competitive Strength: Human Capital," *Executive Speeches* 15, no. 5 (April/May 2001): 18–21; "Why Marriott Is a Social Media Recruiting Superstar," *Brandemix*, https://www.brandemix.com/why-marriott-is-a-social-media-recruiting-superstar/, retrieved April 24, 2018. © 2019 Cengage Learning.

be compiled into a single visual reference so they can see an employee's both actual performance and potential performance. This can then help managers determine what the developmental needs of the employee are and what the person's next steps within the organization might be. Figure 5.1 is an example of a 9-box grid.

Skill Inventories and Replacement Charts

As we discussed in Chapter 2, firms use skill inventories to help track an employee's education, past work experience, vocational interests, specific abilities and skills, compensation history, and job tenure to see how they can best be used.

FIGURE 5.1

AN EXAMPLE OF A 9-BOX GRID

		Below Target	On Target	Above Target
Potential	High	Novice showing high potential/has demonstrated high potential in previous roles	Capacity and/or capability for progression after further potential has been released	Capacity and/or ability for immediate advancement clear potential beyond current role
	Medium	Novice new in company/role. Test in role. Has potential to improve performance	Developer may have potential to do more through lateral move/bigger responsibility. Needs to be tested to ensure capability is maximized	High performer, ready for additional challenge. Potential to perform in another role at same level (transferable skills)
	Low	Risk performance issues	Highly valued possibly a specialist	High performer, hard to replace, possibly a specialist

Performance

Source: Mike Morrison RapidBI.com.

P&G and HSBC are among the firms that track their employees this way to locate capable employees who can be recruited to fill open positions. Along with skill inventories, replacement charts are an important tool for succession planning. At GE, for every position at or above a director level, two or three people are usually identified who can easily step in when the current jobholder moves on.[6]

As we also discussed in Chapter 2, more firms are electronically capturing the qualifications of each of their employees. Companies such as PeopleSoft and SAP have been developing automated staffing and skills management software. These information systems allow an organization to rapidly screen its entire workforce to locate suitable candidates to fill an internal opening. The data can also be used to predict the career paths of employees and to anticipate when and where promotion opportunities might arise.[7]

At least one research study has found that managers often hire external candidates rather than promote their current employees because they have a tendency to overvalue unfamiliar candidates and undervalue known ones.[8] This tendency can leave a firm's current employees disillusioned to the point where they begin looking elsewhere for jobs, even when the external candidates hired end up being very qualified for their positions. When experienced employees leave an organization, they take with them years of corporate know-how that is hard to replace. Some signs that the firm needs to work harder at grooming internal talent are shown in Figure 5.2. To lessen the chances of losing top performers, some managers actively identify high-potential "at-risk" employees and take steps to retain these people.

FIGURE 5.2

WARNING SIGNS OF A WEAK TALENT BENCH

1. It takes a long time to fill key positions.
2. Key positions can be filled only by hiring from the outside.
3. Vacancies in key positions cannot be filled with confidence in the abilities of those chosen for them.
4. Replacements for positions often are unsuccessful in performing their new duties.
5. Promotions are made on the basis of whim, favouritism, or nepotism.

Source: Adapted from William Rothwell, *Effective Succession Planning* (New York: AMACOM, 2000). © 2019 Cengage Learning.

RECRUITING EXTERNALLY

The sources from which employers recruit externally will vary with the type of position to be filled. A computer programmer, for example, is not likely to be recruited from the same source as a machine operator. Trade schools can be a good source of applicants for both entry-level positions and highly skilled employees. Some firms keep detailed statistics by job type on the sources from which their employees are hired. This helps HR managers make better decisions about the places to begin recruiting when different job openings arise. We will talk more about recruiting statistics later in the chapter.

Advertisements

Advertising job openings on websites and in newspapers and trade journals is a common way to attract candidates. But help wanted signs, billboards, and even Craigslist are sometimes used. In countries in which literacy rates are low, radio and television ads can be more effective. Ads and pages on social networking sites, email campaigns, Twitter, and text messages are new ways recruiters are getting the word out about job openings.

Advertising has the advantage of reaching a large audience of possible applicants. However, some degree of selectivity can be achieved by using newspapers and journals directed toward a particular group of readers. Professional and trade journals, blogs, the professional social networking groups on LinkedIn, and the publications of unions and various fraternal or nonprofit organizations will attract different types of candidates than help wanted signs, for example.

Preparing recruiting advertisements not only is time consuming, but also requires creativity in terms of developing their design and message content. Well-written advertisements highlight the major assets of the position while showing the responsiveness of the organization to the job, career, and lifestyle needs of applicants. Also, there appears to be a correlation between the accuracy and completeness of information provided in job advertisements and an organization's recruitment success. The more information disclosed, the better. Among the information typically included in advertisements is that the recruiting organization is an equal opportunity employer.

However, even when a job opening is described thoroughly in an advertisement, many unqualified applicants will still apply. HR personnel often have to sift through stacks of inquiries and résumés to locate qualified candidates. In fact, for each vacant position, HR staff and managers typically review 20 to 100 résumés. Fortunately, software developers are designing new tools companies can use to prescreen applicants online, digitize their résumés, distribute the data into company databases, and automate the process of candidate referrals from in-house personnel.[9]

Walk-Ins and Unsolicited Applications and Résumés

Walk-in job seekers looking for jobs that pay hourly wages are common in smaller organizations. Employers also receive unsolicited applications and résumés. Walk-in applicants and individuals who send unsolicited résumés to firms may or may not be good prospects for employment. However, they are a source that cannot be ignored. In fact, it is often believed that individuals who contact employers on their own initiative will be better employees than those recruited through college placement services or newspaper advertisements.

Good public relations dictate that any person contacting an organization for a job be treated with courtesy and respect. Not treating applicants with respect will harm a company's employer brand. If there is no present or future possibility of employment in the organization, the applicant should be tactfully and frankly informed. Research has shown that a candidate who has been treated well by a potential employer will, on average, tell one other person. On the other hand, a candidate who has been treated poorly—perhaps receiving a tardy rejection letter or no letter at all—will, on average, tell 11 other people.[10]

The Internet, Social Networking, and Mobile Recruiting

Looking on the Internet is the most commonly used search tactic by job seekers and recruiters to get the word out about new positions. Both companies and applicants find the approach cheaper, faster, and potentially more effective. There are thousands of independent job boards on the Web. Among the most widely used job boards are Monster, Workopolis, CareerBuilder, Indeed, Google for Jobs, and Glassdoor. Recruiters can place ads on these sites and use keywords to search for applicants on them. Those looking for HRM jobs can also search these sites, as well as the company websites, directly. Monster has a premium service that narrows down applicants, ranks candidates, and compares them side by side. Staffing experts say it is also a good idea to post your firm's jobs at free association and trade group sites, where your specific talent pool is most likely to congregate. Of course, most large companies post job openings on their own corporate websites, usually under a link titled "Careers." Some companies are now posting podcasts that profile the working lives of their different employees.

Other companies are taking Internet recruiting to a whole new level. Instead of recruiters trying to figure out where to place individual ads and when to take them down, they are using big data, robots, and software to do the job. Appcast is software that trawls the Internet looking for candidates who are well suited for positions based on the interests they express, where they go on the Web, and whether or not they appear to be looking for jobs. Job ads then appear on their screens—just like ads for products do when you are shopping online. The software recruiting company FirstJob has developed a chatbot named "Mya" to help recruit candidates for jobs. Mya converses with candidates online to encourage them to apply—or not to apply—for certain jobs, reviews their applications, and can even schedule interviews with them, among other things.[11]

As we indicated earlier in the chapter, to help establish their employer brands and recruit talent, many companies are making use of social networking tools to recruit employees. Recruiters are joining groups on LinkedIn that target certain types of professionals. And, of course, companies are flocking to Facebook, for example, to create free recruiting sites where recruiters post job information, showcase their company's attractive features, offer job advice, and post company news. The organizations then buy advertisements on Facebook directing potential candidates to their sites.

Social media websites are increasingly used by organizations to create company pages, post and advertise jobs, showcase their company's attractive features,

In some segments, such as retail stores and restaurants, it is quite common to find excellent prospective employees through walk-in applications.

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and join groups that target certain types of professionals. Potential applicants can then "follow" companies they are interested in working for. By using social media, recruiters at UPS say they were able to access a new applicant pool—namely, millennials—and significantly increase the number of them applying with the company. UPS engaged them in conversations with other UPS employees and unscripted "day in the life" videos of employees and interviews with senior managers explaining how they first started with the company and possible career paths.[12]

Software developers have created talent search software, which can be customized to search the Web for valuable but passive job candidates, based on information they post on industry blogs, social networking sites, and so forth. **Passive job seekers** are people who are not looking for jobs but could be persuaded to take new ones given the right opportunity. Software developers such as TalentBin and ZoomInfo have created applications that search the Web for passive job candidates based on information they post on industry blogs, social networking sites, and so forth. Facebook has made it easier to find passive job seekers, as well. Recruiters can create job postings targeted at certain types of people's newsfeeds and contact them via Messenger if they want. Those who are interested in the job can simply click on the "Apply Now" button, and their applications are automatically populated with information from their Facebook profiles.[13]

Mobile recruiting has given creative recruiters another new tool to use in the war for talent. Mobile recruiting is the process of recruiting candidates via their mobile devices. It is no secret that people are glued to their mobile phones these days. For this reason, recruiting experts advise that whatever social networking or Internet platform an organization uses, it should have a mobile application tied to it.

Text messages are also being used to send prospective employees information about jobs. Some surveys show that it is the most popular type of e-recruiting, perhaps because people know how to use it the best. Text messages work well because they are inexpensive, easy to send, fast, and work with any cell phone. Moreover, because most people have their mobile devices on all the time, they get the messages immediately instead of having to launch applications on their phones to get to a site such as Facebook or LinkedIn.

Using social networks is an inexpensive way to recruit people compared to print ads, which can cost hundreds of dollars to run. But there can still be costs a recruiter might not necessarily think about. Patrice Rice, the president of Patrice and Associates Inc., a hospitality industry recruiter, figures that in one year alone she spent $60,000 on branding, a Facebook campaign, and employing a part-time social media manager to maintain the company's online presence, partly so recruiters do not have to, but also to be quicker to respond to queries from potential candidates.[14]

Another potential drawback of using social media, such as Facebook, Twitter, and the Internet in general, is that some groups of people are less likely to be "wired." People with disabilities are an example. A 2010 study found that whereas 85 percent of adults without disabilities access the Internet, only 54 percent of adults with disabilities do. As a result, relying too heavily on electronic recruiting could hurt a company's diversity efforts. And despite the fact that social media is a burgeoning way to recruit employees, some surveys show that the number of employees hired via social media recruiting is still relatively small compared to other methods.

Job Fairs

Job fairs can be a good way to cast a wide net for diverse applicants in a certain region. At a job fair, companies and their recruiters set up booths, meet with prospective applicants, and exchange employment information. Often the fairs are industry specific.

One drawback of job fairs is that although they attract a lot of applicants, many of them might not be qualified. Another problem is that they only attract applicants in the regional area in which they are held. One way to get around

the latter problem is to hold a "virtual job fair" that anyone, anywhere can attend. During a virtual job fair, recruiters staff "virtual booths" online, where they provide links to their career resources, collect résumés, and talk with candidates via online chat functions. Companies can also administer screening questionnaires and, if a webcam feature is incorporated, see the candidates. Holding a virtual job fair can also be cost-effective for both recruiters and attendees because they do not have to pay travel costs.

Employee Referrals

The recruitment efforts of an organization can be greatly aided by employee referrals or recommendations from the firm's current employees about potential candidates. In fact, word-of-mouth recommendations are the way most job positions are filled. (Apparently, there is truth to the phrase, "It is not what you know, but who you know.") Managers have found that the quality of employee-referred applicants is normally quite high because employees are generally hesitant to recommend individuals who might not perform well. In general, applicants who are referred by a current employee, if hired, tend to remain with the organization longer as well.[15]

Some firms have created referral pages on their intranets to make it easier for employees to refer candidates and track their progress through the hiring process.[16] Accenture is a company that has such a site. Highlights in HRM 5.2 shows some additional ways firms can encourage employee referrals.

Highlights in HRM 5.2

Employee Referral Programs That Work

A company's current employees may be its greatest source of future employees thanks to a well-designed and well-promoted employee referral program (ERP). Here are several suggestions for creating an effective program:

- *Make the ERP part of the company culture.* Companies typically need more of certain types of skills than others and often have a general profile of background, education, values, and ethics in mind for their candidates. So a big part of building an effective referral program is educating employees about the kinds of people the organization wants to hire—and continuing to keep that profile in the forefront. Helping employees see how finding the right types of candidates will enhance the overall team also adds to their enthusiasm for the program.

- *Be responsive.* Failing to acknowledge referrals promptly makes employees feel as if their efforts have disappeared into a black hole, which is demotivating. Instead, let the candidate and the referring employee know right away when a referral has entered the system. Then give the referred candidate priority processing in terms of screening and interviewing to demonstrate how much good referrals are valued.

- *Up the ante.* Consider creating two tiers of financial incentives for referrals: small rewards for candidates who meet the company's requirements but are not selected and larger rewards for successful matches.

- *Provide rewards that employees value.* Some companies offer healthy bonuses, all-expenses-paid weekend trips, donations to the referring employee's favourite charity, or free insurance as incentives for successful referrals, but plenty of other options are available. Many experts agree that public recognition, perhaps at a company meeting or department luncheon, can be equally rewarding.

- *Give employees the right tools.* Consider supplying employees with special "we're recruiting" business cards to hand out when meeting people face to face. And make it easy for employees to post or tweet information about job openings to their online network of associates.

- *Measure results.* It should go without saying that after the program is implemented, managers need to study the results in terms of the volume of referrals, qualifications of candidates, and success of new hires on the job. These results can then be used to fine-tune the program.

Sources: "How a Talent Management Plan Can Anchor Your Company's Future," *HR Focus* 81, no. 10 (October 2004): 7–10; Susan M. Heathfield, "You Can Inspire Great Employee Referrals," http://humanresources.about.com; John Sullivan, "Advanced Employee Referral Programs—Best Practices You Need to Copy," www.drjohnsullivan.com; Emre Ekinci, "Employee Referrals as a Screening Device," *Rand Journal of Economics* 47, no. 3 (August, 2016): 688–708. © 2019 Cengage Learning.

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There are some negative factors associated with employee referrals and profiles, however, including the possibility of corporate "inbreeding." Since employees and their referrals tend to have similar backgrounds, employers who rely heavily on employee referrals to fill job openings may intentionally or unintentionally screen out, and thereby discriminate against, protected classes. Some researchers have found that inbreeding occurs gradually as part of a three-stage trend. According to the Attraction-Selection-Attrition model, in the first stage (Attraction), people with values similar to those of an organization are attracted to it and become employees. In the second stage (Selection), these employees then choose applicants similar to themselves. In the final stage (Attrition), employees who do not fit in leave. The result is an ultra-homogenized organization.[17]

The practice of hiring relatives, referred to as **nepotism**, can invite charges of favouritism, especially in appointments to desirable positions. HR personnel hiring globally, however, need to realize that in other cultures, including Asia and the Middle East, nepotism is the norm. Even in North America, nepotism gets mixed reviews, in part because family members are in an ideal position to pass job knowledge and skills on to one another. Many corporate dynasties (Ford Motor Company and McCain Foods among them) have been built on nepotism. Labour unions would not have flourished without it. In the United States, a number of law firms and universities have dropped restrictions against hiring spouses on the basis that they are prejudicial.[18]

Rerecruiting

Rerecruiting is the process of keeping track of and maintaining relationships with former employees to see if they would be willing to return to the firm. Rerecruiting is not uncommon. At the accounting and consulting firm Deloitte, over 75,000 former employees are kept track of via an "alumni network." Other organizations that have alumni networks include Microsoft, Oshkosh, and Ernst & Young.[19]

Executive Search Firms

In contrast to public and private employment agencies, which help job seekers find the right job, executive search firms (often called "headhunters") help employers find the right person for a job. Firms such as Korn Ferry and Mercer are top recruiting firms for executives. Executive search firms do not advertise in the media for job candidates, nor do they accept a fee from the individual being placed.

The fees charged by search firms can range anywhere from 25 to 40 percent of the annual salary for the position to be filled. For the recruitment of senior executives, this fee is paid by the client firm, whether or not the recruiting effort results in a hire. Search firms receive the greatest criticism for this practice.

Nevertheless, as we noted earlier, hiring new CEOs from outside the organization has become commonplace. A large number of these new CEOs are placed in those positions through the services of an executive search firm. However, newer data suggest that CEOs who are promoted from within their organizations outperform those hired from the outside. Moreover, due to high-profile CEO-related scandals and bankruptcies that have occurred in recent times, HR personnel are increasingly being called on to demand more from executive search firms and to assist boards of directors in the careful selection of top executives. In some instances, executive search firms have been criticized for selling the "Superman" qualities of outside CEOs—for which firms pay a premium.

Educational Institutions

Educational institutions typically are a source of young applicants with formal training but relatively little full-time work experience. High schools are usually a source of employees for clerical and blue-collar jobs. Community colleges, with

their various types of specialized training, can provide candidates for technical jobs. These institutions can also be a source of applicants for a variety of white-collar jobs, including those in the sales and retail fields. Some management trainee jobs are also staffed from this source.

For technical and managerial positions, colleges and universities are generally the primary source. Given these numbers and the strong demand for highly skilled employees, universities and colleges are likely to remain a good recruiting source. In addition, some Canadian universities are setting up campuses overseas. As a result, HR professionals in the coming years will have a new source from which to recruit employees abroad.[20]

Not using campus placement offices effectively and trying to visit too many campuses instead of concentrating on select institutions are common mistakes firms make when recruiting on campus. Rather than recruiting students from dozens of schools, as they have done in the past, companies such as Nestlé are targeting fewer schools and forming closer partnerships with them. Employees guest lecture at the schools and develop relationships with instructors, who then recommend students for jobs. (Yes, it pays to be nice to your teacher.) Another mistake recruiting firms make is not continuing the recruiting effort on a long-term basis once it is begun.

Furthermore, some recruiters sent to campuses are not sufficiently trained or prepared to talk to interested candidates about career opportunities or the requirements of specific openings or do not follow up with them. This is a grave mistake because research shows that students' perceptions of recruiters have a big impact on which jobs and companies they choose to pursue. "It is all about how [students] are treated in the campus recruiting process and the feeling that they get from the people they interact with," says the founder of a college recruitment consulting firm. Figure 5.3 shows some of the steps firms can take to strengthen their on-campus recruiting relationships.

To attract high-demand graduates, in addition to offering higher pay, firms sometimes employ innovative recruitment techniques such as work–study programs, low-interest loans for promising recruits, scholarships, and internships. Internships can be a great way for firms to "try out" students who want to work in their fields and for students to decide if they want to work for an organization long term. However, many internships are not as successful as they should be because the sponsoring firms have not thought through how to effectively utilize their interns. This can lead to bored interns, who can, in turn, become disillusioned about their fields. Highlights in HRM 5.3 shows steps companies can take to ensure that their internships are truly successful.

FIGURE 5.3

STEPS FOR STRENGTHENING A FIRM'S ON-CAMPUS RECRUITING RELATIONSHIPS

- Invite professors and advisors to visit your office and take them to lunch.
- Invite them to bring a student group to the office.
- Send press releases and newsletters by mail or email to bring them up to date on the firm's latest news and innovations.
- Provide guest speakers for classes.
- Conduct mock interviews, especially in years when not interviewing for full-time or internship positions.
- Provide scholarships to students.
- Attend the campus career fair, even when the firm is not going to be hiring, so that its name becomes known by the faculty and students.
- Offer job-shadowing programs for students.

Sources: Bruce Busta, D'Arcy Becker, and Jane P. Saly, "Effective Campus Recruiting: The Faculty Perspective," *CPA Journal* 77, no. 7 (July 2007): 62–65; Deborah J. Sessions, "Recruiting Made Easy," *Journal of Accountancy* 201, no. 5 (May 2006): 31–34; Rachel Feintzeig, "CEOs Spend More Time on Campus; With Grads Gravitating toward Tech Firms, Leaders of Firms like Cargill, Land O'Lakes Spend More Time on Campus," *Wall Street Journal* (Online), https://search-proquest-com.ezproxy.library.yorku.ca/abiglobal/docview/1863647444/fulltext/22CA2F2126874846PQ/1?accountid=15182, accessed April 24, 2018. © 2019 Cengage Learning.

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Highlights in HRM 5.3

Making Your Internship Program a Success

Let's assume your company's management has realized that internships benefit both your firm and the students they employ. And let's assume management understands that, statistically, interns usually make the best future full-fledged employees. So now let's look at how to make your internship program a success. Experts agree that you should do the following:

- Reach out to colleges and universities to begin building relationships with them. Let the career advisors at these schools know what you are looking for and what you have to offer the interns and continue to promote your program on an ongoing basis.

- Clearly define what you are looking for in a candidate in terms of current enrollment, GPA, preferred or required major, specific skills, attributes, and other experience.

- Devise a budget for intern recruiting, selection, compensation, relocation, housing, and travel.

- For each intern position, develop a work plan—a list of responsibilities and tasks that will be performed by this person. Since the intern will probably be assigned to a supervisor who will serve as the intern's mentor, it might be useful to get input from the supervisor regarding the position.

- Write an internship handbook that includes information on intern orientation, mentoring, executive engagement, project work, and cross-functional activity opportunities. Provide this to all of the supervisor/mentors in the program and the interns.

- Set up a system for providing interns with feedback on their performance, preferably at the midpoint of their internship and again at the conclusion. Make the experience a teachable moment.

Professional Associations

Many professional associations and societies offer a placement service to members as one of their benefits. Lists of members seeking employment may be advertised in their journals or publicized at their national meetings. For the mutual benefit of employers and job seekers, placement centres are usually included at the national meetings of professional associations. The Human Resource Professionals Association (HRPA), for example, helps employers and prospective HR employees come together.

Labour Unions

Labour unions have been a principal source of applicants for blue-collar and some professional jobs. Some unions, such as those in the maritime, printing, and construction industries, maintain hiring halls that can provide a supply of applicants, particularly for short-term needs. Employers wishing to use this recruitment source should contact the local union under consideration for employer eligibility requirements and applicant availability.

Public Employment Agencies

Each province maintains an employment agency that administers its employment insurance program. Many of these agencies bear such titles as Human Resources Development, or Employment and Social Development, and have local public employment offices in most communities of any size. Individuals who become unemployed must register at one of these offices and be available for "suitable

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employment" to receive their weekly employment insurance cheques. As a result, the agencies are able to refer to employers with job openings those applicants with the required skills who are available for employment. In addition to matching unemployed applicants with job openings, public employment agencies sometimes assist employers with apprenticeship programs, employment testing, job analysis, evaluation programs, and community wage surveys.

Private Employment and Temporary Agencies

Charging a fee enables private employment agencies to tailor their services to the specific needs of their clients. However, it is common for agencies to specialize in serving a specific occupational area or geographic area. When recruiting abroad, companies frequently use local employment agencies because they understand a country's culture, labour markets, and methods of recruiting workers there.

Depending on who is receiving the most service, the fee may be paid by the employer, the job seeker, or both. It is not uncommon for private employment agencies to charge an employer a 25 to 30 percent fee, based on the position's annual salary, if the employer hires an applicant found by the agency.

Private employment agencies differ in the services they offer, their professionalism, and the calibre of their counsellors. If counsellors are paid on a commission basis, their desire to do a professional job may be offset by their desire to earn a commission. Thus, they may encourage job seekers to accept jobs for which they are not suited. Because of this, job seekers would be wise to take the time to find a recruiter who is knowledgeable, experienced, and professional. When talking with potential recruiters, individuals should discuss openly their philosophies and practices with regard to recruiting strategies, including advertising, in-house recruiting, screening procedures, and costs for these efforts. They should try to find a recruiter who is flexible and who will consider their needs and wants.

In addition to placing permanent workers, many private agencies hire and place workers in temporary positions. "Temps" are typically used for short-term assignments or to help when managers cannot justify hiring a full-time employee, such as for vacation fill-ins, for peak work periods, or during an employee's pregnancy leave or sick leave. Increasingly, temps have been employed to fill positions once staffed by permanent employees.

Temps give organizations added flexibility because they can be hired and laid off as needed. Also, the employment costs of temporaries are often lower than those of permanent employees because temps are not provided with benefits. To keep their costs down and gain flexibility, some companies use a just-in-time staffing approach, in which a core staff of employees is augmented by a trained and highly skilled supplementary workforce.

Many temporary employees are eventually hired full-time. Temping allows them and the firms they contract with to try one another out before a permanent commitment is made. One concern related to using temps is that they have less of an incentive to be loyal to an employer and its clients or to go the extra mile to help a company achieve success.

Employee Leasing

Employee leasing by professional employer organizations (PEOs) has grown rapidly in the United States but is not as common in Canada. We discuss it here because trends in the United States often migrate here a few years later. Basically, a PEO—typically a larger company—takes over the management of a smaller company's HR tasks and becomes a coemployer to its employees. The PEO performs all the HR duties of an employer—recruiting, background checks, hiring, payroll, performance appraisal, benefits administration, and other day-to-day HR activities—and in return is paid a placement fee of normally 4 to 8 percent of payroll cost plus 9 to 20 percent of gross wages. Because PEOs can coemploy a

large number of people working at many different companies, they can provide employees with benefits and health plans that small companies cannot afford. Unlike temporary agencies, which supply workers only for limited periods, employee leasing companies place their employees with subscribers on a permanent basis. The Society for Human Resource Management reports that companies with fewer than 50 employees can save anywhere from $5,000 to $50,000 in time and labour costs annually by hiring a PEO.[21]

IMPROVING THE EFFECTIVENESS OF RECRUITING

How well is a company doing when it comes to recruiting talent from all sources? Have the firm's recruiters been able to hire enough employees to meet the company's needs, including key personnel? Are the recruiters slow or fast when it comes to filling positions? Are line managers happy with the process and the quality of the people hired? Are the people who have been hired happy with their jobs and likely to remain with the firm and advance in the organization? HR managers have many tools available to them to gauge their efforts and improve their recruiting. Let's look at a few of them.

USING REALISTIC JOB PREVIEWS

One way organizations may be able to increase the effectiveness of their recruitment efforts is to provide job applicants with a **realistic job preview (RJP)**. An RJP informs applicants about all aspects of the job, including both its desirable and undesirable facets. In contrast, a typical job preview presents the job only in positive terms. The RJP might also include a tour of the working area, combined with a discussion of any negative health or safety considerations. Proponents of RJPs believe that applicants who are given realistic information regarding a position are more likely to remain on the job and be successful because there will be fewer unpleasant surprises. In fact, a number of research studies on RJPs report that they can yield results such as realistic job expectations on the part of employees, better job satisfaction, and lower turnover.

Some companies are taking their RJPs online. For example, the North Shore Health Region, in British Columbia, realized that it had unique attributes that could give a competitive advantage in recruiting nurses. Recruitment materials were prepared that captured the main appeal of this employer: a small, friendly, full-service hospital. This message was reinforced in all recruitment efforts and was credible (realistic) because it was based on research with existing employees.[22]

SURVEYS

Another way to improve a company's recruiting is to survey managers about how satisfied they are with the process. Are managers happy with the time it takes to hire new employees, the degree to which they need to be involved in the process, and, ultimately, the overall quality of the people recruited? Why or why not? New hires can also be surveyed to see how satisfied they are. Lastly, candidates who turned down jobs often can provide valuable information about why they did not accept the firm's offer.

RECRUITING METRICS

As we explained earlier in the chapter, recruiters should keep statistics on the sources from which candidates are recruited and hired as well as the costs of each source. The time it takes to recruit various employees from various sources and the quality of employees are other statistics recruiters collect and study. Doing so helps them understand which recruiting sources work best for different employees, which allows them to find better employees faster and at a lower cost.

Quality-of-Fill Statistics

As we indicated in the Appendix to Chapter 2, hiring quality employees is a primary concern of recruiters. Firms have attempted to develop a quality-of-fill statistic they can use to improve their recruiting processes. The following is one suggested way of calculating an annual quality-of-fill metric for an organization:

$$\text{quality of hire} = (PR + HP + HR)/N$$

where PR = average job performance rating of new hires

HP = percentage of new hires reaching acceptable productivity within an acceptable time frame

HR = percentage of new hires retained after one year

N = number of indicators

Example:

PR = average 3.5 on a 5.0 scale = 70 percent

HP = of 100 hires made one year ago, 75 are meeting acceptable productivity levels = 75 percent

HR = 20 percent turnover = 80 percent HR

N = 3

$$\text{quality of hire} = (70 + 75 + 80)/3 = 75$$

The result is a quality level of 75 percent for new employees hired during the year.

Time to Fill

The **time-to-fill metric** refers to the number of days from when a job opening is approved to the date the person ultimately chosen for the job is selected. Figure 5.4 shows an example of how the time-to-fill metric is calculated. Generally speaking, lower time-to-fill statistics are better. However, a trade-off has to be made between the time to fill a position and the quality of the candidates needed for the position.

Yield Ratios

Yield ratios help indicate which recruitment sources are most effective at producing qualified job candidates. Quite simply, a **yield ratio** is the percentage of applicants from a particular source who make it to the next stage in the selection

> **time-to-fill metric**
> The number of days from when a job opening is approved to the date the candidate is selected
>
> **yield ratio**
> The percentage of applicants from a recruitment source that make it to the next stage of the selection process

FIGURE 5.4

TIME-TO-FILL CALCULATIONS

Position	Date Position Approved	Date Offer Accepted	Date Started Work	Selection Time	Time to Start
Engineer	10/10/18	11/30/18	12/15/18	51	15
Marketing manager	10/11/18	11/24/18	12/16/18	44	22
Salesperson	10/12/18	11/13/18	11/20/18	32	7
Administrative assistant	10/13/18	11/7/18	11/14/18	25	7
Clerk	10/13/18	10/30/18	11/14/18	17	15
Average				33.8	13.2

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process. For example, if 100 résumés were obtained from an employment agency and 17 of the applicants submitting those résumés were invited for an on-site interview, the yield ratio for that agency would be 17 percent (17/100). This yield ratio could then be recalculated for each subsequent stage in the selection process (e.g., after the interview and again after the final offer), which would result in a cumulative yield ratio. By calculating and comparing yield ratios for each recruitment source, it is possible to find out which sources produce qualified applicants.

Costs of Recruitment

The costs of various recruiting procedures can be computed using a fairly simple set of calculations. For example, the average source cost per hire (SC/H) can be determined by the following formula:

$$\frac{SC}{H} = \frac{AC + AF + RB + NC}{H}$$

where AC = advertising costs, total monthly expenditure (e.g., $32,000)

AF = agency fees, total for the month (e.g., $21,000)

RB = referral bonuses, total paid ($2,600)

NC = no-cost hires, walk-ins, nonprofit agencies (e.g., $0)

H = total hires (e.g., 119)

Substituting the example numbers into the formula gives

$$\frac{SC}{H} = \frac{\$32,000 + \$21,000 + \$2,600 + \$0}{119}$$

$$= \frac{\$55,600}{119}$$

$$= \$467.23 \text{ (source cost of recruits per hire)}$$

When combined with information about yield ratios, these calculations can provide invaluable information to managers about the utility of different approaches to and sources of recruitment. In that way, they can make more informed decisions about both controlling the costs of recruitment and increasing its effectiveness. For example, although advertisements and employee referrals may both yield qualified applicants, managers may find that referral bonuses are a more economical alternative.

An **applicant tracking system (ATS)** can help a firm automatically track and calculate the statistics we have discussed, and more. An ATS enables recruiters to electronically post job openings, screen the uploaded profiles and/or the résumés of applicants, rank them, and contact them via email for interviews. An ATS also tracks the sources of applicants—from the various websites they use to apply for jobs and how far they got in the process—and the time and costs related to hiring people. Looking at this data can help recruiters fine-tune where and how they are recruiting.

Rather than employing an ATS, Google has used reams of data and analytics to figure out why it was having problems recruiting diverse candidates, particularly women engineers. The company also developed an algorithm to predict which candidates have the highest probability of succeeding once hired. Spokespeople for Google say the company is determined to bring the same level of rigour to personnel decisions as it does its engineering decisions. Moreover, Google isn't waiting for great candidates to come for it. It's a search-engine company after all. The company is using machine learning and big data to suggest opportunities at Google aligned to a job seeker's skill sets and interests.[23]

RETENTION: HOW DO WE KEEP OUR TALENT?

The flipside of recruiting is retaining employees. You've burnished your brand and enticed people to join your organization. But what will make them remain with your firm? Turnover drags down morale among a firm's staff and takes a toll on productivity. Replacing employees is extremely costly and time consuming. Yet a recent Dale Carnegie study estimated that nearly a quarter of employees are planning to look for new jobs in the coming year, and 15 percent are already doing so.[24]

Why are so many employees planning to leave their jobs? And, what, if anything, can be done about it? Many managers believe employees leave their organizations for better pay and benefits they can't match. Google offers employees free massages and rides back and forth to work. Some organizations are attracting and retaining employees by offering them student-loan repayment assistance. The insurer Aetna is one of them. Aetna will match $2,000 per year of an employee's payments, for up to $10,000 total. Programs such as these are helping companies retain Generation Z and millennial workers, who tend to switch employers frequently.

But for many firms, especially smaller ones, matching pay and benefits such as these isn't possible. Perks that don't cost a lot can go a long way toward retaining employees, however. Flextime, telecommuting, relaxed dress codes or no dress codes, summer hours, and modest performance bonuses are examples. Requiring employees to shut off their mobile phones after hours is another work–life balance perk firms are increasingly giving their employees.

However, contrary to what managers believe, factors other than pay and benefits are usually what prompt employees to quit: They quit their jobs because they think their input isn't valued, they were a poor fit for the job in the first place, or they have too few growth and advancement opportunities.

The Carnegie study found that leadership is the key reason for turnover. Supervisors have to demonstrate interest in and empathy toward their employees but too few do. Supervisors also need to help employees grow and develop, a topic that's discussed in the next section.

Some firms conduct "stay" interviews with long-time employees to determine why they have remained with the firm for as long as they have. What do they like about it, and what needs improving? Human resource managers can then use that information to develop retention strategies.

CAREER MANAGEMENT: DEVELOPING TALENT OVER TIME

Regardless of the source from which employees are recruited—internally or externally—managers play a key role in expanding the talent pools of firms. Good managers listen to their employees' aspirations, act as coaches, identify their strengths and areas for improvement, and offer them continual feedback about their performance. They also ensure that employees receive training and are provided with self-assessment tools and information about the organization and possible career paths within it. Compared to recruiting, helping employees grow and working to develop their skills is a more proactive—and strategic—approach to systematically expanding the talent pool relative to bringing people in from the outside and banking on them being right for the job.

Integrating career development with other HR programs creates synergies in which all aspects of HR reinforce one another. Figure 5.5 illustrates how HR structures relate to some of the essential aspects of the career management process. For example, to plan their careers, employees need organizational information—information that strategic planning, forecasting, succession planning, and skill inventories can provide. Similarly, as they obtain information themselves and use it to plan their careers, employees need to know what the career paths within their organizations are and how management views their performance.

LEARNING OUTCOME 5

Why should both employees and their employers be concerned about career management programs?

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FIGURE 5.5

HR'S ROLE IN CAREER MANAGEMENT

THE GOAL: MATCH INDIVIDUAL AND ORGANIZATION NEEDS **1**	IDENTIFY CAREER OPPORTUNITIES & REQUIREMENTS **2**
The Goal: Matching • Create a supportive environment. • Communicate the direction of the company. • Establish mutual goal setting and planning.	**Opportunities & Requirements** • Identify future competency needs. • Establish job progressions/career paths. • Balance promotions, transfers, exits, etc. • Establish dual career paths.
INSTITUTE CAREER DEVELOPMENT INITIATIVES 4	**GAUGE EMPLOYEE POTENTIAL 3**
Career Development Initiatives • Provide workbooks and workshops. • Provide career counselling. • Provide career self-management training. • Give developmental feedback.	**Gauge Employee Potential** • Measure competencies (appraisals). • Establish talent inventories. • Establish succession plans. • Use assessment centres.

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THE GOAL: MATCHING INDIVIDUAL AND ORGANIZATIONAL NEEDS

A career development program should be viewed as a dynamic process that matches the needs of the organization with the needs of the employees. Each party has a distinctive role to play.

The Employee's Role

Changes in the workplace are occurring so rapidly that employees need to take an active role in planning their careers. What new technological skills will they need to be successful in the workforce in the future? What careers utilize those skills? What career options would a person be able to pursue if he or she were downsized? At some point in their careers, most employees will face this situation.

Because having a successful career involves creating your own career path—not just following a path that has been established by the organization—employees need to identify their knowledge, skills, abilities, interests, and values and to seek out information about career options in conjunction with their managers. Managers can help with the process by offering their subordinates continual feedback about their performance and providing them with self-assessment tools, training, and information about the organization and possible career paths within it. General Motors, for example, has prepared a career development guide that groups jobs by fields of work such as engineering, manufacturing, communications, data processing, financial services, HR, and scientific fields. These categories give employees an understanding of the career possibilities in various fields.

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The Organization's Role: Establishing a Favourable Career Development Climate

If career development is to succeed, it must receive the complete support of top management. Ideally, senior line managers and HR department managers should work together to design and implement a career development system. The system should reflect the goals and culture of the organization, and the HR philosophy should be woven throughout. An HR philosophy can provide employees with a clear set of expectations and directions for their own career development.

Blending the Goals of Individual Employees with the Goals of the Organization

Of course, a career development program should be based on the organization's goals and needs as well. As Figure 5.6 shows, the organization's goals and needs should be linked with the individual career needs of its employees in a way that improves the effectiveness of workers and their satisfaction as well as achieving the firm's strategic objectives. Before a firm's employees can engage in meaningful career planning, however, not only must they have an awareness of the organization's philosophy, they must also have a good understanding of the organization's more immediate goals. Otherwise, they might plan for personal change and growth without knowing whether or how their own goals match those of the organization. For example, if the technology of a business is changing and new skills are needed, will the organization retrain its employees to meet this need or hire new talent? Is there growth, stability, or decline in the number of employees needed? How will turnover affect this need?

IDENTIFYING CAREER OPPORTUNITIES AND REQUIREMENTS

Although talent management integrates a number of related HR activities, those who direct the process have to keep a steady watch on the needs and requirements of the organization. This involves an analysis of the competencies required

FIGURE 5.6

BLENDING THE NEEDS OF INDIVIDUAL EMPLOYEES WITH THE NEEDS OF THEIR ORGANIZATIONS

ORGANIZATION'S NEEDS		INDIVIDUAL'S NEEDS	
Strategic	**Operational**	**Personal**	**Professional**
• Current competencies	• Employee turnover	• Age/tenure	• Career stage
• Future competencies	• Absenteeism	• Family concerns	• Education & training
• Market changes	• Recruiting	• Spouse's employment	• Promotion aspirations
• Mergers, etc.	• Outsourcing	• Ability to relocate	• Performance
• Innovation	• Productivity	• Outside interests	• Current career path
• Growth			
• Downsizing			
• Restructuring			

CAREER MANAGEMENT

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for jobs, progression among related jobs, and the supply of ready (and potential) talent available to fill those jobs. A variety of approaches can be used to do this, including surveys, informal group discussions, and interviews. The process should involve personnel from different groups, such as new employees, managers, long-time employees, minority employees, and technical and professional employees. Identifying the needs and problems of these groups provides the starting point for the organization's career development efforts.

Begin with a Competency Analysis

It is important for an organization to study its jobs carefully to identify and assign weights to the knowledge and skills that each one requires. This can be achieved with job analysis and evaluation systems such as those used in compensation programs. The system used at Sears measures three basic competencies for each job: know-how, problem solving, and accountability. Know-how is broken down into three types of job knowledge: technical, managerial, and human relations. Problem solving and accountability also have several dimensions. Scores for each of these three major competencies are assigned to each job, and a total value is computed for each job. For any planned job transfer, the amount of increase (or decrease) the next job represents in each of the skill areas, as well as in the total point values, can be computed. This information is then used to make certain that a transfer to a different job is a move that requires growth on the part of the employee.

Sears designs career development paths to provide the following experiences: (1) an increase in at least one skill area on each new assignment, (2) an increase of at least 10 percent in total points on each new assignment, and (3) assignments in several different functional areas.[25]

Identify Job Progressions and Career Paths

Once the skill demands of jobs are identified and weighted according to their importance, it is then possible to plan **job progressions**. A new employee with no experience is typically assigned to a "starting job." After a period of time in that job, the employee can be promoted to one that requires more knowledge and/or skill. Although most organizations concentrate on developing job progressions for managerial, professional, and technical jobs, progressions can be developed for all categories of jobs. Job progressions can then serve as a basis for developing **career paths**—the lines of advancement within an organization—for individuals. Figure 5.7 illustrates a typical line of advancement in the HR area of a large multinational corporation. As you can see from the figure, in this firm, a person has to be prepared to move geographically to advance very far in the HR department. This might also be true of other career fields within the organization.

Although these analyses can be quite helpful to employees—and are perhaps essential for organizations—a word of caution is appropriate here. Even with the best career planning, it is almost impossible for people to have perfect certainty about where their careers are going. People change over time, and because of that, their needs and interests change. Moreover, successful career paths often do not proceed in a lockstep manner. Many successful individuals readily admit that their career paths are idiosyncratic to their circumstances. These people often note that they were either "in the right place at the right time" or carved out entirely new career paths for themselves. Other people's careers progress quite predictably and linearly.

Track Career Stages

A person's knowledge, skills, abilities, and attitudes as well as career aspirations change with age and maturity. The challenges and frustrations people face at the same stages in their careers are remarkably similar. A model describing these stages is shown in Figure 5.8. The stages are (1) preparation for work, (2) organizational entry, (3) early career, (4) midcareer, and (5) late career.

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FIGURE 5.7

TYPICAL LINE OF ADVANCEMENT IN HR MANAGEMENT

				Vice president, HR
			Corporate HR director	
		Corporate HR manager	Division HR director	
		Asst. division HR director		
	Regional HR manager	Plant HR manager		
	Asst. plant HR manager			
Regional HR associate	HR supervisor			
HR associate				

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FIGURE 5.8

STAGES OF CAREER DEVELOPMENT

Stage 5: Late Career (ages 55–retirement):

Continue to improve one's productivity, mentor other employees, and prepare for retirement.

Stage 4: Midcareer (ages 40–55):

Reappraise early career and early adulthood goals, reaffirm or modify goals, continue to improve one's productivity, and mentor other employees.

Stage 3: Early Career (ages 25–40):

Learn job, learn organizational rules and norms, fit into chosen occupation and organization, increase competence, pursue goals.

Stage 2: Organizational Entry (ages 18–25):

Obtain job offer(s) from desired organization(s), select appropriate job based on complete and accurate information.

Stage 1: Preparation for Work (ages 0–25):

Develop occupational self-image, assess alternative occupations, develop initial occupational choice, pursue necessary education.

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The first stage—preparation for work—encompasses the period prior to entering an organization, often extending until age 25. It is a period in which individuals must acquire the knowledge, abilities, and skills they will need to compete in the marketplace. It is a time when careful planning, based on sound information, should be the focus. Reality Check outlines how Career Edge helps people in this stage find their first job. The second stage, typically from ages 18 to 25, is devoted to soliciting job offers and selecting an appropriate job. During this period, a person might also be involved in preparing for work. The next three stages entail fitting into a chosen occupation and organization(s), modifying one's goals, remaining productive, and, finally, preparing for retirement. In the remainder of the chapter, we will look at the challenges faced by students, many of whom are likely to be in the early stages of their careers. Retirement planning will be discussed in Chapter 11.

Recognize Different Career Paths

Career development and planning systems were once primarily focused on promotions. However, in today's flatter organizations and more dynamic work environment, an individual's career advancement can move along several different paths via promotions, transfers, demotions, and even exits. A **promotion** is a change of assignment to a job at a higher level in the organization. The new job normally provides an increase in pay and status and demands more skill or carries more responsibility. The three principal criteria for determining promotions are merit, seniority, and potential. Often the problem is to determine how much consideration to give each factor. A common problem in organizations that promote primarily on past performance and seniority is called the Peter Principle. This refers to the situation in which individuals are promoted as long as they have done a good job in their previous jobs. The situation continues until someone does poorly in his or her new job. Then he or she is no longer promoted. This results in people being promoted to their level of incompetence. There are other intrafirm challenges related to promotions. Sometimes extremely good employees are prevented from being promoted to other departments because their current managers are reluctant to lose them. And as we pointed out earlier in the chapter, some managers favour external candidates versus internal candidates because they are not familiar with the external candidates' flaws. This helps explain why companies so often look outside their firms in an effort to hire "saviour" CEOs.[26] In flatter organizations, there are fewer promotional opportunities, so many individuals find career advancement through lateral moves. A **transfer** is the placement of an employee in another job for which the duties, responsibilities, status, and pay and benefits are approximately equal to those of the previous job he or she held (although as an incentive to make a transfer, organizations sometimes offer transferred employees small pay increases). Individuals who look forward to change or want a chance to learn more about their organizations and obtain different skills often seek transfers. Frequently, these employees do so with an effort to augment their skills so that they will be more promotable in the future.

A transfer sometimes requires the employee to change his or her work group, workplace, work shift, or organizational unit; it may even necessitate moving to another geographic area. Thus, transfers make it possible for an organization to place its employees in jobs where there is a greater need for their services and where they can acquire new knowledge and skills.

A downward transfer, or *demotion*, moves an individual into a lower-level job that can provide developmental opportunities. Although such a move is ordinarily considered unfavourable, some individuals may request it to return to their "technical roots." It is not uncommon, for example, for organizations to appoint temporary leaders (especially in team environments) to positions with the understanding that they will eventually return to their former jobs.

Reality Check

Career Edge Making a Difference

Career Edge is Canada's youth internship program that helps university, college, and high school graduates launch their careers as full-time paid interns. For recent graduates with no work experience, obtaining that first job can be difficult. They are caught in the cycle of "no experience, no job; no job, no experience." Career Edge helps graduates obtain that first job, which then leads, in most cases, to a permanent job. Career Edge also operates Ability Edge, a national internship program for graduates with disabilities. Career Edge contacts host organizations, which agree to provide an internship combining four elements: employment experience, learning, coaching, and networking. Because the interns are employed by Career Edge, employers do not have to fight for additional positions (a very difficult task in any organization) but can employ the interns from contract budgets. The interns are paid a stipend of $1,500 per month.

All job posting is done electronically. Employers post internships on the Career Edge website (http://www.career-edge.org). Underemployed or unemployed graduates can sign on and search for internships by sector, company, educational discipline, date of posting, city, and length of internship desired. When a fit is found, the full job description is made available. The site also offers information on job search skills such as résumé and interview preparation.

Since opening for business in October 1996, when the youth unemployment rate was nearly 18 percent, Career Edge has placed thousands of interns at over 1,000 companies. About 50 percent of the interns find full-time work with their host organizations.

Source: Interview with Frances Randle, 2006.

Transfers, promotions, and demotions require individuals to adjust to new job demands and usually to a different work environment. A transfer that involves moving to a new location within Canada or abroad places greater demands on an employee because it requires the person to adapt to a new work environment and new living conditions. The employee with a family has the added responsibility of helping family members adjust to the new living arrangements. Even though some employers provide all types of **relocation services**—including covering moving expenses, helping to sell a home, and providing cultural orientation and language training—there is always some loss in the employees' productivity during the relocation process. Pretransfer training, whether related to job skills or to lifestyle, has been suggested as one of the most effective ways to reduce lost productivity.

Of course, many employees choose to exit their organizations as part of their career development. When a person's career opportunities within a firm are limited and his or her skills are in demand externally, the best career options could be for the individual to switch companies or to work as a freelancer, a consultant, or an entrepreneur. Although some employees leave voluntarily, other employees are forced to leave. Larger organizations often provide **outplacement services** to help terminated employees find jobs elsewhere. Jack Welch, the former chairman of GE, was one of the first executives to make a commitment to employees to try to ensure *employability* when the company could no longer guarantee lifetime employment. That is, GE has committed to providing employees with the skills and support they would need to find a job in another organization.[27]

Employment and Social Development Canada offers several programs to support the unemployed, the underemployed, and those facing barriers to employment. Every provincial and territorial government also offers employment assistance.[28]

relocation services
Services provided to an employee who is transferred to a new location, which might include help in moving, selling a home, orienting to a new culture, and/or learning a new language

outplacement services
Services provided by organizations to help terminated employees find a new job

Consider Dual Career Paths for Employees

One of the most obvious places where career paths have been changing is in technical and professional areas. The irony of organizations in the past has been that the most successful engineers, scientists, and professionals were often promoted right out of their area of specialization into management. Instead of doing what they were good at, they were promoted into a job they often did not understand or enjoy.

It has become apparent that there must be another way to compensate these types of professionals without putting them in management positions. The solution has been to develop dual career paths, or tracks, that provide for progression in special areas such as information technology, finance, marketing, and engineering, with compensation that is comparable to that received by managers at different levels. As we explained in Chapter 2, Microsoft offers software engineers both a management-focused and a technical specialist career track and allows them to move back and forth between the two.

Consider the Boundaryless Career

A generation ago, career success was synonymous with ascending a corporate hierarchy over the course of a lifetime spent in a single firm. Today, however, individuals pursuing *boundaryless careers* prefer to see themselves as self-directed "free agents" who develop a portfolio of employment opportunities by proactively moving from employer to employer, simultaneously developing and utilizing their marketable skills.

Under the boundaryless career model, success depends on continually learning new skills, developing new relationships, and capitalizing on existing skills and relationships. These individuals place a premium on flexibility and the capacity to do several different types of tasks, learn new jobs, adjust quickly to different group settings and organizational cultures, and move from one firm, occupation, or industry to another. Their employment security depends on their marketable skills rather than their dedication to one organization over time. A number of studies have shown that people with boundaryless careers find them very satisfying. Organizations can also benefit from a boundaryless career because it allows them to attract top talent from all over the world on a project-by-project basis.[29]

Help Employees Progress Beyond Career Plateaus

Career plateaus are common obstacles in the career development of employees. A **career plateau** is a situation in which, for either organizational or personal reasons, the probability of moving up the career ladder is low. There are three types of plateaus: structural, content, and life. A *structural plateau* marks the end of promotions. A *content plateau* occurs when a person has learned a job too well and is bored with day-to-day activities. A *life plateau* is more profound and may feel like a midlife crisis. People who experience life plateaus often have allowed work or some other major factor to become the most significant aspect of their lives, and they experience a loss of identity and self-esteem when they are no longer advancing in their careers.

Organizations can help individuals cope with plateaus by providing them with opportunities for lateral growth or allowing them to choose their own assignments when opportunities for advancement do not exist. Companies with international divisions can encourage employees to take assignments abroad to expand their horizons, lead philanthropic and volunteer activities for their firms, or take sabbaticals. A **sabbatical** is an extended period of time during which an employee leaves an organization to pursue other activities before returning to the firm. Career enrichment programs can help people learn more about what gives them satisfaction within a company, as well as what kinds of opportunities will make them happiest if they go elsewhere.

CAREER DEVELOPMENT INITIATIVES

In a study undertaken by the HR consulting firm Drake Beam Morin (DBM), the six most successful career management practices used within organizations are as follows:

- Employees have clear expectations so they know what is expected of them throughout their careers with the organization.
- Employees have the opportunity to transfer to other office locations, both domestically and internationally.
- A clear and thorough succession plan is provided to employees.
- Performance is encouraged through rewards and recognition.
- Employees have the time and resources they need to consider short- and long-term career goals.
- Employees are encouraged to continually assess their skills and career direction.

In contrast, organizations also need to be mindful of the internal barriers that inhibit employees' career advancement. Generally, these barriers can include such things as the following:

- lack of time, budgets, and resources for employees to plan their careers and to undertake training and development
- rigid job specifications, lack of leadership support for career management, and a short-term focus
- lack of career opportunities and pathways within the organization for employees[30]

A variety of tools are available to help employees further their careers within an organization. Informal counselling by HR staff and supervisors is widely used. Career planning workbooks and workshops are also popular tools for helping employees identify their potential and the strength of their interests. Supporting career development activities can help the organization achieve retention and productivity goals, as outlined in the Business Case.

Career Planning Workbooks and Workshops

Several organizations have prepared workbooks to guide their employees individually through systematic self-assessment of values, interests, abilities, goals, and personal development plans.

Like workbooks, career planning workshops help employees seek career planning information, make career decisions, set goals, and, at the same time, build confidence and self-esteem.[31] However, workshops also give employees the opportunity to compare and discuss their concerns and plans with other people in similar situations and the professionals who conduct the workshops. Some workshops focus on current job performance and development plans. Others deal with broader life and career plans and values.

Career Counselling

Career counselling is the process of talking with employees about their current job activities and performance, personal and career interests and goals, personal skills, and suitable career development objectives. Career counselling can be provided by HR staff members, managers and supervisors, specialized staff counsellors, or outside consultants. To truly expand an organization's talent pool, managers should make career counselling part of the performance appraisals. They can do so by simply asking employees what their career aspirations are. Once the conversation has begun, how those goals can be achieved and fit in

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The Business Case

The Value of Career Development Programs

Career development programs may not appear to offer the obvious return on investments that absenteeism or safety management programs offer. However, employers should start to measure the following to make the business case for career development:

- *Attraction*. Do organizations establish reputations as "academies" that develop talent through solid career development and mentoring programs?
- *Retention*. Do units with strong career development programs have higher retention rates of top talent than those without?
- *Employability*. If organizations cannot guarantee lifetime employment, do they have a moral responsibility to provide career development programs that ensure that employees are employable?

- *Commitment*. In those organizations with career development programs, is there a correlation between employee commitment and productivity?

One company did measure retention and commitment changes that occurred as a result of a career development program, and the return on investment was 190 percent. A manufacturer of technical equipment was experiencing a 37 percent turnover among highly valuable engineers. As part of the solution, the company created a high-potential development program. The participants attended workshops, identified learning projects, and were paired with an executive sponsor and an external mentor. Eighteen months later, turnover was down from 37 percent to 1 percent, and participants were more productive, as measured by their superiors.

Sources: Jack Ito and Celeste Brotheridge, "Does Supporting Employees Career Adaptability Lead to Commitment, Turnover, or Both?" *Human Resource Management* 44, no. 1 (Spring 2005): 5–19; Catherine Mossop, "Mentoring Can Drive Business Goals," *Canadian HR Reporter* (July 12, 2004): 6; Helen Woolnough and Sandra Fielden, "The Impact of a Career Development and Mentoring Programme on Female Mental Health Nurses: A Longitudinal, Qualitative Study," *Gender in Management* 29, no. 2 (2014): 108–22.

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fast-track program
A program that encourages new managers with high potential to remain with an organization by enabling them to advance more rapidly than those with less potential

mentors
Individuals who coach, advise, and encourage individuals of lesser rank

with the organization's goals can be discussed and a career "action" plan for the employees established. Several techniques for career counselling are outlined at the end of this chapter (see the Appendix). The obligations of employees to return the organizational investments in their development are outlined in Ethics in HRM. As employees approach retirement, they may be encouraged to participate in preretirement programs, which often include counselling. Preretirement programs will be discussed in Chapter 11.

In helping individuals plan their careers, it is important for organizations to recognize that younger employees today seek meaningful training assignments that are interesting and involve challenge, responsibility, and a sense of empowerment. They also have a greater concern for the contribution that their work in the organization will make to society. Unfortunately, they are frequently given responsibilities they view as rudimentary, boring, and composed of too many "busy-work" activities. Some organizations are attempting to retain young managers with high potential by offering a **fast-track program** that enables them to advance more rapidly than those with less potential. A fast-track program can provide for a relatively rapid progression—lateral transfers or promotions—through a number of managerial positions designed to expose the employee to different functions within the organization.

Mentoring

It is common to hear people mention individuals at work who influenced them. They frequently refer to their immediate managers, who were especially helpful as career developers. But they also mention others at higher levels in the organization who provided them with guidance and support in the development of their careers. Executives and managers who coach, advise, and encourage employees are called **mentors**.

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Ethics in HRM

Unpaid Internships: Training or Exploitation?

The rise in unpaid internships in Canadian workplaces has become a subject of much debate among scholars and practitioners alike. With the upsurge in the use of unpaid internships in an increasing number of organizations, there is much debate regarding the ethical implications of such permitted or legal actions.

CBC News reports that there are roughly 300,000 interns working in some of Canada's biggest and richest organizations for free. Using unpaid interns within organizations has been around for decades, but it became more of an issue following the 2008 recession, when more and more organizations began to rely on unpaid interns, all in the name of providing them with relevant skills that are supposed to help guide their future careers.

According to The Canadian Press, organizations are returning to labour practices that were prominent in the 19th century. On the one hand, "hiring" unpaid interns is legal in Canada when the rules are followed; these rules are stipulated in employment standards legislation across Canada. But, on the other hand, it poses an ethical (and sometimes illegal) concern in that employers can exploit the law simply by labelling employees "unpaid interns" in order to avoid compensating them for their labour. Arguably, there is some merit to employers providing young graduates with work experience or training that can be valuable to the development of their careers in specific fields. But are these employers actually helping out the young graduates? Or are they getting away with free labour by exploiting the fact that the graduates are desperate to find employment?

Sources: Ontario Ministry of Labour, Are Unpaid Internships Legal in Ontario (March 2014), http://www.labour.gov.on.ca/english/es/pubs/internships .php; David Doorey, "Are Unpaid Interns Illegal in Ontario?" (September 27, 2010), http://lawofwork.ca/?p=2169; CBC News, "Unpaid Internships Focus of Growing Backlash, Pressure Mounting to Crackdown on Unpaid Internships," *Canadian Press* (March 2, 2014), http://www.cbc.ca/news/canada/ unpaid-internships-focus-of-growing-backlash-1.2556977.

A mentoring relationship need not be formal. In reality, informal mentoring goes on daily within every type of organization. Generally, the mentor initiates the relationship, but sometimes an employee will approach a potential mentor for advice. Most mentoring relationships develop over time on an informal basis. They frequently end that way too. However, proactive organizations emphasize formal mentoring plans that assign a mentor to employees considered for upward movement in the organization. GE, for example, selects the top 20 percent of its performers and allows these people to choose their own mentors from a list of top executives. Under a good mentor, learning focuses on goals, opportunities, expectations, standards, and assistance in fulfilling one's potential. **Reverse mentoring** is a program whereby younger employees are called on to mentor older employees and executives about social media trends, new technology, and marketplace trends. Hewlett-Packard and Cisco are among the companies that have implemented reverse mentoring. At Cisco, when the word got out that some executives had younger mentors, other executives wanted mentors, too. Reverse mentoring programs help younger employees feel valued and "heard" and can increase their retention.[32]

The top 10 myths about mentors are shown in Figure 5.9. A list of the most effective features of mentors, as well as partners, is shown in Figure 5.10. To form an effective mentoring relationship, an employee seeking a mentor should follow a few general guidelines:

1. *Research the person's background*. Do your homework. The more you know about your potential mentor, the easier it will be to approach him or her and establish a relationship that will work for both of you.
2. *Make contact with the person*. Have a mutual friend or acquaintance introduce you or get involved with your potential mentor in business settings. That will help the mentor see your skills in action.

> **reverse mentoring**
> A program whereby younger employees are called on to mentor older employees and executives about social media trends, new technology, and marketplace trends

FIGURE 5.9

TOP 10 MYTHS ABOUT MENTORS

Myth 1: *Mentors exist only for career development*. Sometimes the mentor focuses on formal career development. Sometimes the mentor is teacher, counsellor, and friend. Some mentors assume all of these roles. This enhances both personal and professional development.

Myth 2: *You need only one mentor*. We can have multiple mentors in our lives. Different mentors provide different things to help protégés with their careers.

Myth 3: *Mentoring is a one-way process*. Learning flows both ways. The mentor often learns from the protégé, so the growth is reciprocal.

Myth 4: *A mentor has to be older than the protégé*. Age does not matter. Experience and wisdom matter. Do not deprive yourself of learning opportunities from others who have rich experiences.

Myth 5: *A mentor has to be the same gender and race as the protégé*. The purpose of mentoring is to learn. Do not deprive yourself. Seek mentors who are different from you.

Myth 6: *Mentor relationships just happen*. Being in the right place at the right time can help, but the key to selecting a good mentor is what (not whom) you need. Do not be afraid to actively seek a mentor.

Myth 7: *Highly profiled people make the best mentors*. Prestige and success can be good, but good advice, leadership styles, and work ethics vary by individuals. Good mentors are people who challenge you according to your needs, readiness, and aspirations.

Myth 8: *Once a mentor, always a mentor*. Over time, the mentor should pull back and let the protégé go his or her own way. Although the two may maintain contact, the relationship changes over time.

Myth 9: *Mentoring is a complicated process*. The most complicated part is getting out of a bad mentor relationship. If the relationship is not productive, find a tactful way to disengage.

Myth 10: *Mentor–protégé expectations are the same for everyone*. Individuals seek mentors for the same reasons: resources, visibility, enhanced skills, and counsel. But each individual brings different expectations. The key is understanding where the protégé is now, not where he or she should be.

3. *Request help on a particular matter*. Let the mentor know that you admire him or her and ask for help in that arena. For example, you might say, "You're good at dealing with customers. Would it be okay if I came to you for advice on my customers?" Keep your request simple and specific.
4. *Consider what you can offer in exchange*. Mentoring is a two-way street. If you can do something for your potential mentor, then, by all means, tell him or her.
5. *Arrange a meeting*. Once your specific request has been accepted, you are ready to meet with your potential mentor. Never go into this meeting cold.

Managers may act as mentors to those in early career stages.

vgajic/E+/Getty Images

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FIGURE 5.10

MENTORING FUNCTIONS

Good Mentors . . .
- Listen and understand
- Challenge and stimulate learning
- Coach
- Build self-confidence
- Provide wise counsel
- Teach by example
- Act as role model
- Share experiences
- Offer encouragement

SUCCESSFUL MENTORING

Good Partners . . .
- Listen
- Act on advice
- Show commitment to learn
- Check ego at the door
- Ask for feedback
- Are open-minded
- Are willing to change
- Are proactive

Source: Matt Starcevich, PhD, and Fred Friend, "Effective Mentoring Relationships from the Mentee's Perspective," *Workforce*, supplement (July 1999): 2–3. Used with permission of the Center for Coaching and Mentoring, Inc., http://coachingandmentoring.com.

Set goals, identify your desired outcomes, and prepare a list of questions. Listen attentively. Then ask your prepared questions and request specific suggestions.

6. *Follow up.* After the meeting, try some of your potential mentor's suggestions and share the results. Express appreciation by identifying something in particular that was significant to you.

7. *Ask to meet on an ongoing basis.* After your potential mentor has had a chance not only to meet and interact with you but also to see the value of what he or she can provide, you are in a good position to request an ongoing relationship. Suggest that you meet with him or her regularly or ask permission to get help on an ad hoc basis.[33]

When done well, the mentoring process is beneficial for both the pupil and the mentor. One survey found, for example, that 77 percent of companies with successful mentoring programs reported that they effectively increased employee retention.[34] Firms can help facilitate mentoring by rewarding mentors in their performance appraisals.

Not surprisingly, mentoring is also being done via email or using software or online programs, a type of mentoring that has become known as *e-mentoring*. E-mentoring is commonplace at IBM. "A lot of our people work virtually, and mentoring can erase geographic and business-unit borders," explained one IBM manager.[35]

career networking
The process of establishing mutually beneficial relationships with other businesspeople, including potential clients and customers

Networking

As the number of contacts grows, mentoring broadens into a process of **career networking**. As a complement to mentoring, in which relationships are more selective, networking relationships tend to be more varied and temporary. The networks can be internal to a particular organization or connected across many different organizations.

According to the Monster career advice centre, there are many ways to identify networking contacts. Some of the best places to consider are the following:

- your educational alumni association or career office networking lists
- your own extended family
- your friends' parents and other family members

- your professors, advisors, coaches, tutors, and clergy
- your former bosses and your friends' and family members' bosses
- members of clubs, religious groups, and other organizations to which you belong
- all of the organizations near where you live or go to school

Monster also has a networking feature that allows job seekers to meet with other people who have similar career interests. Social networking sites such as LinkedIn have begun connecting professionals in formal and informal ways as well. Through networking, individuals often find out about new jobs, professional trends, and other opportunities. In a survey of executives by the HR firm DBM, 61 percent said that they had found new positions in the previous year through networking. Another study of 15 high-ranking executive women found that although many of them lacked formal mentors, they had successfully engaged in a kind of "360-degree" networking: the women made it a point to form and maintain relationships with people above, below, and at the same level as themselves, which helped advance their careers.[36]

Small Business Application

Small Companies Often Offer Big Rewards

Once upon a time, it seemed that all young professionals dreamed of working their way up the corporate ladder to success in a large company and retaining those well-paid, perk-laden positions until the employees were ready to fade into the sunset. Yet evolving trends over the last 20 years have turned that rosy view of corporate life into a myth, and no one seems to be the worse for it. Quite the contrary. Many new grads and seasoned professionals alike are choosing to work for less-than-500-employee firms because of the many advantages they offer, and smaller firms are welcoming these knowledge workers with open arms.

For the midterm and advanced career professionals, transitioning from a large corporation to a smaller one often means jumping straight into the limelight. The change is rejuvenating as they find themselves taking on more diverse responsibilities, getting involved in new arenas, and seeing more clearly how their own efforts impact the company's results. And with all of that comes greater recognition. "Your work and contributions will be noticed," says Lindsey Pollak, a management expert of next-generation career trends. "You are more likely to be listened to, and to feel that you are an important part of the company and that your ideas really matter."

Even those with fewer years of experience under their belts are likely to be energized by working in smaller firms.

Job descriptions tend to be less defined in these environments, giving employees the chance to push themselves in new directions beyond the confines of their jobs. They also often find themselves working with the highest-level managers, learning directly from experts. Small-firm employees of all types often cite another benefit: working in a small company means enjoying a big-picture view of the business and industry rather than getting pigeonholed into one small aspect of the work at hand.

However, employees who opt for working in a small firm cannot expect to find everything they might get in a larger corporation. Tighter budgets mean that smaller companies sometimes cannot afford to pay salaries equal to those of big firms and often cannot provide the support systems or perks, such as generous expense accounts, hefty bonuses, and company-paid smartphones. But many small employers provide alluring trade-offs, such as shorter work weeks, less travel, and work–life balance incentives, including telecommuting and flextime.

Where people decide to work really comes down to determining how they are going to meet their career and life goals. Notes management author and analyst Tony Jacowski, "Your choice of organization should be based on the quality of work experience you will gain rather than the size of the organization. If you have the talent and the expertise, you will quickly climb the corporate ladder irrespective of the size of the company."

Sources: Sarah E. Needleman, "Moving to a Small Company Can Lead to Big Rewards," *The Wall Street Journal* (March 5, 2008), http://online.wsj.com; Lindsey Pollak, "The Advantages of Working for a Small Company," http://www.lindseypollak.com; Tony Jacowski, "Benefits of Working in a Small Company vs a Corporation," http://ezinearticles.com; Jacqueline Parks, "The Benefits of Working for a Small Business," http://www.associatedcontent.com.

Career Self-Management Training

Many organizations are establishing programs for employees on how they can engage in *career self-management*. The training focuses on two major objectives: (1) helping employees learn to continuously gather feedback and information about their careers, and (2) encouraging them to prepare for mobility. The training is not geared to skills and behaviours associated with a specific job but rather toward long-term personal effectiveness. Essentially, career self-management is not a process but an event. Employees typically undertake self-assessments to increase their awareness of their own career attitudes and values. In addition, they are encouraged to widen their viewpoint beyond the next company promotion to broader opportunities in the marketplace, attend conferences, and develop good long-term relationships with their bosses or other mentors. Participants might be encouraged to engage in career networking or to identify other means to prepare for job mobility, such as hearing reports from employees who made transitions to new job opportunities both within and outside the organization. GE has developed an extensive set of career development programs to help employees explore life issues that affect career decisions.[37]

Summary

OUTCOME 1   To expand the talent pool of organizations—the number and kind of people available for employment—organizations must focus on multiple approaches to recruitment and career management. Which internal and outside sources and methods are used in recruiting will depend on the strategy and goals of the organization, conditions of the labour market, and specifications of the jobs to be filled.

OUTCOME 2   Employers usually find it advantageous to use internal promotions and transfers to fill as many openings as possible above the entry level. By recruiting from within, an organization can capitalize on the previous investments they have made in recruiting, selecting, training, and developing its current employees and rewarding them. Internal job postings, performance appraisals, skill inventories, replacement charts, and assessment centres are ways in which firms identify internal talent.

OUTCOME 3   Outside candidates are recruited when internal talent is lacking or a firm wants to hire employees with expertise from other organizations for competitive reasons and to prevent the inbreeding of ideas within their organization.

To diversify their talent pools, firms also look externally for candidates. Advertisements, the Internet, social networks, mobile recruiting, employment agencies, tapping educational institutions and professional associations, and rerecruiting are among the many ways firms recruit external candidates.

OUTCOME 4   HR managers have many tools available to them to gauge their efforts and improve their recruiting. Using RJPs, surveying managers and applicants about the process, and examining metrics such as the cost per hire, time to fill a position, and yield ratios are some of the ways in which firms evaluate their recruiting efforts. An ATS can help a firm automatically track and calculate many of these statistics.

OUTCOME 5   Identifying and developing talent are the responsibility of all managers. A career development program is a dynamic process that should integrate the career goals of employees with the goals of the organization. Job opportunities can be identified by studying jobs and determining the knowledge and skills each one requires. Once that is accomplished, key jobs can be identified, and job progressions can be planned. These progressions can then serve as a basis for developing the career paths of employees. Employees need to be made aware of the organization's philosophy and its goals; otherwise, they will not know how their goals match those of the organization. Mentoring has been found to be valuable for providing guidance and support to employees and potential managers.

Key Terms

9-box grid, 167
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Discussion Questions

1. Name some companies with which you have done business. Then discuss how you view their employer brands. Would you want to work for them or not? How might these firms improve their employer brands?

2. More than 50 percent of all MBA graduates leave their first employer within five years. Although the change may mean career growth for these individuals, it represents a loss to the employers. What are some of the probable reasons a person with an MBA would leave his or her first employer?

3. Companies are finding candidates through searches of LinkedIn profiles. They also use LinkedIn and other social media to screen candidates. Discuss the advantages and disadvantages of using social media as a recruitment channel.

4. Explain how RJPs operate. Why do they appear to be an effective recruitment technique?

5. The Ottawa Police Services recognized that traditional recruiting practices may not work in a multicultural society. New immigrants may not view policing as an honourable profession, based on their previous experiences. Sitting in large groups hearing about opportunities in the police force is not effective as many are reluctant to ask questions. Newcomers also do not know about the "ride along" program that most forces operate as a way to introduce potential recruits to the daily work of a police officer. Design a recruitment campaign for the police force that would be sensitive to the perceptions and needs of a multicultural candidate base.

HRM Experience

Career Management

We often think that successful people plan their careers in advance and then work toward their goals in a very logical, sequential manner. Although some successes are designed and implemented this way, others are created through insight, preparedness, and taking advantages of opportunities as they arise.

Assignment

1. Form teams of four to six members. Identify three people to interview about their careers. One person should be in the early stages of his or her career, one should be in midcareer, and one should be in the final stages of his or her career.

2. Ask each person to identify his or her career goals and how they have changed or are expected to change over time.

3. Ask each person to describe the sequence of events that led to where he or she is. How well does that story align with the traditional model of careers?

4. Ask each person what (if anything) he or she would do differently. Ask what advice he or she has for you about how to approach your career.

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Case Study 1

IMPRIMAX

Imprimax is a family business, specializing in commercial printing, that has been operating for more than 45 years. The founder's son, who now heads the company, has maintained the authoritative management style introduced by his predecessor. Imprimax has experienced strong growth thanks to the acquisition of major contracts and the introduction of new technologies. In addition, its workforce has increased from 300 to 500 employees. The company's management team is composed of managers who came up through the ranks of the organization and are experienced in printing techniques.

Like all the businesses in its region, Imprimax is facing both internal and external challenges. Over the past year, its staff turnover doubled and many employees retired. The problem was exacerbated by the current lack of experienced workers available on the labour market. As part of its succession plan, the company launched a massive recruitment campaign among students from trade and technical schools and universities. The generation clash between the two groups of employees is already being felt. Although the young recruits are more technologically advanced, the older employees are the ones with the specific know-how and experience. Networking between the different generations seems to be problematic, and the retention rate among the younger generation is low. In fact, a number of them quit after only several months with the company. Knowledge transfer and employee retention are key success factors for Imprimax's survival.

As a trainee hired by the plant's HR manager, you are asked to analyze the situation and make recommendations to reduce the turnover by retaining young new hires and promoting an intergenerational synergy. With this in mind, answer the following questions.

Questions

1. Identify five probable causes as to why young new hires are leaving the company.
2. What could be developed as this employer's brand to make it realistic and attractive to candidates?
3. Develop solutions to the recruitment issues facing this firm.

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Case Study 2

RECRUITMENT CHANNELS

LoyaltyOne is one of the world's leading loyalty marketing organizations and the creator and operator of Canada's premier coalition loyalty program, the AIR MILES® Rewards Program. As of early 2012, with more than 10 million Collector accounts, approximately two-thirds of all Canadian households actively participate in the AIR MILES Rewards Program. Working with many of North America's leading brands in the retail, financial services, grocery, petroleum retail, travel, and hospitality industries, LoyaltyOne designs, implements, and manages coalition loyalty programs and customer analytics and loyalty management solutions, which include loyalty consulting and creative, insight-driven marketing services. LoyaltyOne's research group COLLOQUY provides a worldwide audience of more than 30,000 marketers with news, insights, and best practices from the loyalty marketing industry. LoyaltyOne's website is http://www.loyalty.com.

LoyaltyOne is a unit of Alliance Data Systems Corporation (NYSE:ADS). Alliance Data is a leading provider of loyalty marketing solutions derived from transaction-rich data for some of the most recognizable brands in North America. Already influencing over 120 million consumer relationships, Alliance Data is also expanding its reach into Europe, South America, and Asia.

With over 1,500 associates across a multitude of functions such as consumer intelligence analysts, marketing specialists, customer care representatives, IT specialists, and business developers,

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LoyaltyOne is continuously looking for top-calibre talent and maintains a strong staffing division.

LoyaltyOne is looking to proactively source candidates to fill a variety of roles within multiple business units and suspects that its current practices may not be sufficiently proactive or effective in targeting both passive and active candidates across the organization.

Currently, LoyaltyOne

- employs a well-developed recruitment team using talent acquisition methods to source candidates;
- is looking for very specialized segments of the workforce, and these individuals are in limited supply;
- is determined and must work hard to find and hire candidates that meet both job requirements and fit the corporate culture;
- considers its approach somewhat traditional and is looking to become more "leading edge";

- wishes to hire qualified individuals across all age groups; and
- would welcome the creative use of mobile and social networking tools but currently already uses LinkedIn and Facebook.

LoyaltyOne faces challenges:

1. The organization's brand image may not be clearly recognized by candidates as AIR MILES has historically been the company's most predominant brand.
2. Its businesses are diverse, as are the knowledge and skills that it would be seeking in its prospective associates.

Question

1. Provide recommendations for proactive best practices and leading-edge sourcing approaches.

Source: By permission of LoyaltyOne.

Case Study 3

GET PAID FOR AN EMPLOYEE REFERRAL

At Accenture, Inc. based in Toronto, an employee was given a $6,000 bonus for referring a candidate for a senior-level job. The candidate was his long-time friend, and the employee felt that the real rewards were having his recommendation validated through the selection process and having a friend at work. According to the director of HR at Accenture, 24 percent of experienced hires come from staff referrals.

At Ernst and Young LLP, employee referrals are used because they are more economical than a search firm, and employees understand the culture of the firm. Another advantage of employee referral programs is the increased engagement with the firm's goals. At Mars Canada Inc., employees care about the business results and success of the organization, so they are cautious in their recommendations and act as a first screening. Companies are also cautious about keeping the referring employee in the loop and submitting all referred candidates to the same rigorous selection process.

Employee referrals and social recruiting, which already began melding through Jobvite, and other tools are growing even closer as new vendors enter the field and corporations test how well their jobs spread on Facebook and other sites. Cisco, for example, has offered about $2,500 per job for people who fill selected openings by spreading the word through social media sites or email.

Experienced nurses and occupational/speech/physical therapists are among the highest in demand, so many hospitals are using employee referrals to generate leads. At one hospital, there was "unreal" interest when the 36,000-employee organization moved to an electronic employee referral system 2 months ago. About 1,500 people referred candidates in about a month. This was not a social media campaign per se, but that is likely coming soon.

This smart marriage of referrals and social sites is where we are headed.

Questions

1. How does automating the employee referral process encourage referrals?
2. What do you think some of the drawbacks of getting referrals from social network sites might be?

Source: Excerpted from Todd Raphael, "Employee Referral Programs Using More Social Media" (June 22, 2010), http://www.ere.net; A. Dwyer, "When the Best Talent Is Close to Home," *The Globe and Mail* (November 16, 2011): E1, E6.

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Appendix

Personal Career Development

Because you are likely to spend more time working during your life than doing anything else, it makes sense to plan your career. There are numerous ways for an employer to contribute to an individual employee's career development and at the same time meet the organization's HR needs. Although organizations can certainly be a positive force in the development process, the primary responsibility for your career is yours.

DEVELOPING PERSONAL SKILLS AND COMPETENCIES

Planning for a career involves more than simply acquiring specific job knowledge and skills. You must also develop other skills to be successful as an employee. To succeed as a manager, you must achieve still higher-level skills in the areas of communication, time management, self-motivation, interpersonal relationships, and leadership.

Hundreds of self-help books, professional journals, and magazines have been written on these topics or contain articles about them, and myriad opportunities to participate in workshops are available, often sponsored by employers.[1] For example, the pointers on the basic skills of successful career management listed in Highlights in HRM 5.A1 show the competencies candidates "must have" to embark on a career in any field.

CHOOSING A CAREER

Many years ago, when the management expert Peter Drucker was asked about career choices, he said, "The probability that the first job choice you make is the right one for you is roughly one in a million. If you decide your first choice is the right one, chances are that you are just plain lazy."[2] The implications of this statement are just as true today. You often have to do a lot of searching and changing to find a career path that is psychologically and financially satisfying.

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Highlights in HRM 5.A1

"Must Have" Career Competencies

The following are "must have" career competencies according to the National Association of Colleges and Employers.

Critical Thinking/Problem Solving: Exercise sound reasoning to analyze issues, make decisions, and overcome problems. The individual is able to obtain, interpret, and use knowledge, facts, and data in this process, and may demonstrate originality and inventiveness.

Oral/Written Communications: Articulate thoughts and ideas clearly and effectively in written and oral forms to persons inside and outside of the organization. The individual has public speaking skills; is able to express ideas to others; and can write/edit memos, letters, and complex technical reports clearly and effectively.

Teamwork/Collaboration: Build collaborative relationships with colleagues and customers representing diverse cultures, races, ages, genders, religions, lifestyles, and viewpoints. The individual is able to work within a team structure, and can negotiate and manage conflict.

Digital Technology: Leverage existing digital technologies ethically and efficiently to solve problems, complete tasks, and accomplish goals. The individual demonstrates effective adaptability to new and emerging technologies.

Leadership: Leverage the strengths of others to achieve common goals, and use interpersonal skills to coach and develop others. The individual is able to assess and manage his or her emotions and those of others; use empathetic skills to guide and motivate; and organize, prioritize, and delegate work.

Professionalism/Work Ethic: Demonstrate personal accountability and effective work habits (e.g., punctuality, working productively with others, and time workload management), and understand the impact of nonverbal communication on professional work image. The individual demonstrates integrity and ethical behaviour, acts responsibly with the interests of the larger community in mind, and is able to learn from his or her mistakes.

Career Management: Identify and articulate one's skills, strengths, knowledge, and experiences relevant to the position desired and career goals, and identify areas necessary for professional growth. The individual is able to navigate and explore job options, understands and can take the steps necessary to pursue opportunities, and understands how to self-advocate for opportunities in the workplace.

Global/Intercultural Fluency: Value, respect, and learn from diverse cultures, races, ages, genders, sexual orientations, and religions. The individual demonstrates openness, inclusiveness, sensitivity, and the ability to interact respectfully with all people and understand individuals' differences.

Source: Capital Workforce Partners.

USE OF AVAILABLE RESOURCES

A variety of resources are available to aid in the process of choosing a satisfying career path. Counsellors at colleges and universities, as well as those in private practice, are equipped to assist individuals in evaluating their aptitudes, abilities, interests, and values as they relate to career selection. Placement offices and continuing education centres offer some type of career planning assistance. In addition to career exploration, most of them offer résumé writing help, interview preparation, and job placement assistance. Looking on the Internet is also a great way to jump-start your career planning. For example, thebalancecareers.com contains a wealth of information that will help get you started. Most job-posting websites, including Monster and CareerBuilder, contain free career information as well.

SELF-EVALUATION

Successful career development depends in part on an individual's ability to conduct an accurate self-evaluation. When you are doing a self-evaluation, you need to consider factors that are personally significant to you. The most important

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internal factors are your interests, academic aptitude and achievement, occupational aptitudes and skills, social skills, communication skills, and leadership abilities. What activities do you like to do? Do you like working alone or with other people? Do you like technical work or creative work? Do you think you would like working in an office, or would you prefer another setting? What have you always dreamed of doing?

You also need to consider the salary level, status, opportunities for advancement, and growth for the job you seek. External factors that should be assessed include your family values and expectations, economic conditions, employment trends, and job market information.

INTEREST INVENTORIES

Psychologists who specialize in career counselling typically administer a battery of tests. The *Strong Vocational Interest Bank* (SVIB), developed by E. K. Strong, Jr., was among the first of the interest tests.[3] Strong found substantial differences in interests that vary from occupation to occupation and that a person's interest pattern, especially after age 21, tends to become quite stable. By taking his test, now known as the *Strong Interest Inventory*, you can learn the degree to which your interests correspond to those of successful people in a wide range of occupations. Your personality type can also be obtained by using a special scoring key on the *Strong Interest Inventory* answer sheet. This key, developed by John Holland, provides scores on six personality types: (1) realistic, (2) investigative, (3) artistic, (4) social, (5) enterprising, and (6) conventional. These categories characterize not only a type of personality but also the type of working environment that a person would find most satisfying. The *Strong Interest Inventory* must be administered by someone certified by the product's distributor, CPP.[4]

Another inventory that measures both interests and skills is the *Campbell Interest and Skill Survey* (CISS), which can be taken online at a number of sites for a fee, as can the *Strong Interest Inventory*.[5] People report their levels of interest and skill using a 6-point response scale on 200 interest items and 120 skill items. This information is then translated into seven orientations—influencing, organizing, helping, creating, analyzing, producing, and adventuring—and further categorized into 29 basic scales, such as leadership and supervision, to identify occupations, with advice about whether each occupation should be "pursued," "explored," or "avoided" by the person who took the test.

Profiles such as these help individuals see how their interests and skills compare to those of a sample of people happily employed in a wide range of occupations. Note, however, that people have taken interest and skill inventories that dissuaded them from their chosen careers, pursued them anyway, and become extremely successful. If you find yourself in such a situation, do not be discouraged about your career choice. Consider exploring the career further via internships, informational interviews, and job shadowing (discussed next). Also, keep in mind that most people change careers multiple times during their lives. If your first choice of a career is not what you hoped it would be, you are always free to pursue another.

INFORMATIONAL INTERVIEWS, JOB SHADOWING, AND INTERNSHIPS

An **informational interview** is a conversation you have with someone in an occupation in which you are interested. You invite the person to lunch or for coffee and discuss what the job is really like—the good and the bad, qualifications needed, the outlook for the career, and so forth. Most people are flattered to be asked to provide career information and like to talk about what they do. However, make it clear that you are not soliciting the person for a job—just seeking information.

job shadowing

The process of observing an employee in his or her work environment to obtain a better understanding of what the employee does

Job shadowing is the process of observing someone in his or her own work environment to better understand what that person does. Generally, this is done for a few hours to half a day.

The Internet is giving people a virtual way to shadow professionals. **Virtualjobshadow.com**, for example, is a website where you can watch professionals in about 100 different careers explain their jobs. The site also contains information about the earnings and outlook of the profession, its educational requirements, and a search function that shows the schools that offer degrees appropriate for the profession. People who sign up for the site can also ask professional questions they might have. As we explained earlier in this chapter, internships can be a great way to "try out" a particular field of work, as is volunteering. Check with your advisor and career placement centre to find opportunities such as these.

Networking is a way to find out not only about different professions but different employers you might be interested in working for. Some of the best places to network include the following:

- social media websites
- your school's alumni association or career office networking lists
- your own extended family
- your friends' parents and other family members
- your professors, advisors, coaches, tutors, and clergy
- your former bosses and your friends' and family members' bosses
- members of clubs, religious groups, and other organizations to which you belong
- all of the organizations near where you live or go to school[6]

EVALUATING LONG-TERM EMPLOYMENT OPPORTUNITIES

When choosing a career, you should attempt to determine the probable long-term opportunities in the occupational fields you are considering. The federal government's National Occupational Classification, which we discussed in Chapter 4, contains comprehensive information about hundreds of jobs, the education they require, the types of people who enjoy doing them, the types of working conditions jobholders experience, the wages they earn, and the employment outlook associated with jobs. The information is free and should be a first research step for anyone considering a particular career. Many libraries also have publications that provide details about jobs and career fields.

CHOOSING AN EMPLOYER

Once an individual has made a career choice, even if only tentatively, the next major step is deciding where to work. The choice of employer may be based primarily on location, the immediate availability of a position, starting salary, or other basic considerations. Douglas Hall proposes that people frequently choose an organization on the basis of its climate and how it appears to fit their needs. According to Hall, people with high needs for achievement are more likely to choose aggressive, achievement-oriented organizations. Power-oriented people are more likely to choose influential, prestigious, power-oriented organizations. Affiliative people are more likely to choose warm, friendly, supportive organizations. We know that people whose needs fit with the climate of an organization are rewarded more and are more satisfied than those who fit in less well, so it is natural to reason that fit would also be a factor in a person's choice of an organization.[7]

Knowing something about an employer and an industry can give you a competitive edge in terms of getting an interview, landing a job, and negotiating a good salary. Numerous company directories containing information about privately and publicly held companies are available. Corporate websites are another source. Often under the "Investors" or "Media" tab you can find press releases issued by the companies in which you are interested. The releases often highlight the initiatives companies are pursuing and the directions in which they are taking their businesses. Business, industry, and professional publications are a good source too. Simply "googling" a company can turn up a great deal of information.

Once you have landed an interview, you have the opportunity to learn more about an employer, including the type of people who work there, its corporate culture, benefits, and so forth. If you are offered a job with the firm, a website such as Salary.com can help you determine whether the firm's offer is appropriate. Highlights in HRM 5.A2 shows the questions you should ask yourself before you accept a job offer with a particular company.

> **entrepreneur**
>
> Someone who starts, organizes, manages, and assumes responsibility for a business or other enterprise

BECOMING AN ENTREPRENEUR

No discussion of careers would be complete if entrepreneurship opportunities were nor discussed. Being an **entrepreneur**—someone who starts, organizes, manages, and assumes responsibility for a business or other enterprise—offers a personal challenge that many individuals prefer over being an employee. Small businesses are typically run by entrepreneurs who accept the personal financial risks that go with owning a business but who also benefit directly from the success of the business.[8]

Many government departments and financial institutions offer advice on how to start a business.[9] Since the details of organizing a business are beyond the scope of this book, you may want to review additional material.[10]

KEEPING A CAREER IN PERSPECTIVE

For most people, work is a primary factor in the overall quality of their lives. It provides a setting for satisfying practically the whole range of human needs and is thus of considerable value to the individual. Nevertheless, it is advisable to keep one's career in perspective so that other important areas of life are not neglected.

Highlights in HRM 5.A2

Questions to Ask Yourself before You Accept a Job Offer

Issues that need clarification before you accept a job offer:

- What's the market pay for a comparable job? Is the offer comparable to the pay others in similar positions in the organization receive?
- Can I do anything else to negotiate a better offer without creating negative perceptions about me?
- Are the benefits fair and comparable to those of other organizations?
- Is the overall offer fair?

- Are my travel costs and commute time manageable?
- Do I know my manager/boss? Can I work with him/her and the workplace team?
- Does the organizational culture fit with my values and beliefs?
- Is there room for career growth?
- Am I genuinely excited about this job?
- Do the job demands fit with my work–life balance aspirations?

DEVELOPING OFF-THE-JOB INTERESTS

How satisfied you are with your life is a product of many forces. When people complain about not having a good work–life balance, often the problem is not too much work but too little "life."[11] Some of the more important ingredients of "life" are physical health, emotional well-being, financial security, harmonious inter-personal relationships, freedom from too much stress, and achievement of one's goals. Although a career can provide some of the satisfaction a person needs, most people find it necessary to turn to interests and activities outside their career. Off-the-job activities not only provide a respite from daily work responsibilities but also offer satisfaction in areas unrelated to work. With that said, it is up to you to decide what is important to you and how to spend your work and off-the-job time. Your life is yours to live, and it is shorter than you think.

BALANCING MARITAL AND/OR FAMILY LIFE

As we have said, the one event that often poses the greatest threat to a family is relocation. Families often experience conflicts between the desire to advance the careers of different parents and settling down in one place. Many employers now provide assistance in this area, including relocation counselling, in an effort to reduce the severity of the pain that can accompany relocations.

Although relocation is a serious threat to employees with families, there are also other sources of conflict. Some work-related sources of conflict include the number of hours a person must work per week, the frequency of the overtime they work, and the frequency and irregularity of shift work. If an employee is experiencing ambiguity and/or conflict with his or her work role, a low level of supervisory support, or disappointment due to unfulfilled work expectations, this can affect his or her family life as well. Other sources of conflict include the need to spend an unusually large amount of time with a person's family members, to care for children, aging elders, or a spouse. The different employment patterns in a family and dissimilarity in a couple's career orientations are also commonplace and can take a toll on employees.

A number of employers are doing more today to help their employees cope with these problems via alternative work options. Many employees are also actively looking for companies that have family-friendly policies. Understand that "to be a success in the business world takes hard work, long hours, persistent effort, and constant attention. To be a success in marriage takes hard work, long hours, persistent effort, and constant attention. … The problem is giving each its due and not shortchanging the other."[12]

PLANNING FOR RETIREMENT

Although you might be many years from retirement, it is never too early to plan for it. In your twenties, you will want to begin a savings plan and start paying off your student loans. As you get older, your goals will probably change. Perhaps you will want to buy a home, and you will need money for a downpayment. Regardless of what stage of your life you are in, you should never neglect saving for your retirement throughout your working years. A small sum of money saved early, compounded with interest over years, can amount to millions of dollars. But if you wait until later, you will have to save a lot of money for it to amount to as much.

Your employer can help you with some aspects of retirement planning by providing you with information about tax-advantaged employer and individual savings plans. But although employer-sponsored preretirement programs can be helpful (as we will see in Chapter 11), planning for your retirement is up to you. Do you want to travel or live in another province or country? What kind of retire-ment does your spouse envision? How much money will all of this require? Your employer will not be able to answer these questions. However, by reading about

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the subject of retirement and taking it seriously while you are young, you will be able to answer these questions yourself. Planning early will help you set the stage for a healthy and satisfying retirement as free from worries as possible—especially worries that could have been avoided or minimized had you taken a few easy steps earlier in life.

Key Terms

entrepreneur, 205
informational interview, 203
job shadowing, 204

Notes and References

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Employee Selection

Dimitri Otis/Getty Images

Learning Outcomes

After studying this chapter, you should be able to

LO 1 Explain the objectives of the personnel selection process, its steps, and why the information gathered during the process must be reliable and valid.

LO 2 Describe the tools used to initially screen applicants, the types of employment interviews and methods to administer them, and the post-screening tools that firms use.

LO 3 Compare the value of different types of employment tests and how their reliability and validity are assessed.

LO 4 Explain how firms evaluate the information they collect on a group of candidates and the decision strategies they use to select employees.

Regardless of whether the company is large or small, hiring the best and the brightest employees lays a strong foundation for excellence. But how should this be done? And what happens if it is not done right? One group of researchers found that employers lose approximately 90 percent of all hiring discrimination suits, and the average payout per case is $1.5 million.[1] A study by the Society for Human Resource Management (SHRM) found that the cost of hiring someone for an intermediate position that has not been carefully planned is approximately $20,000, and the cost of hiring the wrong person for a senior manager's position is $100,000. The bottom line is good selection decisions make a difference. So do bad ones.

OVERVIEW OF THE SELECTION PROCESS

Selection is the process of choosing individuals who have the relevant qualifications to fill existing or projected job openings.

Figure 6.1 shows in broad terms that the overall goal of selection is to maximize "hits" and avoid "misses." Hits are accurate predictions, and misses are inaccurate ones. The cost of one type of miss would be the direct and the indirect expense of hiring an employee who turns out to be unsuccessful. The cost of the other type of miss is an opportunity cost—someone who could have been successful did not get a chance. Although the overall selection program is often the formal responsibility of the HR department, line managers typically make the final decision about hiring people in their unit. It is important, therefore, that managers understand the objectives, policies, and practices used for selection.

LEARNING OUTCOME 1

Managers often understand employees' jobs well. But how important do you think it is for them to understand the job selection process to make good employment decisions?

BEGIN WITH A JOB ANALYSIS

In Chapter 4, we discussed the process of analysing jobs to develop job descriptions and specifications. Job specifications, in particular, help identify the *individual competencies* employees need for success—the knowledge, skills, abilities, and other factors (KSAOs) that lead to superior performance. Managers then use

FIGURE 6.1

THE GOAL OF SELECTION: MAXIMIZE "HITS"

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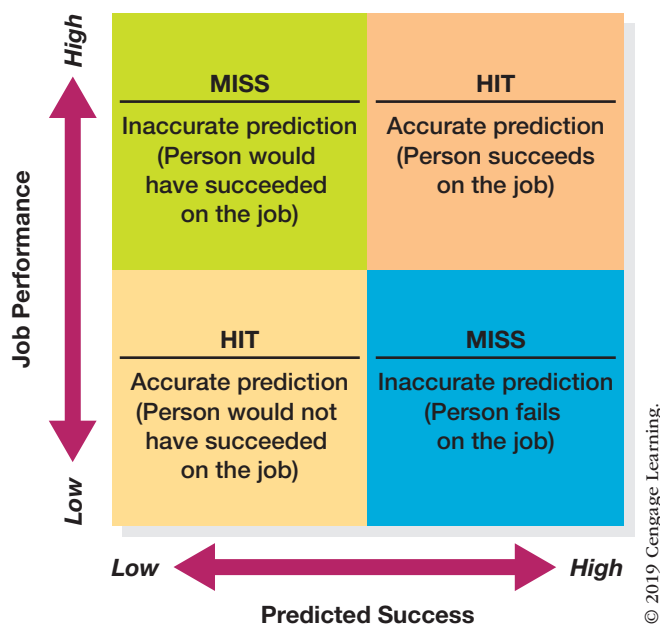
selection methods such as interviews, references, and preemployment tests to measure applicant KSAOs against the competencies required for the job. Complete and clear specification of required competencies helps interviewers differentiate between qualified and unqualified applicants and reduces the effect of an interviewer's biases and prejudices. Research also shows that applicants whose KSAOs are well matched to the jobs they are hired for perform better and are more satisfied.[2]

Ordinarily, line managers are well acquainted with the requirements pertaining to the skills, physical demands, and other characteristics of the jobs in their organizations. In addition to the requirements of the job, many organizations, such as Edward Jones, a Toronto-based brokerage firm, and Intuit, an Edmonton-based financial software company, place a high priority on selecting individuals who match the values and culture of their organizations. Recall from Chapter 2 that this process is referred to as values-based hiring. The drawback of values-based hiring is that it can result in a lack of diversity, so firms need to be cautious about hiring too many of the same types of people.

THE SELECTION PROCESS

The number of steps in the selection process and their sequence will vary not only with the organization but also with the type and level of jobs to be filled. Each step should be evaluated in terms of its contribution to the process. The steps that typically make up the selection process are shown in Figure 6.2. Not all applicants will go through all of these steps. Some may be rejected after the preliminary interview, others after taking tests, and so on.

As Figure 6.2 shows, organizations use several different means to obtain information about applicants. These include gathering résumés and applications and conducting interviews, tests, and investigations.

FIGURE 6.2

STEPS IN THE SELECTION PROCESS
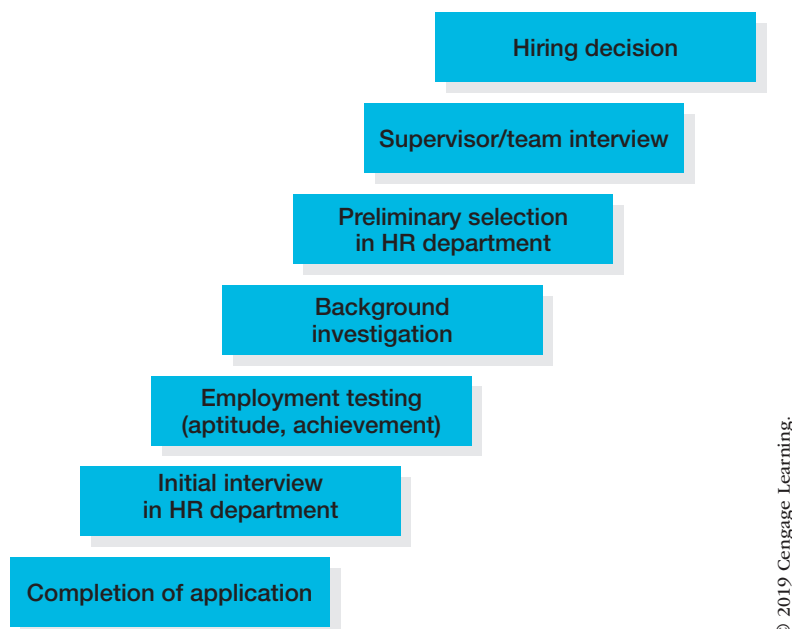
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Note: Steps may vary. An applicant may be rejected after any step in the process.

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OBTAINING RELIABLE AND VALID INFORMATION

Regardless of whether a position is filled internally or externally, it is essential that the information obtained be reliable and valid and gathered legally and that the privacy of the applicants be safeguarded. The degree to which interviews, tests, and other selection procedures yield comparable data over a period of time is known as **reliability**. For example, unless interviewers judge the capabilities of a group of applicants to be the same today as they did yesterday, their judgments are unreliable (i.e., unstable). Likewise, a test that gives widely different scores when it is administered to the same individual a few days apart is unreliable.

Reliability also refers to the extent to which two or more methods (e.g., interviews and tests) yield similar results or are consistent. Interrater reliability—agreement among two or more raters—is one measure of a method's consistency.

In addition to having reliable information pertaining to a person's suitability for a job, the information must be as valid as possible. **Validity** refers to what a test or other selection procedure measures and how well it measures it. In other words, the selection process should be able to predict how well a person performs on the job. Like a new medical procedure, a selection procedure must be validated before it is used. There are two reasons for validating a procedure. First, validity is directly related to increases in employee productivity, as we will demonstrate. Second, valid selection procedures are legally required.[3]

INITIAL SCREENING

Employers use many different pieces of information to try to determine whether an applicant will be successful on the job. The initial pieces of information for screening candidates include cover letters, résumés, applications, and social media.

COVER LETTERS AND RÉSUMÉS

Résumés and cover letters have been used for decades to assess the suitability of applicants, especially for salaried positions. Generally, these documents are reviewed first with an eye toward who can be eliminated because they do not have the skills, abilities, education, or experience outlined in the job description for the application. Did the applicant submit a thoughtful cover letter? Or is he or she simply "spamming" companies with résumés? A lack of a cover letter could be one way of eliminating applicants. Was the cover letter well written? Well-written cover letters are important if a requirement of the job is having good written communication skills, which is the case for many jobs. So, for example, if a person who applied for an online customer service job that includes writing chat messages to customers submitted a cover letter with numerous typos, this could be grounds for passing over the person. Good writing skills might be less important for a person who works as a Walmart greeter. Good verbal or interpersonal skills might suffice for this position.

Evaluating résumés can be a subjective process. Evaluators often have a difficult time applying a set of consistent standards across multiple candidates or consistently apply standards that are irrelevant to success on the job. The fact that there is no "set" format for writing résumés—that they vary from person to person—can make them difficult for people to screen. Bias can also enter the process. A University of British Columbia study found that job applicants with English names have a greater chance of getting interviews than those with Chinese, Indian, or Pakistani names (see Highlights in HRM 3.3).[4] A recent study found that minority applicants who "whiten" their names by deleting references to their race in their résumés were twice as more likely to get called for interviews. Interestingly, this practice was as strong for businesses that claimed to value diversity as those that did not. To "whiten" the resumes, foreign-sounding names were changed to English-sounding names and achievements earned in ethnic organizations were scrubbed.[5] To address the issue of potential discrimination in résumés because of ethnicity and related factors, some organizations are beginning to use

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Many HR professionals use computer software to make the process of screening résumé faster and easier.

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"name-blind" résumés and recruitment. That is, names and other identifiers are removed from résumés and application forms to stop "unconscious bias" against minority applicants.[6]

Developing explicit evaluation criteria and a structured way to review résumés can help make the process less subjective. Once applicants who clearly are not qualified are eliminated, a company might use an assessment grid such as the one shown in Figure 6.3 to take some of the guesswork out of the process. Job description criteria are placed in the left-hand column of the grid, and candidates are then ranked based on a scale as to whether the skills outlined in their résumés and cover letters match the job. The totals for the candidates are then compared.

The downside of manually screening and assessing cover letters is that it is not uncommon for a firm to receive hundreds of résumés for a single position. To speed up the evaluation process, many firms are now using software to scan résumés to find qualified applications. For example, a hiring manager or HR representative will specify the educational and experience levels a job requires and key words indicative of that experience. The software then scans the résumés collected for that position, pulls a list of qualified candidates, and ranks them according to how closely they match the job criteria.[7] Applicant tracking systems generally include a résumé-screening feature. Some of the systems also prescreen people who submit résumés by first asking them to take a short questionnaire to determine how qualified they are.

Not all HR professionals are fans of résumé-screening software, however. There is concern that capable people are routinely being rejected by machines, even before a human lays eyes on their credentials. Also, applicants have learned to "pepper" their résumés with a job's key words to get past résumé-screening software. Considering the volume of résumés firms can receive, however, the practice is probably here to stay.

INTERNET CHECKS AND PHONE SCREENING

HR professionals and hiring managers will often "google" applicants' names and check online social networking sites before deciding whether or not to invite them for a face-to-face interview. The downside of conducting Internet searches relates to the privacy of applicants. It is also difficult to verify the authenticity of information posted online (did the candidate really post the information, or did someone else?) and easy to confuse an applicant with someone else who has the

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FIGURE 6.3

APPLICATION/RESUME ASSESSMENT GRID

Rate each candidate on a scale of 1–5, with 5 being the highest rating.

	Applicant A	Applicant B	Applicant C	Applicant D
Quantitative				
Business degree and/or MBA	5			
Two years' managerial experience	5			
Ability to develop strategies	2			
Ability to manage budgets	2			
Qualitative Requirements				
Demonstrated interpersonal skills	4			
Demonstrated coaching and development skills	4			
Ability to manage diverse teams and work with other departments	4			
Flexibility	3			
Writing and verbal skills	4			
Presentation skills	4			
Level of integrity	4			
Total	**41**			

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same name. Candidates also use social media to assess the reputations and values of potential employers. These candidates are searching for good and bad reviews and will use career review sites such as Glassdoor and Rate My Employer where employees post anonymous reviews.[8]

Short phone interviews, or screening interviews, are also often conducted, many times by HR personnel, to narrow down the field and save managers time by eliminating candidates who are not likely to be hired. Video is being used to prescreen applicants as well.

Some software allow candidates to interview themselves with their webcams. Managers can quickly screen through the candidates when they have time before bringing applicants in for a face-to-face interview. To give employers a "preview" of themselves, candidates are also posting **video résumés** on YouTube and other sites. Video résumés are short video clips that highlight applicants' qualifications beyond what they can communicate via their résumés and cover letters. The videos allow employers to see how well they present themselves and decide whether they should be called in for an interview. However, there is some concern that video résumés will cause employers to screen people based on their looks rather than their qualifications.

video résumés
Short video clips that highlight applicants' qualifications beyond what they can communicate on their résumé

APPLICATION FORMS

Most organizations require application forms to be completed because they provide a fairly quick and systematic means of obtaining a variety of information about the applicant. Application forms serve several purposes. They provide information for deciding whether an applicant meets the minimum requirements

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for experience, education, and so on. They provide a basis for questions the interviewer will ask about the applicant's background. They also offer sources for reference checks. For certain jobs, a short application form is appropriate. For example, McDonald's uses a form that is quite brief but asks for information that is highly relevant to job performance. The form also provides information regarding the employer's conformity with various laws and regulations. For scientific, professional, and managerial jobs, a more extended form is likely to be used. Even when applicants come armed with elaborate résumés, it is important that they complete an application form early in the process. People, even those in high positions, frequently exaggerate their qualifications on their résumés and omit unflattering information.

Asking applicants to transcribe specific résumé material onto a standardized application form can help alleviate this problem. Far fewer people lie on application forms relative to their résumés, a survey by **CareerBuilder.com** found. The applicant is then asked to sign a statement that the information contained on the form is true and that he or she accepts the employer's right to terminate the candidate's employment if any of the information is subsequently found to be false.[9] The consequences of falsifying information on applications and résumés are frequently high, as described in Ethics in HRM.

Many managers remain unclear about the questions they can ask on an application form. Although most know they should steer clear of issues such as age, race, marital status, and sexual orientation, other issues are less clear. In addition to consulting the province's employment laws, some of which are more restrictive than others, managers should use the following suggestions for putting together an application form:

- *Application date*. The applicant should date the application. This helps managers know when the form was completed and gives them an idea of the time limit (e.g., one year) for keeping the form on file.

- *Educational background*. The form should contain information about grade school, high school, college, and university attendance but not the dates attended because that can be connected with age.

- *Experience*. Virtually any questions that focus on work experience related to the job are permissible.

- *Arrests and criminal convictions*. Questions about arrests, convictions, and criminal records are to be avoided. If bonding is a requirement, the candidate can be asked whether she or he is eligible.

- *Country of citizenship*. Such questions are not permitted. It is allowable to ask whether the person is legally entitled to work in Canada.

- *References*. It is both permissible and advisable that the names, addresses, and phone numbers of references be provided. (We will cover this in more detail later.)

- *Disabilities*. Employers should avoid asking about disabilities or hospitalization or whether candidates have received workers' compensation.

Some organizations use what is referred to as a *weighted application blank* (*WAB*). The WAB involves the use of a common standardized employment application that is designed to distinguish between successful and unsuccessful employees. If managers can identify application items that have predicted employee success in the past, they may use that information to screen other applicants. Some evidence suggests that use of the WAB has been especially helpful for reducing turnover costs in the hospitality industry.

EMPLOYMENT INTERVIEWS

The next step after screening résumés, cover letters, and applications for qualified candidates is often interviewing them. Traditionally, the employment interview has a central role in the selection process—so much so that it is rare to find an

Ethics in HRM

Writing It Wrong

Most candidates for white-collar jobs prepare a résumé and submit it to prospective employers. They also complete the application form, answering questions required by employers for comparison purposes. Resume padding seems to be on the increase. To pad their resumes, applicants tend to "stretch" the dates of their employment, misleading employers about the nature of their duties, and misrepresenting their salaries. While you are writing a résumé, adding three months to your previous employment, saying you were a night auditor instead of a clerk, and adding $950 to your last salary seem like relatively harmless lies.

What are the facts? Studies of "creative" résumé writing indicate that about 25 percent of résumés contain inaccuracies; one-third report incorrect dates, one-tenth misrepresent reasons for leaving, and the rest exaggerate education attainments or omit criminal records. The probability is that about two-thirds of employers check references. Some former employers give only dates of employment and previous salary ranges.

Most organizations require applicants to sign a statement saying that the information they supply is true and that if it is not, they will be dismissed. Some cases of résumé padding have been heavily publicized. A Toronto Stock Exchange manager was dismissed for lying about having a master's degree. A member of Parliament listed an ILB on his résumé, which normally stands for International Baccalaureate of Law, but he claimed stood for Incomplete Baccalaureate of Law. In one heart-wrenching case, a person who was ready to retire was found to have lied about his age decades earlier to get a job. On discovery, he was dismissed and lost his pension. In another case, a Canadian businessman was sentenced to eight months in jail in New Zealand for lying on his résumé by listing false qualifications, including an MBA. Academic fraud happens 5 percent of the time. The president of Selection Protection Services, a background check firm, offers this advice to job seekers: "Don't lie." She describes one candidate who wrote "Honours Degree" on her résumé when she did not have one. She did not get the job because dishonesty is a deal breaker.

In a labour market where there are too many people chasing too few jobs, candidates will also lie on their résumés by dropping experience and educational qualifications. This practice, called "stripping," is used because job seekers are ready to take any job to survive or to hold them over until the jobs they want are available. Knowing that graduate degrees will act as barriers to jobs as labourers or administrative assistants, applicants simply do not list the degrees or previous professional jobs. Understandably, employers do not want to hire those who are overqualified and who would soon quit for better jobs.

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instance in which an employee is hired without some sort of interview. Depending on the type of job, applicants may be interviewed by one person, members of a work team, or other individuals in the organization. Although researchers have raised some doubts about its validity, the interview remains a mainstay of selection because (1) it is especially practical when there are only a small number of applicants; (2) it serves other purposes, such as public relations; and (3) interviewers maintain great faith and confidence in their judgments. Figure 6.4 shows that a number of applicant characteristics and situational factors can affect the perceptions of interviewers. For example, the race and sex of an applicant can shape the expectations, biases, and behaviours of an interviewer, which can affect the interview outcome. Even a limited understanding of the variables shown in Figure 6.4 and periodic training have been shown to dramatically improve the effectiveness of interviewers.[10]

In this section, we review the characteristics, advantages, and disadvantages of various types of employment interviews. We highlight the fact that the structure

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FIGURE 6.4

VARIABLES IN THE EMPLOYMENT INTERVIEW

CONTEXT
- Purpose of the interview
- Laws and regulations
- Economic issues
- Physical settings
- Interview structure

APPLICANT
- KSAOs
- Education
- Experience
- Interests
- Perceptions
- Nonverbal cues
- Age, sex, race, etc.

INTERVIEWER(S)
- Experience/training
- Age, sex, race, etc.
- Perceptions
- Nonverbal cues
- Goals

INTERVIEW

Process

Outcome
(Hiring Decision)
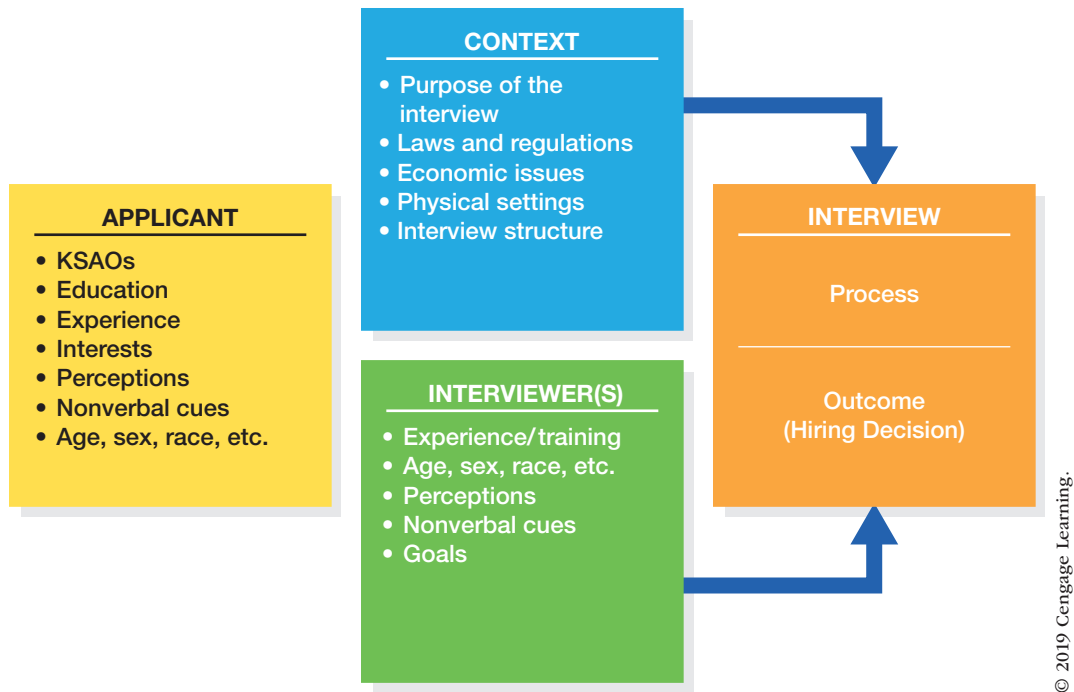
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nondirective interview
An interview in which the applicant is allowed the maximum amount of freedom in determining the course of the discussion, while the interviewer carefully refrains from influencing the applicant's remarks

structured interview
An interview in which a set of standardized questions with an established set of answers is used

of the interview and the training of interviewers strongly influence the success of the hiring process.

NONDIRECTIVE INTERVIEWS

In the **nondirective interview**, the interviewer carefully refrains from influencing the applicant's remarks. The interviewer asks broad, open-ended questions—such as "Tell me more about your experiences on your last job"—and permits the applicant to talk freely with a minimum of interruption. The greater freedom afforded to the applicant in the nondirective interview helps bring to the interviewer's attention any information, attitudes, or feelings a candidate might not disclose during more structured questioning. However, because the applicant determines the course of the interview and no set procedure is followed, little information that comes from these interviews enables interviewers to cross-check agreement with other interviewers. Thus, the reliability and validity of these interviews are not likely to be as great. This method is most likely to be used in interviewing candidates for high-level positions and in counselling.

STRUCTURED INTERVIEWS

Because a **structured interview** has a set of standardized questions (based on job analysis) and an established set of answers against which applicant responses can be rated, it provides a more consistent basis for evaluating job candidates. For example, staff members of Weyerhaeuser Company's HR department have developed a structured interviewing process used for all candidates. The responses from candidates are rated on a five-point scale, and the interviewers also take notes. A structured interview is more likely to provide the type of information needed for making sound decisions. According to one report, structured interviews are twice as likely as nondirective interviews to predict on-the-job

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performance. Structured interviews are also less likely than nondirective interviews to be attacked in court.[11]

SITUATIONAL INTERVIEWS

One variation of the structured interview is called the **situational interview**. With this approach, an applicant is given a hypothetical incident and asked how he or she would respond to it. The applicant's response is then evaluated relative to preestablished benchmark standards. Highlights in HRM 6.1 show a sample question from a situational interview used to select systems analysts at a chemical plant.

BEHAVIOURAL DESCRIPTION INTERVIEWS

A **behavioural description interview (BDI)** focuses on *actual* work incidents in the interviewee's past. The BDI format asks the job applicant what he or she did in a given situation. For example, to assess a potential manager's ability to handle a problem employee, an interviewer might ask, "Tell me about the last time that you disciplined an employee." Such an approach to interviewing, based on a critical incidents job analysis, assumes that past performance is the best predictor of future performance. It also may be somewhat less susceptible to faking. Research indicates that the BDI is more effective than the situational interview for hiring higher-level positions such as general managers and executives.

See Reality Check for behavioural questions posed by BMO Financial. The Business Case outlines the advantages of the behavioural interview.

> **situational interview**
> An interview in which an applicant is given a hypothetical incident and asked how he or she would respond to it
>
> **behavioural description interview (BDI)**
> An interview in which an applicant is asked questions about what he or she did in a given situation

Highlights in HRM 6.1

Sample Situational Interview Question

Question:

It is the night before your scheduled vacation. You are packed and ready to go. Just before you get into bed, you receive a phone call from the plant. A problem has arisen that only you can handle. You are asked to come in to take care of things. What would you do in this situation?

Record Answer:

_____

_____

_____

Scoring Guide:

Good: "I would go in to work and make certain that everything is okay. Then I would go on vacation."
Good: "There are no problems that only I can handle. I would make certain that someone qualified was there to handle things."
Fair: "I would try to find someone else to deal with the problem."
Fair: "I would go on vacation."

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PANEL AND SEQUENTIAL INTERVIEWS

In a **panel interview**, the candidate meets with three to five interviewers, who take turns asking questions. A pilot project conducted by the Holland Bloorview Kids Rehabilitation Hospital in Toronto used this method. They assessed candidates for summer jobs by having them move through eight interview stations, and each mini-interview lasted five minutes. The results showed that this process improved efficiencies in the selection process (for example, reduced interview times of 83 percent), resulted in better fit, and increased employee satisfaction.[12]

After the interview, the interviewers pool their observations and their rating scores if the interview is structured to reach a consensus about the suitability of the candidate. HRM specialists report that panel interviews provide several significant advantages over traditional one-to-one interviews, including higher reliability because they involve multiple inputs. They can also result in a shorter decision-making period, and applicants are more likely to accept the decisions made. Studies also suggest that if the panels are composed of a diverse group of interviewers, hiring discrimination is minimized.[13]

A **sequential interview** is one in which a candidate is interviewed by multiple people, one right after another. Sequential interviews are very common. They allow different interviewers who have a vested interest in the candidate's success to meet and evaluate the person one on one. The interviewers later get together and compare their assessments of the candidates.

METHODS FOR ADMINISTERING INTERVIEWS

Most interviews take place in person. However, they can be administered in other ways to broaden the talent pool and make interviewing easier, faster, and less costly.

Reality Check

Behavioural Interviews at BMO

The BMO Financial Group has been using behavioural interviewing for almost every position it fills and after several revisions feels that it is a solid predictive tool in the hiring process. Below is a list of competencies and the questions BMO uses to evaluate them:

Business acumen behaviours

- Tell me about a time when you had to accomplish something that had a tight deadline and when you had to accomplish many things at once.
- Tell me about a challenging assignment that you had in the past year and how you handled this challenge.
- Describe a time when you had to decide what to do about a business situation where no guidelines existed or no precedents had been set.

Analytical and systems thinking behaviours

- Tell me how you approached the most difficult or challenging project that you had to solve.
- Give me an example of a situation where you had to handle a project unlike anything you ever had to do.
- Tell me about a time when your team had to complete a challenging project.

Customer and client service behaviours

- Describe to me a time when you turned around a very angry client and how you did it.
- Give me an example of a particularly difficult situation involving an external client and how you handled it.
- Tell me about a time when you felt particularly effective in establishing or maintaining a business relationship with a client.

Source: Adapted from Todd Humber, "How BMO Financial Selects Employees," *Canadian HR Reporter* (December 6, 2004): G2.

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The Business Case

Behavioural Interviews Bring Big Returns

Fairmont Hotels and Resorts Inc., with nearly 30,000 employees at over 70 hotels in 27 countries, measures the effectiveness of selection tools. Using a Gallup selection tool, Fairmont has tracked the performance of sales personnel by selecting those who matched the characteristics of the best performers. Those superior employees produce two to three times more revenue than others.

A financial organization decided to assess the return on investment (ROI) of competency-based behavioural interviewing. It focused first on the sales and marketing function, which employed about 100 people, with average annual salaries of $135,000 ($90,000 plus a variable bonus of 50 percent for on-target performance). Turnover was about 20 percent a year. Elementary statistics suggest that the output of a group of workers forms a bell-shaped distribution, resulting in a small portion (about 10 percent) of staff working above or below acceptable performance, whereas the majority worked in the acceptable range. The recruiters decided to delineate the competencies that differentiated superior performers from average performers and to use these to improve the selection procedure.

Here is how the ROI was calculated:

Assume 20 new recruits a year.

Two recruits, on average, would be superior performers under the current recruiting system.

Under the new system, all 20 would be superior, for a net increase of 18 new superior employees.

Performing above average is worth about 48 percent of the average annual salary to the company.

Therefore, $18 \times (\$135,000 \times 0.48) = \$1,166,000$

But the recruitment process is not perfect and so must be discounted by 0.545 (the consultants' estimate of how good they were at selecting superior candidates and rejecting inferior candidates).

Therefore, $545 \times \$1,166,000 = \$635,000$

The cost of the competency project for sales and marketing was $130,000.

The benefit was $635,000, for an ROI of 488 percent.

The long-term ROI may be higher as superior recruits may have lower turnover, shorter learning curves, and increasingly effective performance.

Interviews must be as valid as tests because they are so expensive. The average cost per hire of an executive is $43,000, a manager or professional $17,000, a technical person $13,000, and clerical and administrative support around $3,000.

In this panel interview, one of the participants is connecting by videoconference.

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Video and Phone Interviews

In an independent study of 500 HR managers at U.S. companies, 6 out of 10 of them said their firms often conduct **video interviews** via webcams and services such as Skype.[14] Video interviews are attractive because of their convenience and low cost and because they make it easier to interview people in different geographic areas, thereby expanding the talent pool. However, a study by DeGroote School of Business at McMaster University in Ontario found that candidates interviewed via video came across as less likable.[15] Some candidates may be more comfortable on camera or using the technology than other candidates. The researchers suggested that, at a minimum, all candidates be treated the same in terms of the methods by which they are interviewed.[16]

Phone interviews can be effective and help expand a company's pool of talent as well. Via phone, Pacific Islands Club, a resort in Guam, is able to recruit people from around the world who want to work for the resort. Rebecca Cummings, a young woman living in the United States, went to work for the Pacific Islands Club as an activities director after successfully interviewing via phone. A face-to-face interview would have been cost prohibitive.[17]

Computer-Administered (Automated) Interviews

Nike, Cigna Insurance, and Pinkerton Security are among the many companies that have used computer-assisted, or automated, interviews to gather information as well as compare candidates. In a **computer-administered (automated) interview**, the questions are administered to applicants via a computer. The interviews can be conducted at a firm's facilities using kiosks, online, or via phone. Some firms use automated video interviewing services such as VidCruiter or Job-applications.com. Applicants are invited to interview by email, given passwords to log on to the sites, and then given questions to answer, which are then recorded and sent to the hiring firm. Managers can then watch the interviews at their convenience. A drawback is that they can't ask candidates follow-up questions based on their answers. Consequently, organizations have used automated interviews mainly as a complement to, rather than as a replacement for, live interviews.[18] Highlights in HRM 6.2 list some of the blunders made by job applicants in interviews.

Highlights in HRM 6.2

Hiring Managers Reveal Mistakes Candidates Make during Job Interviews

Hiring managers often share the most memorable blunders that caused them to pass on a particular candidate. Below is a sample of some of them.

- "The candidate spoke no English, so he brought his mother to translate for him during the interview. It was for a customer-service position."
- "She kept telling me about her marital problems."
- "The candidate knew nothing about the job being offered or our organization."
- "One guy ate a sandwich."
- "The candidate asked me to hurry up because she left her child in the car."

- "He told me the only reason he was here was because his mother wanted him to get a job. He was 37."
- "One candidate did not wear shoes to the interview."
- "Body odor so bad I had to excuse myself mid-interview and put lip gloss in my nose in order to get through the rest."
- "One guy mentioned his arrest during the interview after stating on his application that he had never been arrested."
- "One guy asked if we drug-tested and if we gave advance notice (we are a drug treatment facility)."

Sources: CareerBuilder.com, Reader's Digest.

GUIDELINES FOR EMPLOYMENT INTERVIEWERS

Apart from the characteristics of the interviews themselves, there are several important tips for interviewers. Organizations should be cautious in selecting employment interviewers. Qualities that are desirable include humility, the ability to think objectively, maturity, and poise. Given the importance of diversity in the workforce, experience in associating with people from a variety of backgrounds is also desirable. Qualities to avoid in interviewers include overtalkativeness, extreme opinions, and biases.

Interviewer Training

Training has been shown to dramatically improve the competence of interviewers. If not done on a continuing basis, training should at least be done periodically for managers, supervisors, and HR representatives who conduct interviews. Interviewer training programs should include practice interviews conducted under guidance. Practice interviews may be recorded and evaluated later in a group training session. The following list presents 10 ground rules for employment interviews that are commonly accepted and supported by research findings. Their apparent simplicity should not lead one to underestimate their importance.

1. *Understand the job*. Perhaps the most critical step to ensuring that interviewers do a good job is to be sure that they understand the job and its requirements. Research studies have shown that interviewers who understand the parameters of a job are better at interviewing people and evaluating their responses.

2. *Establish an interview plan*. Examine the purposes of the interview and determine the areas and specific questions to be covered. Review the job requirements, application form data, test scores, and other available information before seeing the applicant.

3. *Establish and maintain rapport and listen actively*. This is accomplished by greeting the applicant pleasantly, explaining the purpose of the interview, displaying sincere interest in the applicant, and listening carefully. Try to understand not only what the candidate is saying but also what he or she is implying.

4. *Pay attention to nonverbal cues*. An applicant's facial expressions, gestures, body position, and movements often provide clues to that person's attitudes and feelings. Be aware of what you are communicating nonverbally.

5. *Provide information as freely and honestly as possible*. Answer fully and frankly the applicant's questions. Present a realistic picture of the job.

6. *Use questions effectively*. Ask open-ended questions rather than questions that can be answered with a simple "yes" or "no." Do not ask questions that "lead" candidates to the "right" answer. Phrase the questions in a neutral way.

7. *Separate facts from inferences*. During the interview, record factual information. Later, record your inferences or interpretations of the facts. Compare your inferences to those of other interviewers.

8. *Recognize biases and stereotypes*. Stereotyping involves forming generalized opinions of how people of a given gender, race, or ethnic background appear, think, feel, and act. As we have mentioned, one typical bias is for interviewers to consider candidates who have interests, experiences, and backgrounds similar to their own to be more acceptable. Another bias occurs when interviewers "fall into like" with applicants, especially if a candidate is extroverted and charming. If extroversion is an important characteristic of the job (such as a sales job), choosing an extroverted candidate might be appropriate. However, a less extroverted candidate who is more conscientious might be better for a job that is detail oriented or requires a person to work alone. In other words, evaluate candidates based on the characteristics of the job and not, for example, the fact that they went to the same school you did.

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9. *Avoid the "halo error," or judging an individual favourably or unfavourably overall on the basis of only one strong point (or weak point) on which you place high value.* Also avoid the influence of "beautyism." Discrimination against unattractive but talented people is a persistent and pervasive form of employment discrimination.
10. *Control the course of the interview.* Establish an interview plan and stick to it. Provide the applicant with ample opportunity to talk but maintain control of the situation to reach the interview objectives.
11. *Standardize the questions asked.* To increase the reliability of the interview and avoid discrimination, ask the same questions of all applicants for a particular job. Keep careful notes; record facts, impressions, and any relevant information, including what the applicant was told.

ARE YOUR QUESTIONS LEGAL?

The entire subject of preemployment questioning is complex. Federal and provincial requirements sometimes vary in the types of questions that may be asked during the interview. However, all jurisdictions forbid direct questions about race, sex, colour, age, religion, and national origin, and most look with disapproval on indirect questions dealing with the same topics. Some of the questions that interviewers once felt free to ask can be potentially hazardous. Human rights commissions have severely limited the areas of questioning. In general, if the question is job related, is asked of everyone, and does not discriminate against a certain class of applicants, it is likely to be acceptable to government authorities. Readers who are interested in a more comprehensive discussion should consult Catano et al., *Recruitment and Selection in Canada*, 7th Edition (Toronto: Nelson, 2019).

Particular care must be given to questions asked of female applicants about their family responsibilities. It is inappropriate, for example, to ask, "Who will take care of your children while you are at work?" or "Do you plan to have children?" or "What is your husband's occupation?" or "Are you engaged?" It is, in fact, inappropriate to ask applicants of either gender questions about matters that have no relevance to job performance.

Employers have found it advisable to provide interviewers with instructions on how to avoid potentially discriminatory questions in their interviews. The examples of appropriate and inappropriate questions shown in Highlights in HRM 6.3 may serve as guidelines for application forms and preemployment interviews. Complete guidelines may be developed from current information available from provincial human rights commissions. Once an individual is hired, the information needed but not asked in the interview may be obtained if there is a valid need for it and if it does not lead to discrimination.

POST-INTERVIEW SCREENING

When the interviewer is satisfied that the applicant is potentially qualified, information about previous employment and other information provided by the applicant are investigated.

REFERENCE CHECKS

The most reliable information usually comes from supervisors, who are in the best position to report on an applicant's work habits and performance. Written verification of information relating to job titles, duties, and pay levels from the former employer's HR office is also very helpful. Highlights in HRM 6.4 include a list of helpful questions to ask about applicants when checking their references.[19]

As a legal protection for all concerned, it is important to ask the applicant to fill out forms permitting information to be solicited from former employers and other reference sources. Even with these safeguards, many organizations are reluctant to put into writing an evaluation of a former employee for fear of being sued

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Highlights in HRM 6.3

Appropriate and Inappropriate Interview Questions

Subject	Avoid Asking	Preferred
Name	about name change; whether it was changed by court order, marriage, or other reason maiden name	ask after selection if needed to check on previously held jobs or educational credentials
Address	for addresses outside Canada	ask place and duration of current or recent address
Age	for birth certificates, baptismal records, or about age in general	ask applicants if they are eligible to work under Canadian laws regarding age restrictions
Sex	males or females to fill in different applications about pregnancy, child-bearing plans, or childcare arrangements	can ask applicant if the attendance requirements can be met
Marital Status	whether applicant is single, married, divorced, engaged, separated, widowed, or living common-law whether the applicant's spouse will be transferred about the spouse's employment	if transfer or travel is part of the job, the applicant can be asked if he or she can meet these requirements; ask whether there are any circumstances that might prevent completion of a minimum service commitment
Family Status	number of children or dependants about childcare arrangements	can ask if the applicant would be able to work the required hours and, where applicable, overtime
National or Ethnic Origin	about birthplace, nationality of ancestors, spouse, or other relatives whether born in Canada for proof of citizenship	since those who are entitled to work in Canada must be citizens, permanent residents, or holders of valid work permits, applicants can be asked if they are legally entitled to work in Canada
Military Service	about military service in other countries	inquiry about Canadian military service where employment preference is given to veterans by law
Language	mother tongue where language skills obtained	ask if applicant understands, reads, writes, or speaks languages required for the job
Race	any question about race, including colour of eyes, skin, or hair	
Photos	for photo to be attached to applications or sent to interviewer before interview	
Religion	about religious affiliation, church membership, frequency of church attendance, if applicant will work a specific religious holiday, or for references from clergy or religious leader	explain the required work shift, asking if such a schedule poses problems for the applicant
Height and Weight	no inquiry unless there is evidence they are genuine occupational requirements	

continued

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Subject	Avoid Asking	Preferred
Disability	for listing of all disabilities, limitations, or health problems whether applicant drinks or uses drugs whether applicant has ever received psychiatric care or been hospitalized for emotional problems whether applicant has received workers' compensation	employer should disclose any information on medically related requirements or standards early in the application process, then ask whether the applicant has any condition that could affect his or her ability to do the job, preferably during a preemployment medical examination
Medical Information	if currently under physician's care, name of family doctor if receiving counselling or therapy	
Pardoned Conviction	whether an applicant has ever been convicted, has ever been arrested, or has a criminal record	if bonding is a job requirement ask if applicant is eligible
Sexual Orientation	about the applicant's sexual orientation	
References	The same restrictions that apply to questions asked of applicants also apply to questions asked of the applicant's references.	

Source: From Canadian Human Rights Commission, "A Guide to Screening and Selection in Employment," online at http://www.ccdp.gc.ca/sites/default/files/screen_1.pdf. Reprinted by permission of the Canadian Human Rights Commission.

by that person. Many employers will verify only former employees' employment dates and positions. Note that there is no legal obligation to provide a reference letter for an employee unless you have promised in writing to do so. A survey by the SHRM found that although 75 percent of companies do provide references, many reported that the information consists only of employment dates and

Highlights in HRM 6.4

Sample Reference-Checking Questions

- What is your relationship to the applicant? Are you the person's supervisor, peer, or subordinate?
- What were the start and end dates of the applicant's employment?
- What were the applicant's title and responsibilities?
- In what areas did the applicant excel?
- In what areas did the applicant need improvement?
- What was the applicant's biggest accomplishment at your organization?
- How well does the applicant communicate with and get along with others?

- How does the applicant deal with conflicts and stress?
- To what extent is the applicant driven to succeed?
- Did the applicant miss a lot of work?
- Was the applicant punctual?
- For what reason did the applicant leave your organization?
- Would you rehire the applicant?
- Are there any serious problems with the applicant we should know about?
- Is there any additional information about the applicant you would like to share with me?

Sources: "Four Reasons Why You Should Always Check References," *Human Resources Today* (December 29, 2015), http://www.humanresourcestoday.com; Alison Doyle, "Reference Check Questions," *About.com*, http://www.about.com, accessed March 24, 2011; Carolyn Hirschman, "The Whole Truth," *HR Magazine* 45, no. 6 (June 2000): 86–72.

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positions. This results in problems for the next employers. A survey of Canadian companies found that the majority had to terminate an employee for reasons that could have been discovered through a reference check. For example, the City of Waterloo fired its chief administrative officer after it uncovered an employment history in which the candidate broke rules and misled his previous employer, all well publicized but not checked by either the recruiting firm or the city.[20]

BACKGROUND CHECKS

Background investigations have become standard procedure for many companies to prevent a variety of problems ranging from embezzlement and theft of merchandise to workplace violence. The vast majority (over 90 percent) of Canadian companies surveyed by the *Canadian HR Reporter* indicated that they conduct background checks for previous employment history (92 percent), academic qualifications (53 percent), criminal record (50 percent), and credit rating (11 percent).[21]

Like the application process, many checks that were once done manually are now being done online using existing computer databases. However, this frequently requires checking many different databases. Information on international applicants is even harder to obtain. Some companies outsource some or all of the checks to third-party screeners.

Some job boards now have online screening tools allowing an applicant to conduct his or her own self-background check and post it online prior to any sort of interview. The idea is to demonstrate upfront to prospective employers that the applicant has a clean criminal record and a good job history and would make a good employee.[22]

Finally, an increasing number of companies are simply using Internet searches to uncover background information on a potential candidate through social networking sites such as Facebook. Information found on these sites can positively or adversely influence the employer's perspective of a candidate. If the candidate is not hired for the job and learns that the employer has checked his social media sites, and perhaps learned that he is a member of a visible minority, he could potentially file a human rights claim.

Organizations check the references of employees in a number of ways. Generally, telephone checks are preferable because they save time and provide for greater candour. Prescient InfoTech, a computer systems managing company, first calls those persons selected as references to establish contact and then emails them a two-page questionnaire asking them to numerically rank the applicant's various job-related attributes. There is room at the end of the questionnaire for comments and recommendations.

The most reliable information usually comes from supervisors, who are in the best position to report on an applicant's work habits and performance. Written verification of information relating to job titles, duties, and pay levels from the former employer's HR office is also very helpful.

CREDIT CHECKS

The use of consumer credit reports by employers as a basis for establishing an applicant's eligibility for employment has become more restricted. For positions of trust, such as those involving financial instruments in banks, credit reports must be used. Applicants must agree in writing to a credit report and have the right to review its contents. More importantly, the reason for the credit report must be job related.

PREEMPLOYMENT TESTS

A **preemployment test** is an objective and standardized measure of a sample of behaviour that is used to gauge a person's KSAOs relative to other individuals.

LEARNING OUTCOME 3

Personality tests, like other tests used in employee selection, have been under attack for several decades. Why do you think that some applicants find personality tests objectionable? On what basis could their use for selection purposes be justified?

One of the drawbacks of preemployment testing is that it creates the potential for legal challenges, particularly in the United States. There a small but growing number of companies are being taken to court by candidates claiming that the tests they took were discriminatory. There is also some evidence that the more tests that are required, the higher the likelihood of a lawsuit. The relative frequency of discrimination suits also appears to vary by industry and job type. Law enforcement, firefighting, and teaching areas—which generally require applicants to pass more tests—appear to be more prone to discrimination litigation.[23] Because Canadian HR practices often lag behind U.S. practices, we can expect to see more legal challenges in Canada. Nonetheless, tests have played a more important part in government HR programs in which hiring on the basis of merit is required by law. Although government agencies experienced the same types of problems with their testing programs as did organizations in the private sector, their staff were forced to improve their testing programs rather than abandon them.

Although it is often advisable to use consultants, especially if an organization is considering the use of personality tests, managers should have a basic understanding of the technical aspects of testing and the contributions that tests can make to the HR program. Managers should also do a thorough job analysis to determine the crucial job requirements and related skills that need to be tested for and eliminate any unnecessary or duplicate tests.

TYPES OF TESTS

Job Knowledge Tests

Government agencies and licensing boards usually develop job knowledge tests, a type of achievement test designed to measure a person's level of understanding about a particular job. The Uniform CPA Examination used to license certified public accountants is one such test. Most civil service examinations, for example, are used to determine whether an applicant possesses the information and understanding that will permit placement in the job without further training.[24]

Work Sample Tests

Work sample tests, or job sample tests, require the applicant to *perform* tasks that are part of the work required on the job. Like job knowledge tests, work sample tests are constructed from a carefully developed outline that experts agree includes the major job functions; the tests are thus considered content valid. Organizations that are interested in moving toward *competency-based selection*— that is, hiring based on observation of behaviours previously shown to distinguish successful employees—increasingly use work samples to see potential employees "in action."[25]

Work samples have been devised for many diverse jobs: a map-reading test for traffic control officers, a lathe test for machine operators, a complex coordination test for pilots, an in-basket test for managers, a group discussion test for supervisors, and a judgment and decision-making test for administrators, to name a few. The reports are that this type of test is cost effective, reliable, valid, fair, and acceptable to applicants.[26]

Related to the job sample test is the job simulation, used by nearly one-third of those surveyed in 2005. Prudential Grand Valley Realty, a real estate firm in Kitchener, Ontario, uses an online video-based assessment that simulates the job of a real estate agent. The candidate plays the role of an agent and interacts with virtual clients who are interested in buying or selling a property. The recruit is taken through the entire sales cycle, from building rapport to closing the deal, and must demonstrate the ability to handle objections, negotiate price, understand client needs, and handle periodic rejection.[27]

Assessment Centre Tests

An **assessment centre test** is used to evaluate candidates, often as a group, as they participate in a series of simulations that resemble what they might handle on the job. Some assessment centres, where the tests are professionally conducted, take a "day in the life of" approach. Candidates "report to work" at the assessment centre and receive the usual steady diet of emails and other interruptions; meet with various role players who play different employees, clients, and managers; and handle manufactured events while they are observed and recorded.[28] At the end of the assessment centre period, the assessors' observations are combined to develop an overall picture of the strengths and needs of the participants. A report is normally submitted to the organization that commissioned the tests, and feedback is given to the participants. Because of the costs involved, assessment centres are usually used to select managers.

Cognitive Ability Tests

Cognitive ability tests measure mental capabilities such as general intelligence, verbal fluency, numerical ability, and reasoning ability. A host of paper-and-pencil tests measure cognitive abilities, including the General Aptitude Test Battery (GATB), Scholastic Aptitude Test (SAT), Graduate Management Aptitude Test (GMAT), and Bennett Mechanical Comprehension Test (BMCT). Figure 6.5 provides examples of questions from the General Competency Test (GCT) administered by the Public Service Commission of Canada.

Although cognitive ability tests can be developed to measure very specialized areas, such as reading comprehension and spatial relations, many experts believe that the validity of cognitive ability tests simply reflects their connection to general intelligence. However, measures of general intelligence (such as IQ) have been shown to be good predictors of performance across a wide variety of jobs.[29]

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With jobs such as this one that require specific skills, it is quite common for employers to ask candidates to demonstrate their abilities through work sample tests.

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FIGURE 6.5

GENERAL COMPETENCY TEST LEVEL 1

The GCT was developed by the Personnel Psychology Centre, Assessment, Testing and Counselling Directorate, the Public Service Commission of Canada. The GCT 1 has 50 multiple-choice questions, and the test takes 85 minutes. There are three types of questions, and a sample of each type is found below:

Type I—Understanding Written Material
This type of question involves reading a short passage, which is usually in memorandum format, and answering a question about the information in the text.

Question 1
Government of Canada
Memorandum
TO: All employees
FROM: Manager
We are pleased to announce that our Ministry's budget has been increased and consequently we will experience an increase in staff size. Because new positions will become available, we will be holding interviews within the next few weeks.
The main purpose of this memorandum is a change concerning

1. better ministerial policy
2. better budget publicity
3. more human resources
4. more office space

Type II—Solving Numerical Problems
This type of question involves choosing the correct answer to a practical numerical problem.

Question 2
You are in charge of financial services and must calculate overtime pay for employees in your division. Due to a heavy workload, an employee had to do 35 hours of overtime in two weeks. Seven of these hours are at "double time" (i.e., twice usual pay), the rest are at "time and a half." The employee's usual pay is $375 a week at $10 an hour. How much over-time money should the employee be paid for the two-week period?

1. $340
2. $420
3. $560
4. $760

Type III—Drawing Logical Conclusions
In this type of question, the task is to choose the correct answer to a practical problem.

Question 3
One of your duties is the selection and disposal of boxes of obsolete files. According to regulations, ordinary files become obsolete after 24 months, confidential files after 36 months, and classified files after 48 months. Which of the following boxes of files can be disposed of?

A. A box containing ordinary files dated 26 months ago and classified files dated 34 months ago.

B. A box containing ordinary files dated 38 months ago and confidential files dated 28 months ago.

1. A only
2. B only
3. Both A and B
4. Neither A nor B

Answers can be found on page 244.

Source: Reproduced with the permission of the Public Service Commission of Canada, 2018.

Biodata Tests

Biodata tests collect biographical information about candidates that has been shown to correlate with on-the-job success. Candidates are questioned about events and behaviours that reflect attitudes, experiences, interests, skills, and abilities. Typically, the questions relate to events that have occurred in a person's life and ask what the person typically did in those situations. The idea is that past behaviour is the best predictor of future behaviour. For example, a question on a biodata test might ask, "How many books have you read in the last six months?" or "How often have you put aside tasks to complete another, more difficult assign-ment?" Test takers choose one of several predetermined alternatives to best match their past behaviour and experiences.

A response to a single biodata question is of little value. Rather, the pattern of responses across several different situations gives biographical data the power to predict future behaviour on the job. Although biodata tests have been found to be good predictors of on-the-job success, they are sophisticated and must be professionally developed and validated. Another drawback is that the questions

might not appear to be clearly related to the job being tested for, so applicants might question the test's validity and believe that the test invades their privacy.

Personality and Interest Inventories

Whereas cognitive ability tests measure a person's mental capacity, personality tests measure disposition and temperament. During the 1990s, for example, testing by the U.S. Army found that cognitive ability tests were the best predictors of how well soldiers were able to acquire job knowledge and, ultimately, of their technical proficiencies. But personality tests were the better predictors of their motivation, such as their leadership efforts and propensity to adhere to rules. Years of research show that five dimensions can summarize personality traits. The "Big Five" factors are the following:

1. Extroversion—the degree to which someone is talkative, sociable, active, aggressive, and excitable
2. Agreeableness—the degree to which someone is trusting, amiable, generous, tolerant, honest, cooperative, and flexible
3. Conscientiousness—the degree to which someone is dependable and organized and perseveres in tasks
4. Neuroticism—the degree to which someone is secure, calm, independent, and autonomous
5. Openness to experience—the degree to which someone is intellectual, philosophical, insightful, creative, artistic, and curious[30]

Personality tests include the California Psychological Inventory, the Myers-Briggs Type Indicator (MBTI), and the 180-question Caliper test. In Canada, Mars One mission has the goal of establishing a permanent settlement on Mars, and hundreds of thousands of people have applied to be part of the crew. To assess these candidates, a personality test measuring resiliency, curiosity, adaptability, and so on was developed to select 75 Canadians, as well as about 1,000 others for the second round of tests.[31] Although there is some evidence to show that when used in combination with cognitive ability tests, measures of personality traits (such as conscientiousness) can help predict how well a person will perform on the job, historically, the connection between the two has been quite low.[32]

Personality tests can also be problematic when faking is an issue[33], or if they inadvertently discriminate against individuals who would otherwise perform effectively.[34] Rather than being used to make hiring decisions, personality and interest inventories may be most useful for helping people with their occupational selection and career planning.

Polygraph Tests

The polygraph, or lie detector, is a device that measures the changes in breathing, blood pressure, and pulse of a person who is being questioned. Questions typically cover such items as whether a person uses drugs, has stolen from an employer, or has committed a serious, undetected crime.

The RCMP uses a polygraph test to identify candidates who meet its standards of honesty and suitability. However, the use of lie detector tests for employment purposes is prohibited under the employment standards acts in both Ontario and New Brunswick. Check provincial legislation before considering the use of a polygraph.

Honesty and Integrity Tests

Many employers have dramatically increased their use of pencil-and-paper honesty and integrity tests. These tests have commonly been used in settings such as retail stores, where employees have access to cash or merchandise. Common areas of inquiry include beliefs about the frequency and extent of theft in our

society, punishment for theft, and perceived ease of theft. For example, Payless ShoeSource has used a paper-and-pencil honesty test to reduce employee theft. When the company began its program, losses totalled nearly $21 million per year among its 4,700 stores. Within only one year of implementing its screening program, inventory shrinkage fell by 20 percent to less than 1 percent of sales.[35]

Although some studies have shown that honesty tests are valid for predicting job performance and a wide range of disruptive behaviours, such as theft, disciplinary problems, and absenteeism, other studies have questioned their validity.[36] It is possible that the tests "work" not because they predict behaviour but because they deter less-than-honest applicants from joining a company. However, applicants sometimes view the tests as an invasion of their privacy. Some candidates find questions such as "I like to take chances" offensive. The British Columbia Civil Liberties Union has called for legislation banning integrity tests as an invasion of privacy. Sobeys, a chain food store based in Stellarton, Nova Scotia, used an integrity test and failed an applicant even though she had worked for them previously for six years without any incident. The applicant filed a complaint with the Nova Scotia Human Rights Commission.

Given these issues, HRM specialists should consider the use of honesty tests very cautiously and most certainly in conjunction with other sources of information.[37]

Physical Ability Tests

In addition to learning about a job candidate's mental capabilities, employers frequently need to assess a person's physical abilities. Particularly for demanding and potentially dangerous jobs, such as those held by firefighters and police officers, physical abilities such as strength and endurance tend to be good predictors not only of performance but also of accidents and injuries.[38]

Physical ability tests must be used cautiously. In the past, requirements for physical characteristics such as strength, agility, height, and weight were often determined by an employer's unvalidated notion of what should be required. This often put women and disabled job applicants at a disadvantage, a situation that can lead to lawsuits. Evidence suggests that the average man is stronger, faster, and more powerful than the average woman, but women tend to have better balance, manual dexterity, flexibility, and coordination than men. For example, applicants who take the RCMP's Physical Fitness Abilities Requirement Evaluation (PARE) are required to run 350 metres, complete a standing broad jump of about 2 metres, and pick up and carry a heavy bag for 15 metres. According to one RCMP officer, "If you're a bigger person, the PARE test is easier, no doubt." The fact that women fail the test in greater numbers than men has resulted in a complaint before the Canadian Human Rights Commission. The RCMP defended the PARE test on the grounds that it simulates common police activities, such as chasing a suspect on foot, carrying an injured person, and forcing open a door. However, the court struck down as illegal a similar test used for firefighters in British Columbia because it discriminated against women, who were less likely to meet the standard, which itself was based on a male standard.[39]

On the basis of these differences, it is clear that (as with other methods for screening potential employees) the use of physical ability tests should be carefully validated on the basis of the essential functions of the job.[40]

Medical Examinations

A medical examination is generally given to ensure that the health and fitness of applicants are adequate to meet the job requirements. It also provides a baseline against which subsequent medical examinations can be compared and interpreted. The last objective is especially important for determining work-caused disabilities under workers' compensation law. Any requirements that tend to discriminate against women have been questioned and modified to represent typical job demands.

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Medical examinations and inquiries about a candidate directed to medical professionals can be conducted only after an offer (preferably written) of employment has been made. The offer can be made conditional on the applicant's ability to perform the essential duties of the job as determined by a job-related medical examination. Any medical inquiries must be directly related to assessing the candidate's abilities to perform the essential duties of the job. This allows the applicant with a disability the opportunity to be considered exclusively on merit during the selection process.

An employer may ask a candidate if she or he has any disability-related needs that would require accommodation to enable performance of the essential duties of the job. The interviewer should be cautioned about probing as to the nature of the disability. Later employment-related decisions may be perceived to be based on this information and thereby characterized as discriminatory. To ensure neutrality, and to avoid the possibility of a complaint to the Canadian Human Rights Commission, such information should remain exclusively with the examining physician, not in the personnel file.

If the employee has a disability, the employer has a duty to accommodate his or her needs. The accommodation can be accomplished either by changing some of the essential duties of the position or by providing the appropriate equipment. To determine whether an individual can do the essential duties of a particular position, the employer should conduct a physical demands analysis, checklists for which are available through most provincial ministries of labour.

Drug Testing

The Canadian Human Rights Commission and some of its provincial counterparts have issued policies on employment-related drug testing. Addiction to drugs or alcohol is considered a disability, and the employer is to be guided by legislation and by practices such as workplace accommodation. The medical examination cannot be conducted until a conditional offer of employment is made in writing, and the examination can determine only the individual's ability to perform the essential duties. Since drug tests measure neither actual impairment nor the likelihood of a person reporting to work under the influence of drugs, the extent to which they assess the ability to perform essential duties is extremely limited. Therefore, human rights tribunals and courts have imposed very strict limitations on the right of employers to require drug tests.[41]

Furthermore, it is difficult to demonstrate how drug testing makes the workplace safer or leads to improvements in the performance of workers. Relatively few applicants test positive for drugs. In fact, legal drugs such as alcohol and prescription painkillers such as opioids appear to create more problems than illegal drugs in the workplace. Marijuana is legal for recreational use in a number of jurisdictions in the United States and Canada, which complicates the use of what drugs can be tested for, and it can be medically prescribed. In Canada, this issue will become more prominent as cannabis becomes legalized.[42] It is also not uncommon for "false positives" to occur—that is, for a test to mistakenly show someone has used illegal drugs when he or she hasn't. Over-the-counter drugs can lead to false positives.

If the job is a safety-sensitive one, then an employer may be permitted to offer the position conditional on the successful passing of a drug test. The employer then has the right to demand a medical examination of the employee. If an employee refuses, he or she can be dismissed. However, if an employee who fails a drug test is a drug addict, and therefore disabled under human rights statutes, then the employer will be required to accommodate the employee's disability to the point of undue hardship before it can dismiss the employee.

The following types of testing are not allowed:

- preemployment drug testing
- preemployment alcohol testing
- random drug testing
- random alcohol testing of employees in non-safety-sensitive positions

There is widespread opposition to drug testing in the workplace, which is why only about 2 percent of companies in Canada do it compared to about 80 percent of American companies. Canadian companies that operate in both countries, such as those in cross-border trucking, may argue that testing is a bona fide occupational qualification for drivers; otherwise, they would be banned from driving in the United States. Syncor Canada, a world leader in mining and extracting crude oil, believes that drug testing of heavy equipment operators could be justified on safety grounds but not for those in an office environment.

The Canadian Civil Liberties Association takes the position that "no person should be required to share urine with a stranger" as a condition of employment. Employee assistance programs (EAPs) play an important role in helping employees with drug and alcohol problems. EAPs will be discussed in Chapters 11 and 12.

DETERMINING THE VALIDITY OF TESTS

There are three recognized approaches to validation: criterion-related validity, content validity, and construct validity.

Criterion-Related Validity

The extent to which a selection tool predicts, or significantly correlates with, important elements of work behaviour is known as **criterion-related validity**. How well a person performs on a test, for example, is compared to his or her actual production records, supervisory ratings, training outcomes, and other measures of success that are appropriate to each type of job. In a sales job, for example, it is common to use sales figures as a basis for comparison. In production jobs, the quantity and quality of output are likely to be the best indicators of job success.

There are two types of criterion-related validity: concurrent and predictive. **Concurrent validity** involves obtaining criterion data from *current employees* at about the same time that test scores (or other predictor information) are obtained. For example, a supervisor will be asked to rate a group of clerical employees on the quantity and quality of their performance. These employees are then given a clerical aptitude test, and the test scores are compared to the supervisor's ratings to determine the degree of relationship between them. **Predictive validity**, on the other hand, involves testing *applicants* and obtaining criterion data *after* those applicants have been hired and have been on the job for a certain period of time. For example, applicants are given clerical aptitude tests, which are then filed for later study.

After the individuals have been on the job for several months, supervisors, who should not know the employees' test scores, are asked to rate them on the quality and quantity of their performance. The test scores are then compared to the supervisors' ratings. If the scores and the supervisor's ratings are in line with one another, the test has predictive validity and can be used to test subsequent candidates. Obviously, this approach to testing will take longer to develop than the concurrent approach.

Regardless of the method used, cross-validation is essential. **Cross-validation** is a process in which a test or battery of tests is administered to a different sample of people (drawn from the same population) for the purpose of verifying the results obtained from the original validation study. One way to measure a test's validity is to administer it to an organization's current employees and create a benchmark score to which applicants' scores can be compared.

Content Validity

When it is not feasible to use the criterion-related approach, often because of limited samples of individuals, the content method is used. **Content validity** is assumed to exist when a selection instrument, such as a test, adequately samples the knowledge and skills a person needs to do a particular job.

The closer the content of the selection instrument is to actual work samples or behaviours, the greater its content validity. For example, a civil service examination for accountants has high content validity when it requires applicants to solve accounting problems representative of those found on the job. Asking an accountant to lift a 25-kilogram box, however, is a selection procedure that has content validity only if the job description indicates that accountants must be able to meet this requirement. Content validity is the most direct and least complicated type of validity to assess. It is generally used to evaluate job knowledge and skill tests. Unlike the criterion-related method, content validity is not expressed in correlational terms. Instead, an index is computed (from evaluations of an expert panel) that indicates the relationship between the content of the test items and a person's performance on the job.[43] Although content validity does have its limitations, it has made a positive contribution to job analysis procedures and to the role of expert judgment in sampling and scoring procedures.

Construct Validity

The extent to which a selection tool measures a theoretical construct, or trait, is known as **construct validity**. Typical constructs are intelligence, mechanical comprehension, and anxiety. They are broad, general categories of human functions that are based on the measurement of many discrete behaviours. For example, the BMCT consists of a wide variety of tasks that measure the construct of mechanical comprehension.

Measuring construct validity requires showing that the psychological trait is related to satisfactory job performance and that the test accurately measures the psychological trait. There is a lack of literature covering this concept as it relates to employment practices, probably because it is difficult and expensive to validate a construct and to show how it is job related.[44]

REACHING A SELECTION DECISION

You now have a wealth of information about the candidates who want to work for your organization. How do you weigh it all so as to make a final decision? The next section examines various approaches that could be used.

SUMMARIZING INFORMATION ABOUT APPLICANTS

Taking into consideration all of the information that you have gathered about applicants requires you to systematically organize all of the relevant information about them. Summary forms and checklists such as the one shown in Figure 6.6 can be used to ensure that all of the pertinent information has been included in the evaluation of the candidate.

Fundamentally, an employer is interested in what an applicant can do and will do. Evaluating candidates on the basis of information you have assembled should focus on these two factors, as Figure 6.7 shows. The "can do" factors include a candidate's knowledge and skills, as well as the aptitude (the potential) for acquiring new knowledge and skills. The "will do" factors include the candidate's motivation, interests, and other personality characteristics. Both factors are essential to successful performance on the job. The employee who has the ability (can do) but is not motivated to use it (will not do) is little better than the employee who lacks the necessary ability.

It is much easier to measure what individuals can do than what they will do. The can do factors are readily evident from test scores and verified information. What the individual will do can only be inferred. Employers can use the responses to interview and application form questions and references to obtain information for making inferences about what an individual will do.

FIGURE 6.6

CANDIDATE EVALUATION FORM

Position:

Candidate Name:

Interviewer Name:

Interview Date:

Complete the comments section as you interview the candidate. After the interview, circle your ratings for each section and then add them together for a final score. The ratings scale is as follows:

Ratings Scale

1. Negligible or doesn't meet requirements

2. More needed

3. Adequate

4. Exceeds requirements

Education
Comments:
Rating: _____

Experience
Comments:
Rating: _____

Job Knowledge
Comments:
Rating: _____

Job Skills
Comments:
Rating: _____

Interest in Position
Comments:
Rating: _____

Problem-Solving Ability
Comments:
Rating: _____

Communication Skills
Comments:
Rating: _____

Leadership Skills
Comments:
Rating: _____

_____ TOTAL POINTS

Rater's Recommendation:

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FIGURE 6.7

"CAN DO" AND "WILL DO" FACTORS IN SELECTION DECISIONS

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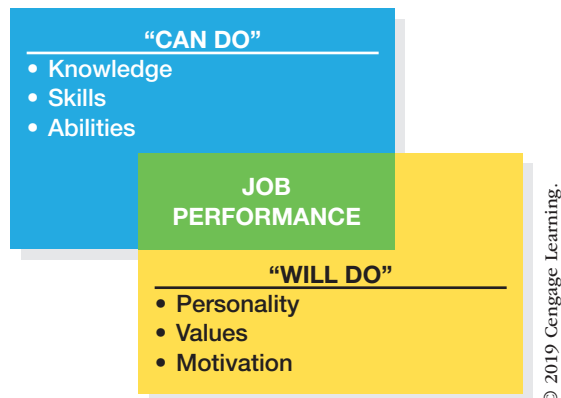
DECISION-MAKING STRATEGY

The strategy used for making personnel decisions for one category of jobs might differ from that used for another category. The strategy used to select managerial and executive personnel, for example, will be different from the strategy used to select clerical and technical personnel. Although many factors have to be considered in terms of making hiring decisions, the following are some of the questions that managers must consider:

1. Should the individuals be hired according to their highest potential or according to the needs of the organization?
2. At what grade or wage level should the individual be started?
3. Should the selection be concerned primarily with finding an ideal employee to match the job currently open, or should a candidate's potential for advancement in the organization be considered?
4. To what extent should those who are not qualified but are qualifiable (have potential) be considered?
5. Should overqualified individuals be considered?
6. What effect will a decision have on the organization's meeting its employment equity plans and diversity considerations?

In addition to these types of factors, managers must also consider which approach they will use in making hiring decisions. There are two basic approaches to selection: clinical (personal judgment) and statistical.

Clinical Approach

In the clinical approach to decision making, those making the selection decision review all the data on the applicants. Then, on the basis of their understanding of the job and the individuals who have been successful in that job, they make a decision. Different individuals often arrive at different decisions about an applicant when they use this approach because each evaluator assigns different weights to the applicant's strengths and weaknesses. Unfortunately, personal biases and stereotypes are frequently covered up by what appear to be rational reasons for either accepting or rejecting a candidate. Moreover, it can lead to a homogeneous workforce, because, as you learned in Chapter 5, according to the Attraction-Selection-Attrition (ASA) model, people are often tempted to hire applicants like themselves.

Statistical Approach

In contrast to the clinical approach, the statistical approach to decision making is more objective. It involves identifying the most valid predictors and weighting them using statistical methods, such as multiple regression.[45] Quantified data, such as scores or ratings from interviews, tests, and other procedures, are then combined according to their weighted value. Individuals with the highest combined scores are selected. A comparison of the clinical approach with the statistical approach in a wide variety of situations has shown that the statistical approach is superior. Although this superiority has been recognized for many decades, the clinical approach continues to be the one most commonly used.

With a strictly statistical approach, a candidate's high score on one predictor (such as a cognitive ability test) will make up for a low score on another predictor (such as the interview). For this reason, this model is a **compensatory model**. However, it is frequently important that applicants achieve some minimum level of proficiency on all selection dimensions. When this is the case, a **multiple cutoff model** can be used in which only those candidates who score above the minimum cutoff on all dimensions are considered. The selection decision is made from that subset of candidates.[46]

A variation of the multiple cutoff is referred to as the **multiple hurdle model**. This decision strategy is sequential in that after candidates go through an initial evaluation stage, the ones who score well are provisionally accepted and are

compensatory model
A selection decision model in which a high score in one area can make up for a low score in another area

multiple cutoff model
A selection decision model that requires an applicant to achieve a minimum level of proficiency on all selection dimensions

multiple hurdle model
A sequential strategy in which only the applicants with the highest scores at an initial test stage go on to subsequent stages

assessed further at each successive stage. The process continues through several stages (hurdles) before a final decision is made regarding the candidates. This approach is especially useful when either the testing or training procedures are lengthy and expensive.

Each statistical approach requires that a decision be made about where the cutoff lies—that point in the distribution of scores above which a person should be considered and below which the person should be rejected. The score that the applicant must achieve is the cutoff score. Depending on the labour supply and diversity considerations, it may be necessary to lower or raise the cutoff score.

Of course, the most valid predictors should be used with any selection strategy. Nonetheless, a related factor contributes to selecting the best qualified people: having an adequate number of applicants or candidates from which to make a selection. This formula is typically expressed in terms of a **selection ratio**, which is the ratio of the number of applicants to be selected to the total number of applicants. A ratio of 0.10, for example, means that 10 percent of the applicants will be selected. A ratio of 0.90 means that 90 percent will be selected. If the selection ratio is low, only the most promising applicants will be hired. When the ratio is high, very little selectivity will be possible because even applicants with mediocre abilities will have to be hired if the firm's vacancies are to be filled. When this is the situation, a firm's managers can fall prey to what some experts call the "desperation bias"—choosing someone because they are in a pinch. It is a common problem among managers because of the many time and operating constraints they face.

FINAL DECISION

In large organizations, managers or supervisors usually make the final decision about whom to hire and communicate it to the HR department. HR personnel then notify the candidate about the decision and make a job offer. The HR department should confirm the details of the job, working arrangements, hours, wages, and so on and specify a deadline by which the applicant must reach a decision. Initially, this information can be verbally communicated. It is commonplace to first contact candidates by phone to inform them of the offer. The offer should then be put in writing, generally in a letter to the candidate.

The process of notifying internal candidates is slightly different. Generally, the hiring manager contacts the candidates personally and informs them of the decision. However, it is still important to put the offer in writing if an internal candidate is chosen so that there is no ambiguity or dispute about its terms.

Rejecting both internal candidates and external candidates is a difficult task, but rejecting internal candidates can be particularly tricky. Most internal candidates seeking a promotion are valuable employees their firms would rather not lose. The manager delivering the bad news should explain to the employee that the person who got the job has skills that more closely aligned with the firm's needs but that the process has given the organization a better understanding of her or his background when future job openings arise. Also emphasize that the decision was made in a systematic way based on objective criteria but that it was nonetheless a hard one to make.[47]

Last, organizations should not fail to notify candidates who are not chosen for the position. This happens too often with both internal candidates and external candidates. It is not uncommon for external candidates to be customers of the firms to which they apply. Not letting them know about the employment decision can jeopardize that relationship. The same is true for internal candidates.

As you have read, the selection process is complex and, if all steps are used, very time consuming. However, if the best candidates are hired, the results are worth the effort.

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Small Business Application

What is different for small business is twofold. First, in all likelihood, the person conducting the interview will be the business owner or hiring manager rather than an HR generalist. This will not be true in all cases, as there may be times when small businesses work through temporary staffing companies or recruitment agencies; in this case, candidates would likely go through an interview with a recruitment specialist prior to being referred for consideration. Second, as we outlined in Chapter 3, the nature of working for a small company is that people must fit in with the team and assist in many different capacities. As a result, where selection for positions in large companies balances the importance of person–job fit and person–organization fit, in small companies, a greater focus is placed on person–organization fit combined with capability and motivation to do the job candidates are being hired for as well as providing assistance to others when needed.

So how do small companies ensure that their selection process effectively assesses a candidate's fit? With the twin goals of selection being to assess a candidate's skills to perform in the role and his or her ability to fit into the organization, many small companies conduct multiple interviews. One interview is conducted by the functional manager, which focuses on assessing the required job skill and fit with the operational leader. A second interview is conducted by the business owner or another manager, with the aim of assessing the candidate's capacity and demonstrated willingness to support other activities, as well as assessing organizational fit. References are then checked, with a cautionary recognition that references are seldom negative, even if past performance was unsatisfactory, as past employers do not wish to get involved in any controversy as a result of providing negative feedback.

As a final note, in Chapter 5, we identified that employee referrals and hiring family members are common practices in small companies. Small companies need to be very cautious in the selection process when considering referrals, friends, and family. Such selection creates bias, which must be factored into the selection process. This does not mean that small companies should not consider referrals, friends, and family. It just means that all steps should be taken to confirm that the candidate is the best candidate for the job based on job fit and organizational fit and so minimize hiring mistakes that come from incorrectly assuming the skills and fit of referrals, friends, or family. Research has shown that using formal recruitment and selection techniques was linked to positive employee perceptions, including of owner commitment, and, more interesting, also linked to predictions of employee loyalty.

Summary

OUTCOME 1   The employee selection process should start with a job analysis. The steps in the selection process and their sequence will vary not only with the organization but also with the type and level of jobs to be filled. The employee selection process should provide reliable and valid information about applicants so that their qualifications can be carefully matched with the job's specifications. The information that is obtained should be clearly job related, predict success on the job, and be free from potential discrimination. Reliability refers to the consistency of test scores over time and across measures. Validity refers to what a test or other selection procedure is supposed to measure and how well it actually measures it.

OUTCOME 2   Initial applicant screening tools include résumés and cover letters, application forms, references, Internet checks and phone screening, and sometimes short electronic questionnaires. Despite problems with its validity, the employment interview remains central to the selection process. Depending on the type of job, applicants could be interviewed by one person, members of a work team, or other individuals in the organization. Structured interviews have been found to be better predictors of the performance of job applicants than nonstructured interviews. Some interviews are situational and can focus on hypothetical situations or behavioural descriptions of a candidate's previous work experiences. Most interviews are conducted in person, but they can also be conducted via video or phone or administered by a computer (automated). Post-interview screening tools include reference and background checks, including criminal and credit checks.

OUTCOME 3   Preemployment tests are more objective than interviews and can give managers a fuller sense of the capabilities of different candidates. A wide range of tests exist. Cognitive ability tests are especially valuable for assessing verbal, quantitative, and reasoning abilities. Personality and interest-inventory tests are perhaps best used for placement

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or career development. Job knowledge and work sample tests are achievement tests that are useful for determining whether a candidate can perform the duties of the job without further training. Physical ability tests can be used to prevent accidents and injuries, particularly for physically demanding work. However, they must not be used if they have a disparate impact on candidates in designated classes. A test's validity can be assessed in terms of whether the measurement is based on a job specification (content validity), whether test scores correlate with performance criteria (predictive validity), and whether the test accurately measures what it purports to measure (construct validity).

OUTCOME 4   In the process of making decisions, all "can do" and "will do" factors should be assembled and weighted systematically so that the final decision can be based on a composite of the most reliable and valid information. Although the clinical approach to decision making is used more than the statistical approach, the former lacks the accuracy of the latter. Compensatory models allow a candidate's high score on one predictor to make up for a low score on another. When the multiple cutoff model is used, only those candidates who score above a minimum cutoff level remain in the running. A variation of the multiple cutoff is the multiple hurdle model, which involves several stages and cutoff levels. Organizations should not fail to notify candidates who are not chosen for jobs. Those who are chosen should receive their offers in writing so that the terms are clearly agreed upon and be given a time to limit to either accept or reject the offer.

Key Terms

assessment centre test, 227
behavioural description interview (BDI), 217
compensatory model, 235
computer-administered (automated) interview, 220
concurrent validity, 232
construct validity, 232
content validity, 232

criterion-related validity, 232
cross-validation, 232
multiple cutoff model, 235
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situational interview, 217
structured interview, 216
validity, 211
video interviews, 220
video résumés, 213

Discussion Questions

1. In groups, describe to each other the steps in the selection process that you experienced in a recent job search. Compare these experiences and discuss the reasons why there would be differences.
2. Compare briefly the major types of employment interviews described in this chapter. Which type would you prefer to conduct? Why?
3. What characteristics do job knowledge and job sample tests have that often make them more acceptable to the examinees than other types of tests?
4. What is meant by the term *criterion* as it is used in personnel selection? Give some examples of criteria used for jobs with which you are familiar.
5. In what ways does the clinical approach to selection differ from the statistical approach? How do you account for the fact that one approach is superior to the other?

HRM Experience

Designing Selection Criteria and Methods

Making hiring decisions is one of the most important—and difficult—decisions a manager makes. Without good information, managers have almost no chance of making the right choice. The process begins with a sound understanding of the job: the tasks, duties, and responsibilities associated with it and the knowledge, skills, and abilities needed to do it. A job analysis should be done to make certain that all managers have assembled all of the information they need to ensure a good

(*Continued*)

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person–job fit. However, this information may not be enough. Other information about the company's values and philosophy is likely to be required to ensure that a good person–organization fit results.

Assignment

1. Working in teams of four to six, choose a job with which you are familiar and identify the most important KSAOs needed for someone doing the job to perform well.

2. Next, identify which methods you would use to find candidates with these qualities. Would you use applications, interviews, cognitive or ability tests, work samples, or something else? Explain why you would use these methods you identified and justify the cost and time required to conduct each.

3. After you have identified your selection criteria and methods, do a "reality check" in a real organization. Interview a manager who employs someone in that job. For example, if the job you selected is salesperson, go to a local business to learn how it selects individuals for sales jobs. Compare what you thought would be a good selection approach to what you learned from the company you visited.

4. Identify the reasons for any discrepancies between your approach and theirs. Are the reasons justified and sound?

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Case Study 1

JOB CANDIDATE ASSESSMENT TESTS GO VIRTUAL

A growing number of preemployment tests simulate a job's functions and are being conducted with software. You can liken them to video games but within a work setting. Toyota, Starbucks, and the paint maker Sherwin-Williams have successfully used virtual job simulations to assess applicants. The national real estate firm Royal LePage placed a banner on its careers section inviting candidates to try a real estate simulation to determine whether real estate was the right career. Recruitment leads jumped 300 percent. CIBC's call centre also uses a simulation of the work of a call centre employee, allowing candidates to experience the work of a call centre employee while simultaneously having their skills assessed by CIBC recruiters.

At Toyota, applicants participating in simulations read dials and gauges, spot safety problems, and use their ability to solve problems; at the same time, their general ability to learn is assessed. The candidates can see and hear about the job they are applying for from current Toyota employees. National City Bank has used virtual assessments to test call centre candidates and branch manager candidates. Call centre candidates are given customer service problems to solve, and branch manager candidates go through a simulation that assesses their ability to foster relationships with clients and make personnel decisions.

Virtual assessment tools, which are produced by companies such as Shaker Group Consulting and Profiles International, do not come cheap. Although they can cost tens of thousands of dollars, larger companies that can afford them say they are worth it. The benefits are better-qualified candidates, faster recruiting, and lower turnover among employees hired. KeyBank says that by using virtual testing tools, it realized savings of more than $1.75 million per year due to lower turnover. Candidates also seem to like the assessments because they provide a more realistic job preview and make them feel as if they are being chosen for jobs based on more than just their personalities or interview performance. "It was a very insightful experience that made you think about what exactly you like and dislike in the workplace and if you really enjoy helping customers and have patience to do so," says one candidate tested for a customer service job.

HR experts warn that companies need to be sure they are not simply buying glitzy simulations that do not translate well to the jobs for which they are hiring. Also, the screening tools could potentially eliminate candidates who have trouble with simulations or computers but might make good employees. You should ask the vendor to provide evidence that these methods are reliable and valid.

1. What do you think are the prime advantages and disadvantages of "virtual tryouts?"

2. Do you think there would be any employment equity concerns regarding this system?

3. Do you think virtual job tryouts might be better suited for some jobs than others? If so, which ones?

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Case Study 2

PROS AND CONS OF CLEANING UP THE "RESU-MESS"

HR and hiring managers often find themselves swamped by résumés because they are so easy to send with a click of a button. Some large retailers can get a million or more résumés a year. Even small businesses get flooded with them. When Raising Cain, a Louisiana-based fast-food chain, opened an office in Dallas, the firm needed to hire 35 people. It received 10,000 résumés and had to hire an outside firm to help sort through them.

Applicant tracking systems and résumé-screening software are helping harried HR personnel, managers, and business owners cope with the problem. After résumés are screened and reviewed, interviews can be scheduled automatically using a firm's email system and electronic calendar, and job offers sent to candidates to sign electronically and return. Many job boards have résumé screening capabilities and algorithms to recommend candidates similar to the way Amazon recommends products based on what a person has purchased in the past.

Not all HR professionals are fans of résumé-screening software, however. Managers tend to use huge numbers of key words so that very few applicants can make it past the screen. Different kinds of software can have different kinds of glitches. The software might not read certain types of fonts or reject a résumé of a good candidate if it contains a single typo. Unqualified applicants have learned to "pepper" their résumés with a job's key-words to get past résumé-screening software.

Peter Cappelli, a University of Pennsylvania professor, has written a book called *Why Good People Can't Get Jobs*. Cappelli relates an incident in which an HR manager put his own résumé through his company's screening process and got rejected. In another instance, an engineering firm received more than 25,000 résumés for a job but none of the candidates made it past electronic screening.

There is also a lack of the human touch and judgment in the process. Résumé-screening software can't easily pick up on candidates' "soft" skills, such as a person's ability to interact well with other people. And managers don't end up seeing interesting résumés—résumés from people who have different skills or life experiences that would translate well to the job. Consequently, a lot of people who would make excellent employees never get a glance.

Some recruiters have found ways to avoid the downsides of automatic résumé screening altogether. Kevin Mercuri, president of Propheta Communications, a public relations firm in New York City, got tired of being swamped by résumés. Now when he needs to recruit personnel, he posts a message about job openings on his LinkedIn page. "I get people vouching for each applicant, so I don't have to spend hours sorting through résumés," he says.

Questions

1. What impact do you think résumé screening tools are having on HR departments? What about line managers? Would you use the software to screen résumés?

2. How might the drawbacks associated with résumé-screening software be addressed?

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Case Study 3

SEARCHING FOR SPIES

The Canadian Security Intelligence Service (CSIS) is a civilian-run agency, formerly the Security Services of the RCMP. Its role is defensive: to protect Canada from terrorists and foreign spies. It does not send armed spies overseas. Curiously, for an extremely private organization, CSIS has been named a top employer three years in a row by Mediacorp Canada, a specialty publisher of employment-related periodicals.

Since the 9/11 attacks, CSIS has added about 500 new staff, and now new hires represent about 15 percent of its workforce. Selecting spies used to be a secret process. There was no public knowledge about how spies were recruited, what the job description was, and what the selection criteria and methods were.

Each year, CSIS receives 3,000 unsolicited applicants for about 100 openings. However, most of these applications are from unqualified James Bond "wannabes." CSIS wants highly qualified, well-educated, multilingual, multiskilled employees. It recruits openly, and its selection criteria and processes are public.

In 2008, CSIS recruited at 53 career fairs, 142 information sessions, and 18 special career events. However, in an effort to recruit more members of visible minorities, it also uses the Internet, business breakfasts, professional associations, and academic connections. If you want to apply, CSIS looks for Canadian citizens who are university graduates, preferably with advanced degrees. You must have a valid driver's licence and be able to relocate anywhere in Canada at any time. You will have lived or studied abroad, be proficient in English and French, and have a third or fourth language. CSIS looks for generalists: people who are knowledgeable about international and political issues and who have investigative and analytical skills. As a CSIS employee, you will not be able to discuss your work with outsiders at any time.

As an applicant, you must go through the following selection process:

- Submit a résumé.
- Complete a 12-page application, which also involves writing a 500-word essay explaining why you want to become an intelligence officer.
- Attend a group information session, where recruiters and intelligence officers answer questions.
- Attend a suitability interview, where your motivation and verbal and people skills are judged.
- Take a battery of psychological and aptitude tests.
- Have your language skills tested.
- Attend a national assessment panel— veterans will assess your motivation, knowledge of CSIS, and general awareness of public affairs.
- Be submitted to security clearance procedures (including a polygraph test, fingerprints, a lie detector test, a credit check, a criminal record check, and references back to teen years), which take three months and cost thousands of dollars.
- Go to a final interview.

This is a multiple-hurdle model of selection. As a candidate, you will have to pass each hurdle before being allowed to continue to the next. If successful, you will be on probation for five years, undergo 12 weeks of classroom training and language training, and spend two or three years at an operations desk at headquarters before being transferred to the field under the guidance of a mentor.

Questions

1. Do you think the selection system used by CSIS is valid? Using your knowledge of validity, rate each step in this process.
2. One reason CSIS went public was to increase the representation of women from 10 percent to a target of 50 percent. Are there any possible problems with discrimination in this selection system? Discuss.

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Answers to Figure 6.5: 3, 3, 4

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Training and Development

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Discuss the scope of training and development and its strategic aspects.

LO 2 Describe how a training needs assessment should be done.

LO 3 Describe the factors that must be taken into account when designing a training program.

LO 4 Identify the types of training delivery methods organizations use.

LO 5 Explain how the effectiveness of training programs is evaluated and describe some of the additional training programs conducted by firms.

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Workplace training used to be rather boxlike. It focused on teaching employees to do particular activities—operate machines, process work, and so forth. However, as the workplace has shifted from "touch labour" to "knowledge workers" (see Chapter 1), the focus of training has shifted as well. Companies are realizing that workers need not only operational know-how but also superior job expertise; knowledge about competitive, industry, and technological trends; and the ability to continually learn and utilize new information. These characteristics better help an organization adapt and innovate to compete far more effectively in today's fast-paced global business world. Because training plays a central role in nurturing, strengthening, and expanding the capabilities of a firm in this way, it has become part of the backbone of strategic management.

THE SCOPE OF TRAINING

Many new employees come equipped with most of the knowledge, skills, and abilities needed to start work. Others require extensive training before they are ready to make much of a contribution to the organization. The term *training* is often used casually to describe almost any effort initiated by an organization to foster learning among its members. However, many experts distinguish between *training*, which tends to be more narrowly focused and oriented toward short-term performance concerns, and *development*, which, as you learned in Chapter 5, tends to be oriented more toward broadening an individual's skills for future responsibilities. The two terms tend to be combined into a single phrase—training and development—to recognize the combination of activities organizations use to increase the knowledge and skills of employees.

Research shows that an organization's revenues and overall profitability are positively correlated to the amount of training it gives its employees. According to the Conference Board of Canada, Canadian organizations provide each of their employees with about 25 hours of training annually.[1] By contrast, the 100 best U.S. companies to work for, as cited by *Fortune* magazine, provide their employees with approximately triple that amount of training and sometimes even more. New employees hired by the Ritz-Carlton hotel chain get over 300 hours of training. The greatest proportion of training is spent on rank-and-file employees and supervisors.

It's not unusual for large corporations, especially in the United States, to have their own "universities" where they train their employees and future managers. Hamburger University, operated by McDonald's Corporation near Chicago, is probably the best known corporate university. GE has a 53-acre training campus north of New York City, where about 10,000 people attend classes each year.

Businesses spend nearly *four times* as much on informal instruction as they do on formal instruction, however. The informal instruction ranges from simple, on-the-job instruction to sophisticated skills training conducted on multimillion-dollar simulators. Other types of training include regular training given to new hires, customer service and communication skills training, and compliance training—training employees must receive as a result of various legal mandates, such as employment equity or occupational health and safety requirements. Ethics in HRM presents the debate about the effectiveness of mandatory training for employees.

A STRATEGIC APPROACH TO TRAINING

Managers should keep a close eye on their firm's goals and strategies and orient their training accordingly. For example, is it the firm's goal to develop new product lines? If so, how should this goal affects its training initiatives? Is the firm trying to lower its costs of production so it can utilize a low-cost strategy to capture new business? If so, are there training initiatives that can be undertaken to deliver on this strategy?

Unfortunately, some organizations fail to make the connection between training and an organization's goals. Instead, they do "whatever the competition is

Ethics in HRM

Mandatory or Voluntary?

There is only one payroll training tax in North America. The Quebec government program that forces employers to spend 1 percent of payroll on training may not have the intended consequences of increasing training investments in employees. Using data from a Statistics Canada survey, Alan Saks of the University of Toronto and Robert Haccoun of the Université de Montréal matched Quebec employers with Ontario employers and found that there were no differences in amounts spent on training. The paperwork is so cumbersome that many employers prefer to pay the 1 percent tax rather than go through the thick guidebooks necessary to report the training.

There are many other mandatory training programs across Canada. In addition to legal requirements in posting information on employment standards, occupational health and safety, accessibility, pay equity plans, workplace violence policies, among others, legislation require organizations to have formal training programs in place. This includes training in Workplace Hazardous Materials Information System (WHMIS); the training program must include an explanation of the purpose and contents of supplier and workplace labels, the storage and handling of hazardous products, and safety procedures. Health and Safety legislation requires employers to ensure that they have a basic awareness program in place. And workplace and sexual harassment legislation requires adequate instruction and training on the policies and programs in pace.

If little effect is gained by forcing employers to provide training, are there benefits by forcing employees to attend training? The answer is not clear: some studies report some slight benefits in outcomes (such as improved job performance) when employees voluntarily attend courses; other studies see no differences.

There may be more serious problems than performance results created by forcing employees to attend courses. Half of the 24 employees of SaskTel who participated in a training program on process reengineering required psychological counselling, stress leave, or both in its aftermath. Trainees said they were subjected to a greenhouse environment: windows were papered over, employees were not allowed to communicate with one another, and all were subjected to verbal abuse from the training consultants. As the president of the Ontario Society for Training and Development commented, "That's not training, that's assault."

Seagulls Pewter and Silversmiths of Pugwash, Nova Scotia, sent its employees to seminars based on the controversial Erhard Seminars Training (EST) therapy. Employees complained to their union that the seminars, in which participants were encouraged to delve into painful emotions, often drove participants to breakdowns. In another example, a large insurance company hired a consultant to conduct management training for hundreds of supervisors and managers. The company did not realize that the consultant was a member of L. Ron Hubbard's Church of Scientology and was teaching management principles developed by scientologists. Critics contend that scientology is a cult, not a religion. Employees resented being subjected to psychological concepts based on "tones" that catalogue emotions, to the ruthless devotion to ferreting out and firing problem employees, and to "religious scriptures."

The employees in these organizations were required to participate in programs that caused them undue stress and sometimes violated their moral or religious beliefs. Those who organized the programs believed that employees with the "right" attitudes would be more effective.

Sources: A. Gegenfurtner, K. Konings, N. Kosmajac, M. Gebhardt, and K. Harding, "Voluntary or Mandatory Training Participation as a Moderator in the Relationship between Goal Orientations and Transfer of Training," *International Journal of Training & Development*, 20, No. 4 (December 2016): 290–301; C. Curado, P. Henriques, and S. Ribeiro, "Voluntary or Mandatory Enrollment in Training and the Motivation to Transfer Training," *International Journal of Training & Development* 19, no. 2 (June 2015): 98–109; "A Taxing Way to Train Staff," *The Globe and Mail* (June 4, 2003): C1; D. Brown, "Legislated Training, Questionable Results," *Canadian HR Reporter* 15, no. 9 (May 6, 2002): 1; A. Tomlinson, "Mandatory or Voluntary?" *Canadian HR Reporter* 15, no. 6 (March 25, 2002): 1; Edward Kay, "Trauma in Real Life," *The Globe and Mail Report on Business Magazine* (November 1996): 82–92; J. Saunders, "How Scientology's Message Came to Allstate," *The Globe and Mail* (April 24, 1995): B1; R. Sharpe, "Agents of Intimidation," *The Globe and Mail* (March 28, 1995): B8.

doing." As a result, training programs are often misdirected, poorly designed, and inadequately evaluated—not to mention a waste of money. First, not all of a firm's strategic initiatives can be accomplished with training. Second, not all training programs—no matter how widely they are adopted by other organizations—will be a strategic imperative for your firm.

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FIGURE 7.1

STRATEGIC MODEL OF TRAINING

Strategic Model for Training and Development
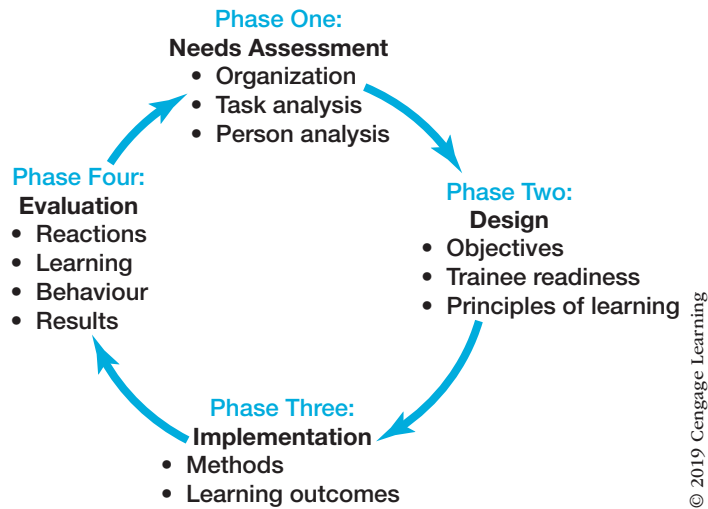
Phase One:
Needs Assessment
- Organization
- Task analysis
- Person analysis

Phase Four:
Evaluation
- Reactions
- Learning
- Behaviour
- Results

Phase Two:
Design
- Objectives
- Trainee readiness
- Principles of learning

Phase Three:
Implementation
- Methods
- Learning outcomes

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chief learning officer
A high-ranking manager directly responsible for fostering employee learning and development within the firm

Because business conditions change rapidly, as does technology, keeping abreast of the types of training a firm's employees need to remain competitive can be a challenge. If employees consistently fail to achieve their productivity objectives, this might be a signal that training is needed. Likewise, if organizations receive an excessive number of customer complaints, this, too, might suggest that a firm's training is inadequate. Larger firms, including GE, Walmart, and IBM, sometimes have what are called **chief learning officers**. These people are top executives within their firms who are responsible for making certain that a company's training is timely and focused on the firm's top strategic issues.

To ensure that a firm's training and development investment has the maximum impact possible, a strategic and systematic approach should be used that involves four phases: (1) a needs assessment based on the firm's competitive objectives: What training does the firm really need? (2) program design: given those needs, how should the training program be designed or structured? (3) implementation: how should the program be delivered—that is, by what method? (4) evaluation: how can the firm tell if the training program is really working? Figure 7.1 presents these elements. We will use it as a framework for organizing the material throughout this chapter.

PHASE 1: CONDUCTING THE NEEDS ASSESSMENT

LEARNING OUTCOME 2

If you were launching a new business, what factors would you look at to conduct a needs assessment for your new venture?

If you own or manage a business, how would you figure out what types of training your employees need and how much of it? The following are some of the most common types of training employees are given:

- orientation training for new hires
- basic on-the-job training for new hires
- managerial training
- sales training
- executive training
- information technology (IT)/computer training

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- customer service training
- compliance (regulations) training
- ethics training
- diversity training

To answer these questions, you need to conduct a training needs assessment. Some types of businesses are more likely to require different types of training than others. However, a study conducted a few years ago by the American Society for Training and Development found that organizations conduct needs assessment less than 50 percent of the time. This situation has improved somewhat, in part because tighter training budgets have forced firms to ensure that their training is well aligned with their objectives. Being able to quickly assess the training your employees need is especially important for small businesses that may not have the time or resources to do lengthy needs assessment analyses. Doing a needs assessment does not need to be a labourious task.[2] Highlights in HRM 7.1 provides some tips for rapidly assessing training needs.

Highlights in HRM 7.1

Notes on Rapid Needs Assessment

NOTE 1: *Look at the problem scope.* Common sense suggests that small, local matters may require less information gathering than big problems with a major impact on the organization. Ask managers a series of questions about the nature of the problem and its impact on the organization and gear your analysis accordingly.

NOTE 2: *Do organizational scanning.* Stay connected with what is going on in the organization in order to anticipate upcoming training needs. If a new technology is about to be launched, the need for training should take no one by surprise. In short, needs assessment isn't an event with a start-and-stop switch. It is the process of being engaged in your business.

NOTE 3: *Play "give and take."* Get the information you need, but don't drag your feet with excessive analysis before reporting back to managers. Show them that you are sensitive to their need for action by giving them updates on the information you have collected. If necessary, explain that better value may be gained by further analysis.

NOTE 4: *Check "lost and found."* Often, information gathered for a different purpose may bear on your training issue. Performance data (such as errors, sales, and customer complaints) and staffing data (such as proficiency testing, turnover, and absenteeism) can be very helpful as a starting point.

NOTE 5: *Use plain talk.* Instead of using clinical terms such as analysis or assessment, use straight talk with managers that tells them what you are doing: (1) identify the problem, (2) identify alternative ways to get there, (3) implement a solution based on cost/benefit concerns, and (4) determine the effectiveness and efficiency of the solution.

NOTE 6: *Use the Web.* Information technology allows you to communicate with others, perhaps by setting up an electronic mailing list to post questions, synthesize responses, share resources, get feedback, gather information on trends, and the like.

NOTE 7: *Use rapid prototyping.* Often the most effective and efficient training is that which is "just-in-time, just enough, and just for me." Create a rapid prototype of a training program, evaluating and revising as you implement, and learn more about the problems.

NOTE 8: *Seek out exemplars.* Find those in the organization that currently demonstrate the performance the organization wants. Bring others together with them to talk about the performance issues, and let the exemplars share their experiences and insights. This avoids the risk of packaging the wrong information, and people learn just what they need to know from each other.

Source: Condensed from Ron Zemke, "How to Do a Needs Assessment When You Think You Don't Have Time," *Training* 35, no. 3 (March 1998): 38–44. Reprinted with permission from the March 1998 issue of *Training* magazine. Copyright 1998. Bill Communications, Inc., Minneapolis, MN. All Rights Reserved. Not for resale.

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FIGURE 7.2

NEEDS ASSESSMENT FOR TRAINING
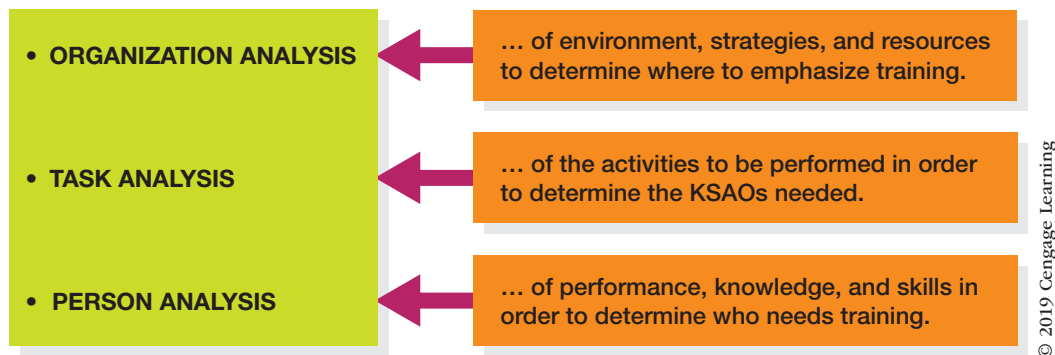
- ORGANIZATION ANALYSIS ← … of environment, strategies, and resources to determine where to emphasize training.

- TASK ANALYSIS ← … of the activities to be performed in order to determine the KSAOs needed.

- PERSON ANALYSIS ← … of performance, knowledge, and skills in order to determine who needs training.

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organization analysis
Examination of the environment, strategies, and resources of the organization to determine where training emphasis should be placed

task analysis
The process of determining what the content of a training program should be on the basis of a study of the tasks and duties involved in the job

As Figure 7.2 shows, a needs assessment consists of three parts: an organization analysis, a task analysis, and a person analysis. Each of these steps will be discussed next.

ORGANIZATION ANALYSIS

An **organization analysis** is an examination of the environment, strategies, and resources the firm faces so as to determine what training it should emphasize. For this purpose, HR personnel typically collect data such as information on the quality of goods or services they provide, absenteeism, turnover, and number of accidents to determine what type of training is needed. The availability of potential replacements and the time required to train them are important factors in organization analysis. Other issues, such as technological change, globalization, quality improvement and employee-empowerment initiatives, mergers and acquisitions, and restructuring, necessitate training. Why? Because they frequently require employees, especially new leaders in a firm, to take on new roles and responsibilities and adjust to new cultures and ways of conducting business.

Economic and public policy issues influence corporate training needs as well. For example, since the September 11, 2001, terrorist attacks, the training of airport security personnel has increased substantially. It has also increased for flight crews of airlines, employees in the transportation industry, workers in nuclear power plants, and even security staff at theme parks.[3] Finally, trends in the workforce itself affect a firm's training needs. As older workers near retirement, younger workers need to focus on gaining the skills and knowledge needed to take their place.

Conducting an organization analysis also involves closely examining a firm's resources—technological, financial, and human—available to conduct the training. HR departments are under constant pressure to make the most of their training dollars. Companies such as Motorola, Ford, and Merck have found that by using IT wisely, they significantly cut their training budgets. Other companies outsource their training programs, or at least part of them, to external firms to cut costs or to take advantage of expertise the firm lacks. Other organizations purchase "off-the-shelf" course materials developed by training companies rather than develop their own. A new trend is for companies to partner with other firms in their supply chains so as to jointly train their employees more cost-effectively.[4]

TASK ANALYSIS

The second step in training needs assessment is task analysis. **Task analysis** involves reviewing the job description and specifications to identify the activities performed in a particular job and the knowledge, skills, abilities, and other

attributes (KSAOs) needed to perform them. For a firm's current jobs, this information can generally be drawn from a job analysis. If the job is new or jobs are changing, the first step in a task analysis is to list all the tasks or duties included in the job. The second step is to list the steps performed by the employee to complete each task. The type of performance for each task (i.e., manipulation, speech, and discrimination), along with the skills and knowledge necessary to do it, can then be identified. For example, in the task of taking a chest X-ray, a radiologist correctly positions the patient (manipulation), gives special instructions (speech), and checks the proper distance of the X-ray tube from the patient (discrimination). The types of skills and knowledge that trainees need can be determined by observing and questioning skilled jobholders or by reviewing job descriptions. This information helps trainers select program content and choose the most effective training methods.

In today's fast-paced environment, jobs are changing quickly. So, instead of focusing on a fixed sequence of tasks, more firms are finding that their employees need more flexible sets of competencies to adapt to help the firm adapt to changing conditions. A **competency assessment** focuses on the sets of skills and knowledge employees need to be successful, particularly for decision-oriented and knowledge-intensive jobs. But a competency assessment goes beyond simply describing the traits employees must have to successfully perform the work. It also captures elements of how those traits should be used within an organization's context and culture. That might include the motivation levels of employees, their interpersonal skills, and so on. "It's easy for top performers to become experts in a certain niche, but 'talent factories' focus on creating generalists. To get the most from talented employees, they should know how to handle a wide range of functions," explains one HR consultant.[5]

Instead of offering a laundry list of training plans as it used to, Amway has established job competencies for all 17,000 of its employees around the world. The competencies denote the particular skills each employee needs for his or her job and a training "road map" to get them. The company also got rid of off-the-shelf training courseware that did not align with its business goals.[6] Highlights in HRM 7.2 shows an example of a partial competency assessment tool used for evaluating a manager.

PERSON ANALYSIS

A **person analysis** involves determining which employees require training and, equally important, which do not. This helps organizations avoid the mistake of sending all employees into training when some do not need it. In addition, a

As older workers near retirement, younger workers must be trained in the skills and knowledge needed to take their place.

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Highlights in HRM 7.2

A Competency Assessment for a Managerial Position

For each item, circle the number that best describes the manager's characteristics. For items that do not apply, circle **NA** (not applicable). For other items for which you lack sufficient observations or documentary evidence, circle **DK** (don't know).

4—Exemplary

3—Proficient

2—Progressing

1—Needs Assistance

NA—Not Applicable

DK—Don't Know

Competency 1: Behaves professionally and encourages other staff members to do likewise

4 3 2 1 NA DK

Evidence _____

Competency 2: Behaves ethically and encourages staff members to do likewise

4 3 2 1 NA DK

Evidence _____

Competency 3: Uses a variety of modes of communication and conveys information fully and clearly

4 3 2 1 NA DK

Evidence _____

Competency 4: Seeks input from all levels and demonstrates fairness and consistency

4 3 2 1 NA DK

Evidence _____

Competency 5: Engages in an open style of management and is open to criticism from supervisors and subordinates

4 3 2 1 NA DK

Evidence _____

Competency 6: Searches for and embraces innovative solutions to improve department's programs and products

4 3 2 1 NA DK

Evidence _____

person analysis helps managers determine what prospective trainees are able to do when they enter training so that the programs can be designed to emphasize the areas in which they are deficient. Performance appraisal information can also be used to conduct a person analysis. However, although performance appraisals might reveal which employees are not meeting the firm's expectations, they typically do not reveal why. If the performance deficiencies are due to ability problems, training is likely to be a good solution. However, if the performance deficiencies are due to poor motivation or factors outside an employee's control, training might not be the answer. Conducting a deeper performance diagnosis is discussed in Chapter 8. Ultimately, managers have to sit down with employees to talk about areas for improvement so that they can jointly determine the training or other approaches that will have maximum benefit.[7]

PHASE 2: DESIGNING THE TRAINING PROGRAM

LEARNING OUTCOME 3

You have had years of educational experiences. What have you learned about how you and others learn best?

Once you have assessed your firm's training needs, the next step is to design the training program. Experts believe that the design of training programs should focus on at least four related issues: (1) the training's instructional objectives, (2) readiness of trainees and their motivation, (3) principles of learning, and (4) characteristics of instructors.

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DEVELOPING INSTRUCTIONAL OBJECTIVES

After conducting organization, task, and person analyses, managers should have a more complete picture of their firms' training needs. On the basis of this information, they can more formally state the desired outcomes of training via written **instructional objectives**, which describe the skills or knowledge to be acquired and/or the attitudes to be changed. The objectives should be performance centred. Performance-centred objectives typically include precise terms, such as "to calculate," "to repair," "to adjust," "to construct," "to assemble," and "to classify."[8] For example, the stated objective for one training program might be, "Employees trained in team methods will be able to perform the different jobs of their team members within six months."

ASSESSING THE READINESS AND MOTIVATION OF TRAINEES

Two preconditions for learning affect the success of those who are to receive training: readiness and motivation. *Trainee readiness* refers to whether or not the experience and knowledge of trainees have made them ready to absorb the training. Do they have the background knowledge and the skills necessary to absorb what will be presented to them?

It is often desirable to group individuals according to their readiness, as determined by test scores or other assessment information, and to provide alternative types of instruction for those who need it. The receptiveness and readiness of participants in training programs can be increased by having them complete questionnaires about why they are attending training and what they hope to accomplish as a result of it.

The other precondition for learning is *trainee motivation*. The organization needs to help employees understand the link between the effort they put into training and the payoff. Why is the training important? What will happen if it does not occur? Moreover, what is in it for the individual employee? By focusing on the trainees themselves, managers can create a training environment that is conducive to learning.

Most employees are motivated by training opportunities that allow them to develop their skills and advance their careers. However, employees differ from one another in the relative importance of these needs at any given time. For example, new college graduates often have a high desire for advancement, and they have established specific goals for career progression. This may be less the case for older employees nearing retirement.[9] Allowing employees to undergo training in areas that they want to pursue rather than merely assigning them certain training activities can also be very motivating—so can enlisting employees to train other employees with the information they learn. Who in an organization does not want to be called upon for their expertise?

INCORPORATING THE PRINCIPLES OF LEARNING

What makes some types of training more effective than others? Training has to build a bridge between employees and the organization. One important step in this transition is giving full consideration to the psychological principles of learning—that is, the characteristics of training programs that help employees grasp new material, make sense of it in their own lives, and transfer it back to their jobs. All things considered, training programs are likely to be more effective if they incorporate the principles of learning shown in Figure 7.3.

Goal Setting

When trainers take the time to explain the training's goals and objectives to trainees—or when trainees are encouraged to set goals on their own—the level of interest, understanding, and effort directed toward the training is likely to

FIGURE 7.3

PRINCIPLES OF LEARNING
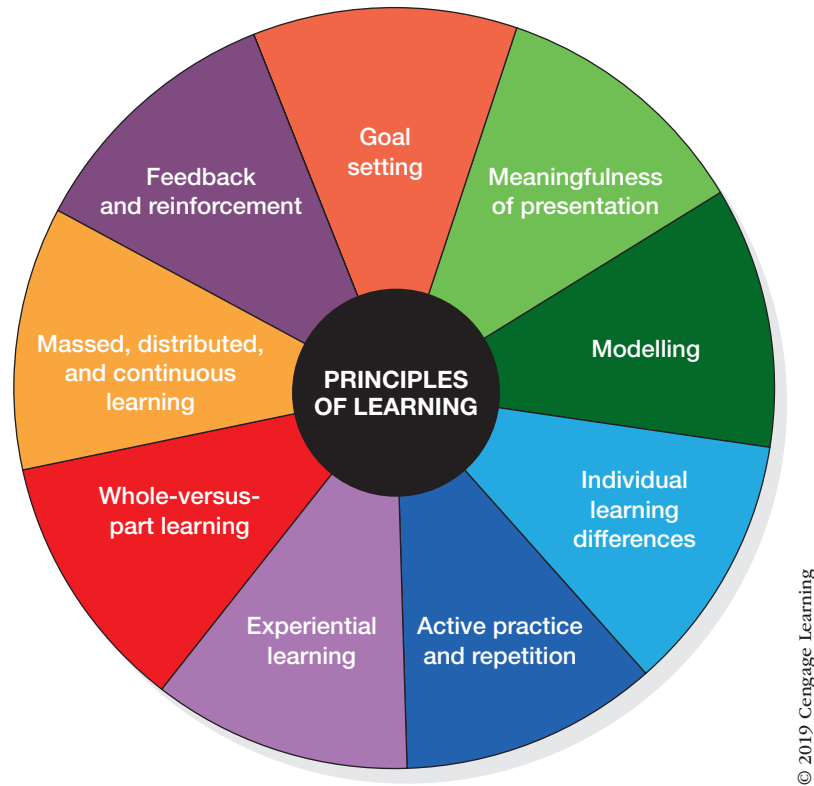
increase. In some cases, goal setting can simply take the form of a "road map" of the course or program, its objectives, and its learning points.[10]

Meaningfulness of Presentation

Quite simply, trainees will be better able to learn new information if it is presented using terminology they can understand and the training is connected with things already familiar to them. This is the reason why trainers frequently use colourful examples to which trainees can relate. The examples make the material meaningful. In addition, material should be arranged so that each experience builds on preceding ones. In this way, trainees are able to integrate the experiences into a usable pattern of knowledge and skills.

Modelling

The old saying "A picture is worth a thousand words" applies to training. Just as examples increase the meaningfulness of factual material or new knowledge in a training environment, modelling increases the salience of behavioural training. In other words, people learn by mimicking other people. For example, if you were learning to ride a horse, it would be much easier to watch someone do it—and then try it yourself—than to read a book or listen to a lecture and hope you can do it right.[11]

Modelling can take many forms. Real-life demonstrations and recorded demonstrations, visual aids, pictures, and drawings can get the message across. In some cases, modelling the wrong behaviour can even be helpful if it shows trainees what not to do and then clarifies the appropriate behaviour.

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Individual Learning Differences

People learn at different rates and in different ways. Visual learners absorb information best through pictures, diagrams, and demonstrations. Verbal learners absorb information best through spoken or written words. Similarly, some students who do horribly in large lecture settings will excel in small discussion classes.

Trainers can help accommodate different learning styles in a variety of ways. The key is to avoid delivering the material in only one way. So, for example, instead of delivering a monologue, trainers should incorporate variety into their presentations. They should use visualization aids, encourage the participation of learners by including them in demonstrations, and ask them questions about their own experiences. Hands-on activities and breaking large groups into smaller groups for specific activities can also help trainers accommodate different learning styles.[12]

Active Practice and Repetition

Those things we do daily become a part of our repertoire of skills. Trainees should be given frequent opportunities to practise their job tasks in the way they will ultimately be expected to perform them. An individual who is being taught how to operate a machine should have an opportunity to practise on it. A manager who is being taught how to train should be given supervised practice in training.

The value of practice is that it causes behaviours to become second nature. For example, when you first learned to drive a car, you focused a great deal on the mechanics: "Where are my hands, where are my feet, and how fast am I going?" As you practised driving, you began to think less about the mechanics and more about the road, the weather, and the traffic. Other forms of learning are no different—by practising, a trainee can forget about distinct behaviours and concentrate on the subtleties of how they are used.

Experiential Learning

Experiential learning refers to the process of learning by experience or "doing," often outside the classroom and without traditional ready-made learning content. Experiential learning might sound like hands-on learning, which can be a part of experiential learning, but it is more than that. It involves not only engaging in an activity, but reflecting on it, critically analyzing it—and potentially improving upon it—and then applying it in new situations or settings. Benjamin Franklin once said, "Tell me and I forget, teach me and I remember, involve me and I will learn." Experiential learning corresponds to the "involve me and I will learn" part of Franklin's statement. Simulations, games, and special assignments, which we will discuss later in the chapter, fall into the category of experiential learning.

Whole-versus-Part Learning

Most jobs and tasks can be broken down into parts that lend themselves to further analysis. Learning to sell a product is an example. The process can essentially be broken down into a few discrete steps: finding customer opportunities; eliciting a prospective customer's needs by learning the proper questions to ask him or her; presenting the firm's product in a way that meets those needs; and, finally, learning how and when to ask the customer to buy the product (closing the deal). If the task can be broken down successfully, it probably should be broken down to facilitate learning; otherwise, it should probably be taught as a unit.

Programmed instruction, which is also referred to as *self-paced learning*, is often used to break down learning into sequences for employees to learn at their own pace. After being presented with a small segment of information, the trainee is required to answer a question, either by writing in a response or selecting one

on a computer. If the response is correct, the trainee is presented with the next step (or screen) in the material. If the response is incorrect, further explanatory information is given, and the trainee is told to try again.

Massed, Distributed, and Continuous Learning

Another factor that determines the effectiveness of training is the amount of time devoted to practice in one session. Should trainees be given training in five two-hour periods or in ten one-hour periods? It has been found in most cases that spacing out the training will result in faster learning and longer retention. This is the principle of *distributed learning*.

A person's training progress, measured in terms of either mistakes or successes, can be plotted on a learning curve such as the one in Figure 7.4. In many learning situations, there are times when progress does not occur. Such periods show up on the curve as a fairly straight horizontal line called a *plateau*. A plateau can occur because of reduced motivation or because a person gets discouraged when he or she does not always perform a new task as well as hoped. It is a natural phenomenon, and learners usually experience a spontaneous recovery later, as Figure 7.4 shows.

Feedback and Reinforcement

Can any learning occur without feedback? Some feedback comes from trainees themselves via self-monitoring, whereas other feedback comes from trainers, fellow trainees, and the like. Feedback can help individuals focus on what they are doing right and what they are doing wrong. Think about when you first learned how to throw a baseball, ride a bicycle, or swim. Someone, perhaps a parent, told you what you were doing right and what things to correct. As you corrected those things, you perhaps got better.

Over the years, organizations have used **behaviour modification**, a technique that operates on the principle that behaviour that is rewarded, or positively reinforced, will be exhibited more frequently, whereas behaviour that is penalized or unrewarded will decrease in frequency. For example, in safety training, it is possible to identify "safe" behavioural profiles—that is, actions that ensure fewer accidents—as well as unsafe profiles. As a follow-up to training or as part of the training itself, managers can use relatively simple rewards to discourage undesired behaviours and encourage and maintain desired behaviours. Companies such as Monsanto and Target have found that nothing more than words of encouragement

FIGURE 7.4

A TYPICAL LEARNING CURVE

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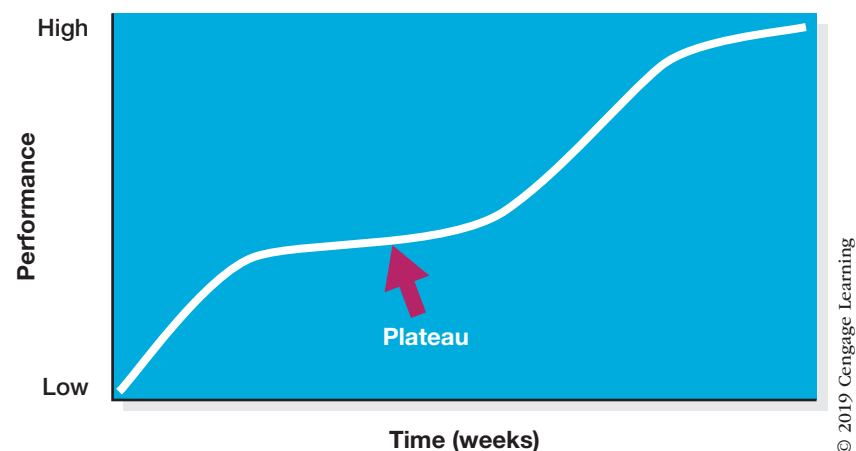
and feedback are needed to strengthen employee behaviours. However, more tangible rewards, such as prizes, awards, and ceremonies, can help reinforce desirable behaviours.

Encouragement is most effective when it is given immediately after a trainee successfully accomplishes a certain task. This is why some employers have instituted **spot rewards** programs, which award employees "on the spot" when they do something particularly well during training or on the job. The awards can consist of cash, gift cards, time off, or anything else employees value.

CHARACTERISTICS OF INSTRUCTORS

The success of any training effort will depend in large part on the teaching skills and personal characteristics of those responsible for conducting the training. What separates good trainers from mediocre ones? Often a good trainer is one who shows a little more effort or demonstrates more instructional preparation. However, training is also influenced by the trainer's personal manner and characteristics such as his or her knowledge of the subject, enthusiasm and sincerity, interest in trainees, sense of humour, ability to communicate clearly, and willingness to provide individual assistance to trainees. Because they can have a huge impact on the workforce, organizations should reward managers who are excellent trainers. Too often managers are not recognized for their contributions to this important aspect of HRM.

PHASE 3: IMPLEMENTING THE TRAINING PROGRAM—TRAINING DELIVERY METHODS

Have you ever sat through a less-than-great training session and thought to yourself, "There has got to be a better way to get this material across." Perhaps what was lacking was the right training method. Training methods are where "the rubber meets the road" in implementing a training program. Choosing the right one is done by determining which ones are appropriate for the KSAOs to be learned. To organize our discussion of various training methods, we have placed them along the learning continuum shown in Figure 7.5—from learning that is very reactive and passive to learning that is very active. For example, if the

LEARNING OUTCOME 4

What training methods have you personally experienced? In your opinion, which were most effective and why?

FIGURE 7.5

LEARNING OUTCOMES BY TRAINING METHOD
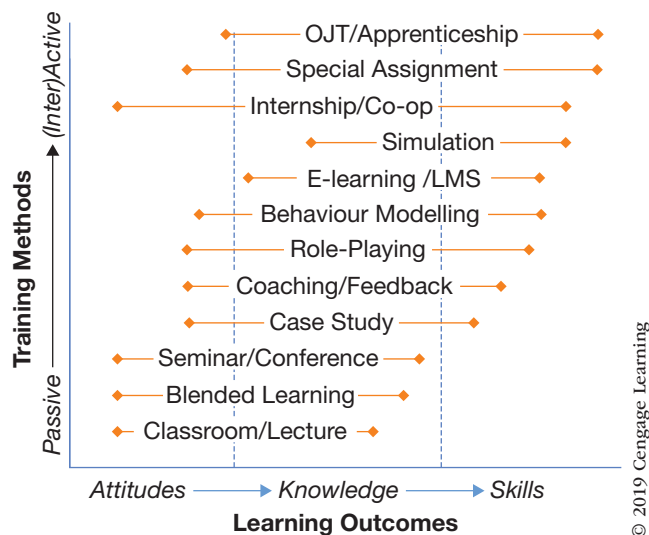
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material is mostly factual or designed to create a shift in employee attitudes, methods such as lecture, classroom, or online instruction may be fine. However, if the training involves a large behavioural or skill component, more hands-on methods such as on-the-job training or a special job assignment are likely to work better.[13] In other words, the method should be matched to the learning outcome you are trying to achieve.

Keep in mind that many of the methods are used to train both non-managers and managers, although some are used more predominantly for one group than the other. In addition, multiple training methods are often used in conjunction with different types of learners. Using multiple methods is referred to as *blended learning*. As Figure 7.6 shows, traditional classroom instruction delivered by lecturers continues to be the number one training delivery method for formally training employees. However, blended learning, which we will discuss shortly, is the second most commonly used method.

ON-THE-JOB TRAINING

By far the most common informal method used for training employees is **on-the-job training (OJT)**. By some estimates, 80 to 90 percent of employee learning occurs via OJT. OJT has the advantage of providing hands-on experience under normal working conditions and an opportunity for the trainer—a manager or senior employee—to build good relationships with new employees. OJT is viewed by some to be potentially the most effective means of facilitating learning in the workplace.[14]

Although it is used by all types of organizations, OJT is sometimes poorly implemented by training methods because of its informal nature. To overcome these problems, training experts suggest that firms develop realistic goals and measures for the training as well as plan a specific training schedule for each trainee. Conducting periodic evaluations after the training is completed can help ensure that employees have not forgotten what they have learned.[15]

Figure 7.7 shows the basic steps of an OJT program. KLM Royal Dutch Airlines uses OJT to train its flight attendants. The airline started a program that places trainees in the classroom for a certain period and then gives them additional training during an evaluation flight. On these flights, experienced flight attendants

FIGURE 7.6

TRAINING DELIVERY METHODS

Percentage of Training Hours Delivered by Method

- Classroom Instruction — 41.0%
- Online or Computer (no instructor) — 30.4%
- Blended Learning — 27.5%
- Virtual Classroom/Webcast/Video Broadcasting (instructor from a remote location) — 16.4%
- Social Media Learning/Collaboration — 5.0%
- Mobile Devices — 2.9%
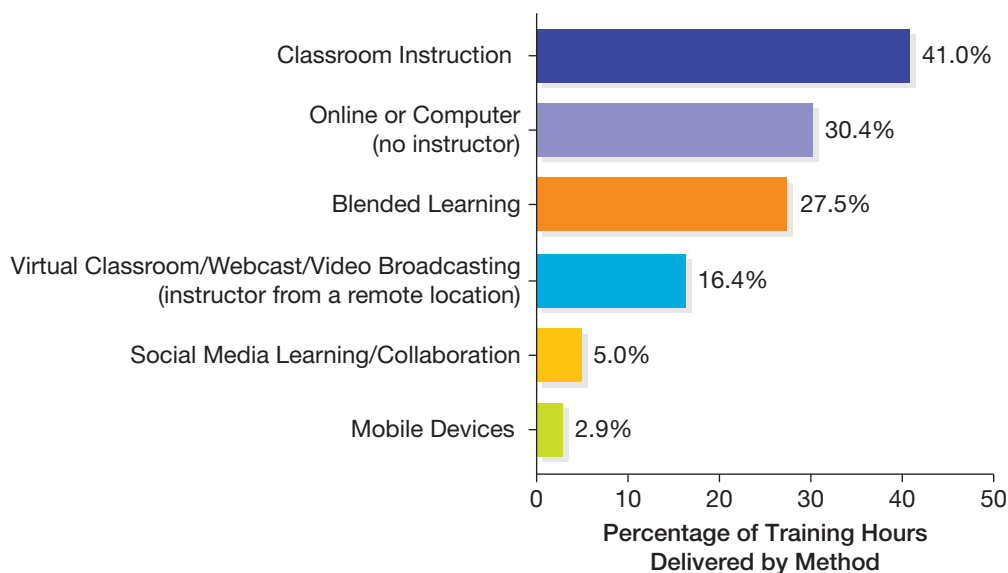
Source: Adapted from "2016 Training Industry Report," *Training* (November–December 2016): 36.

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FIGURE 7.7

THE PROPER WAY TO DO ON-THE-JOB TRAINING

P	**Prepare**. Decide what employees need to be taught. Identify the best sequence or steps of the training. Decide how best to demonstrate these steps. Have materials, resources, and equipment ready.
R	**Reassure**. Put each employee at ease. Learn about his or her prior experience, and adjust accordingly. Try to get the employee interested, relaxed, and motivated to learn.
O	**Orient**. Show the employee the correct way to do the job. Explain why it is done this way. Discuss how it relates to other jobs. Let him or her ask lots of questions.
P	**Perform**. When employees are ready, let them try the job themselves. Give them an opportunity to practise the job and guide them through rough spots. Provide help and assistance at first, then less as they continue.
E	**Evaluate**. Check the employees' performance, and question them on how, why, when, and where they should do something. Correct errors; repeat instructions.
R	**Reinforce and Review**. Provide praise and encouragement, and give feedback about how the employee is doing. Continue the conversation and express confidence in his or her doing the job.

Source: Scott Snell, University of Virginia.

provide OJT based on a list of identified job tasks. Some tasks, such as serving meals and snacks, are demonstrated during the actual delivery of services to passengers. Other tasks are presented to trainees, away from passengers, between meal service.[16]

An extension of OJT is **apprenticeship training**. With this method, individuals entering an industry, particularly in skilled trades such as machinist, laboratory technician, and electrician, are given thorough instruction and experience, both on and off the job. For example, Bonneville Power Administration and GP Strategies Corporation developed an apprenticeship program to give employees both a strong technical foundation in the fundamentals of electricity and a hands-on ability to operate equipment within power substations. The program was also designed to help future electrical operators respond to emergencies.[17] Generally, an apprentice is paid 50 percent of a skilled journey worker's wage to start with, but the wage increases at regular intervals as the apprentice's job skills increase. When the apprentice successfully completes the apprenticeship, he or she becomes a certified journey-level worker earning full pay.[18]

Apprenticeship programs originated in Europe centuries ago as part of its guild system and are still used extensively there. Germany alone has hundreds of accredited apprenticeships. College students in Germany generally become apprentices too, dividing their time between studying and gaining on-the-job experience.[19] Typically, the programs involve cooperation between organizations and their labour unions, between industry and government, or between organizations and local school systems. For example, Red River College in Winnipeg offers 31 apprenticeship programs, all with long waiting lists because its graduates find work immediately.

apprenticeship training
A system of training in which a worker entering the skilled trades is given thorough instruction and experience, both on and off the job, in the practical and theoretical aspects of the work

Apprenticeships are a good way to train employees, especially in skilled trade industries.

SPECIAL ASSIGNMENTS

Special job assignments (discussed in Chapter 5) involve assigning trainees, who are often but not always on managerial tracks, to different jobs in different areas of a firm, often in different regions and countries. In some cases, they are groomed by other managers in *understudy assignments* to do important job functions. Job rotation and lateral transfers also provide trainees with a variety of hands-on work experiences. Special projects and *junior boards* give trainees an

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opportunity to study an organization's challenges, make decisions about them, discuss what aspects of the projects went right and wrong, and plan and work on new initiatives.

COOPERATIVE TRAINING, INTERNSHIPS, AND GOVERNMENTAL TRAINING

Similar to apprenticeships, **cooperative training** programs combine practical on-the-job experience with formal classes. For example, a student might alternate work at an organization for one semester (for pay) and then go to school the next semester. EnCana, an oil and gas company based in Calgary, has developed the Oil and Gas Production Field Operator Career Pathway program, which offers high school students an opportunity to earn credits while learning about field production work, in alliance with the Southern Alberta Institute of Technology (SAIT). The courses are offered as an option, and students graduate with a field operator certificate from SAIT and have a chance to obtain a paid internship in the summer. The internship program of a community college is described in Highlights in HRM 7.3.

Internship programs, which we discussed in Chapter 5, are jointly sponsored by colleges, universities, and a variety of organizations. The programs offer students the chance to get real-world experience while finding out how they will perform in work organizations. Organizations benefit by getting student employees with new ideas, energy, and eagerness to accomplish their assignments. Some universities and community colleges allow students to earn credits for successfully completing internships.

The federal government and various provincial governments have begun working with private employers to sponsor a multitude of training programs. For example, the federal government has invested money in the IT program at the Nova

Highlights in HRM 7.3

Internship Program at Durham College

The work–study program in HR at Durham College, Ontario, is designed to transition an HR student into an HR practitioner. According to the coordinator of the HR program, Dr. Carolin Rekar Munro, each project must allow for the transfer of theories learned in class to a project management format at the field placement location. Students are required to write objectives in a draft proposal, similar to management by objectives, in which the criteria used to measure the success of the placement must be both qualitative and quantitative in content.

For the three-year diploma program, students in their final year will work two days per week from October to April and gain 344 hours of field placement experience. For the one-year post-diploma certificate program, students will attain 200 hours of field placement experience over a five-week block following final exams. Cohorts are also put into teams during the experience and attend weekly seminars in which the students can share their experiences and get advice on issues they are facing at their respective placements. According to Dr. Rekar Munro, this peer group process helps establish a network of HR professionals.

By focusing on application-based projects, students will be in a position to decide if they wish to pursue careers in HR and will have acquired valuable experience in project management. Employers also benefit as they receive both a quality HR project and the chance to preview a potential new staff member. This work–study program gives employers a unique probationary period, and 30 to 40 percent of students are hired at their field placements to continue their projects. For example, Dr. Rekar Munro points to a student who created a health and safety manual for people with English as a second language (ESL), who was then hired by her field placement employer to complete the work.

Source: Interview with Dr. Carolin Rekar Munro.

Scotia Community College, Marconi Campus, which installed a high-tech infrastructure to support customized training for the petroleum industry. Shell Canada offers three types of internships for university students: a co-op placement of 4 to 8 months, an internship placement of 8 to 16 months, and summer job placements of 4 months. They use these placements to assess performance for consideration for full-time employment.

SIMULATIONS

Sometimes it is either impractical or unwise to train employees on the actual equipment used on the job. An obvious example is training employees to operate aircraft, spacecraft, and other highly technical and expensive equipment. The simulation method emphasizes realism in equipment and its operation at minimum cost and maximum safety.

Southwest Airlines has 10 full-motion 737 flight simulators at its training centre adjacent to Southwest's headquarters. During each four-hour training situation in a simulator, a flight crew faces more abnormal flight situations than it would in a lifetime. The U.S. Federal Aviation Administration developed a sophisticated simulator to dramatically speed up the training of air traffic controllers, a process that used to take as long as five years. Variables such as wind speed, precipitation, and the number of airplanes to be guided can be adjusted on the simulator to test the ability of trainees. The Canadian Forces uses simulation software to train new recruits about aviation technology. Using the software enables students to disassemble and reassemble a propeller system many times, compared to the traditional training style of observing an instructor do it and perhaps having one opportunity to practise. Simulators that represent human patients are being used for medical training.[20]

The distinction between simulators such as Southwest Airlines' cockpits that move and jostle flight crews and computer-based simulation has blurred. To train its forklift operators, the aluminum company Alcoa uses a computer simulation called Safedock. In the simulation, trainees perform common tasks such as moving loads from one end of a loading area to the other. If a trainee makes a wrong move, he or she instantly sees the consequences: the forklift might end up driving off the dock or crashing into another forklift.[21] These types of technologies are making it easier to offer training in new and different ways.

Simulations can also be used to help employees and managers make tactical decisions. Project managers at L'Oreal Canada are given a "virtual" company to manage after only three months on the job. Working in pairs for four hours a week, employees are introduced to a new topic every week for six weeks. Based on this new content, the pairs make decisions and learn the next day what impact their decisions have on the market share of the imaginary product. Simulations do not always require a computer, however. Motorola developed a non-computer-based managerial simulation called "Equal Employment Opportunity: It's Your Job" to teach the basic principles of equal employment opportunity. Trainees get caught up in the competitive spirit of a game and at the same time absorb and remember government regulations. They also become aware of how their own daily decisions affect their employer's compliance with these regulations.[22]

Games and Virtual Reality

Games are becoming more popular for training purpose, a phenomenon that's being referred to as to the "gamification" of learning. Sometimes the games resemble actual tasks done in the workplace. At other times, the games communicate principles that can be transferred to the job. Because games have a competitive component and are fun, trainers have found people are more likely to want to engage with them as well as remember what they learned from them. Generation Zers and millennials tend to like them. To train its retail employees,

many of whom are younger, Bloomingdales uses games they can load on a wide variety of devices and play during slow times on the job. Employees report that the games have given them more confidence in their selling skills and increased their desire to participate in corporate training.[23]

Some employers are using virtual reality to execute training programs. Silverback Games in Nova Scotia makes video games and creates virtual reality training for employees. In one project, they use virtual reality to help an airline train its ground crew. Bluedrop Training and Simulation, another Nova Scotia-based company, works on simulations for military personnel. One of its simulators helps to teach helicopter crews to use a mechanical hoist to manipulate people and objects in and out of the helicopter while flying. In real life, some of these simulated activities can be dangerous and cost a lot of money.[24]

E-LEARNING

The training methods we just discussed are evolving into what trainers today refer to as **e-learning**. E-learning covers a wide variety of applications, such as Web- and computer-based training (CBT) and social networks. It includes the delivery of content via the Internet, intranets and extranets, mobile devices, DVDs, podcasts, and "virtual classrooms" found in the gaming platform Second Life.[25]

Increasingly, e-learning involves the use of a **learning management system (LMS)**, which combines a company's e-learning, employee assessment tools, and other training functions into one electronic tool, often custom built for the firm by software vendors. Using the software, managers can assess the skills of employees, register them for courses, deliver interactive learning modules directly to employees' desktops when they need or want them, evaluate and track their progress, and determine when they are ready to be promoted.

Purchasing a learning management system does not alleviate HR personnel and the firm's managers' responsibility for conducting a thorough needs assessment, however—especially because the systems are costly. After conducting a thorough needs analysis, managers then have to research vendors, ask them to conduct demonstrations, get bids from them, and ultimately choose the type of systems that will work best.

A major advantage of e-learning is that it allows the firm to bring training to employees, which is generally more efficient and cost effective than the other way around. The nuclear power plant industry is a case in point: nuclear power plant training is frequent and time consuming. For workers just to remove their protective gear and commute to a separate training venue can take an hour or more. One nuclear power company that switched to e-learning reported that it saved nearly $1 million and 10,000 employee hours in just one year by doing so.[26]

E-learning also allows companies to offer individual training components to employees when and where they need them, which is referred to as **just-in-time training**. Just-in-time training helps alleviate the boredom trainees experience during lengthy training courses, and employees are more likely to retain the information when they can immediately put it to use.

Microsoft has created hundreds of short audio and video clips that the company's sales professionals can download onto their mobile devices as they need them. Home Depot uses mobile technology to give employees immediate access to information to enable them to provide better customer service. Long training courses pulled people away from making sales, and with so many products continually being launched, it was difficult for them to keep up to date if they had to take frequent training sessions. Also, employees didn't remember the training if they could not put it to use immediately.[27]

Communities of practice is a type of grassroots training that allows people to share knowledge and collaborate with one another via social networking tools. Blogs and wikis—sites where people can post information as they can on

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Wikipedia—are examples of the tools used to facilitate learning via the communities of practice method. There are HR communities of practice in Canada, which include the Heads of Learning Forum and the Federal Workplace Well-Being Network. The consulting firm Accenture has a communities-of-practice site that allows employees to vote for the best answers.[28]

E-learning systems need not be overly expensive. Many e-learning training programs use existing applications employees are familiar with, such as Microsoft PowerPoint and Word, and Adobe Acrobat, and audio and video files that can be easily uploaded and viewed or listened to online using computers and mobile devices. Eventually, massive open online courses (MOOCs) could make training even less expensive for firms. An MOOC is an online course anyone can take. The courses allow people to learn at their own pace, get automatic feedback on how they are doing, and get automatically graded.

Although they have been used primarily in academia, MOOCs are likely to shift how businesses train people—from identifying new recruits to helping their current employees master competencies required for jobs. The global steel manufacturer Tenaris has adopted a MOOC platform to deliver training programs to its tens of thousands of employees worldwide. To help its client companies find Web developers with HTML experience, the recruiting company Aquent launched a MOOC. Thousands of people signed up for an HTML course Aquent hosted. A couple of hundred went on to get jobs.[29]

Like other types of online learning, the lack of contact with other people can be a problem for some learners. Some MOOCs allow students to have classroom discussions virtually with other people. Others include application assignments and projects. Still others allow instructors to record audio comments or videos about what's going on in the course each week, which can help keep learners engaged.[30]

Social Media

About 5 percent of the training hours delivered to employees involve social media sites, such as blogs and wikis (sites where people can post information such as Wikipedia).[31] When U.S. soldiers were having problems using a grenade launcher, a unit commander posted a question on one of the army's internal social media sites. Shortly thereafter, someone who had experienced a similar problem posted a simple solution. The Cheesecake Factory restaurant chain trains employees by letting them upload and share video snippets on job-related topics, including how best to prepare certain foods and provide good customer service.[32]

Workplace by Facebook and Yammer are two corporate social media tools firms can use, but even a basic community page on LinkedIn or Facebook will work: A trainer can set up a page to provide information about an upcoming training session, post materials for it, and engage participants by allowing them to ask questions, volunteer answers, and collaborate with one another before and after the session.[33]

BEHAVIOUR MODELLING

One technique that combines several different training methods, and therefore multiple principles of learning, is the behaviour modelling technique. **Behaviour modelling** consists of four basic components:

1. *Learning points*. For example, the learning points might describe the recommended steps for managers to give employees feedback.
2. *Modelling*. Participants view videos in which a model manager is portrayed dealing with an employee in an effort to improve his or her performance. The model shows specifically how to deal with the situation and demonstrates the learning points.

3. *Practice.* Trainees then practise the behaviours demonstrated by the models.
4. *Feedback and reinforcement.* The trainer and other trainees reinforce the behaviour with praise, approval, encouragement, and attention. Digitally recording the sessions can also be very instructive.

The Public Service Human Resources Management Agency of Canada has published a list of key leadership competencies and provides examples of effective and ineffective behaviours for each competency—a kind of role modelling in print form. Behaviour modelling seems to work, according to various studies. Military training is a classic example of how behaviour modelling can work. Drill sergeants model the behaviour expected of new recruits, who, in turn, by emulating them, develop discipline and confidence.[34]

ROLE-PLAYING

Role-playing consists of playing the roles of others, often a supervisor and a subordinate who are facing a particular problem, such as a disagreement or a performance problem. Role-playing is used not only for managers but also to train salespeople to question customers to understand their needs for goods and services. Healthcare professionals also engage in role-playing to learn to question patients and be empathetic and sensitive to their concerns. Some airlines use role-playing exercises to help employees learn how to deal with irate or unruly passengers.

Planned and implemented correctly, role-playing can bring realism and insight into dilemmas and experiences that otherwise might not be shared. Computer programs that simulate role-playing have also been developed. Virtual Leader, a product by SimuLearn, is one such program: Management trainees interact with animated "employees"—some of whom are more cooperative than others. The trainees are then given feedback as to how well they applied their managerial skills to each situation.

COACHING

Coaching consists of a continuing flow of instructions, comments, and suggestions from the manager to a subordinate. By contrast, a mentor is usually not an employee's direct report. Coaching is more than just a flow of instruction, however. It is a flow of encouragement and support meant to help people not just do their jobs right and get ahead but also become leaders.

Part of coaching involves talking to one's employees about what their goals are and being excited about achieving those goals, even if it means good employees will ultimately leave your department and you will have to replace them with new ones and begin the process anew. Once a manager understands the employee's goals, the manager can design ways to help the employee grow his or her skills by taking on new leadership responsibilities, training and mentoring other employees, and spearheading projects and then provide the individual with feedback on how well he or she did.[35]

One way to coach employees being groomed as managers is to allow them to participate in managerial staff meetings. This can help them become more familiar with the problems and events occurring outside their immediate areas and how they are handled by exposing them to the ideas and thinking of other managers. Note, however, that coaching is important for *all* employees to receive—not just employees who are on managerial tracks. Many top managers as well as rank-and-file employees say that without coaching they would never have accomplished for their organizations what they might have.

CASE STUDIES

A particularly useful method used in classroom learning situations is the case study. The FBI's Integrated Case Scenario method is used as part of a 16-week training program for all new FBI agents. Using documented examples, case-study

participants learn how to analyze (take apart) and synthesize (put together) facts, become conscious of the many variables on which management decisions are based, and, in general, improve their decision-making skills.[36] Figure 7.8 provides a set of guidelines for when and how to conduct case studies.

SEMINARS AND CONFERENCES

Seminars and conferences, like classroom instruction, are useful for bringing groups of people together for training and development. In terms of developing managers, seminars and conferences can be used to communicate ideas, policies, or procedures, but they are also good for raising points of debate or discussing issues (usually with the help of a qualified leader) that have no set answers or resolutions. For this reason, seminars and conferences are often used when change is a goal.

Web conferencing is used to conduct live meetings or presentations over the Internet. During a Web conference, trainees sit at their own computers and are connected to other participants via the Web. A *webinar* is a one-way Web conference, from the speaker to the audience, with limited audience interaction.

Outside seminars and conferences are often conducted jointly with universities and consulting firms. Associations and third-party organizations, such as the Conference Board of Canada and many university executive learning centres, also offer many different types of management seminars. The construction and mining equipment manufacturer Caterpillar is one company that, in conjunction with an outside consulting firm, has developed a training program to groom new managers so it would have enough of them to effectively run the company by 2020. Caterpillar began with a series of high-level meetings and strategy sessions. Out of those meetings, 11 characteristics that the company seeks in its managers and leaders were identified.

BLENDED LEARNING

Blended learning is a method whereby lectures are combined with other computer and online instruction and the use of audiovisual materials such as slideshows. Video recordings can be used to illustrate the steps in a procedure such as assembling electronic equipment or working with a problem employee. To instruct flight crew trainees, airlines play actual cockpit audio recorded on airplanes involved in accidents. After listening to the recordings, the trainees discuss the behaviour of the crew during the crisis. Recordings of trainees themselves can also be used. Golf and tennis coaches frequently record their students to let them see their mistakes.

Frequently, a self-paced learning component is part of blended learning as well. Blended learning is effective because different people learn better in different ways, and it breaks up the tedium of lectures.

FIGURE 7.8

CASE STUDIES

Guidelines for using case studies:
- Decide which goals can best be achieved by using case studies.
- Identify available cases that might work or consider writing your own.
- Set up the activity—including the case material, the room or place, and the schedule.
- Give all participants a chance to take part in the discussions and activities and try to keep the groups small.
- Bridge the gap between the theories presented in case studies and how they can be put into practice in your organization.

Source: Adapted from Albert A. Einsiedel, Jr., "Case Studies: Indispensable Tools for Trainers," *Training and Development* (August 1995): 50–53.

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CLASSROOM (LECTURE) INSTRUCTION

You may be wondering why firms use classroom training when so many other interactive (often electronic) methods are available. Some of the advantages of classroom instruction relate to motivation and attendance. Have you ever taken a self-paced course that lacked a classroom setting? If so, you might have had a hard time completing it. As one professor put it, "When it comes to learning, just getting to class is half the battle." In addition, if a trainee experiences problems, a live instructor is generally in the best position to help the trainee.

Classroom training need not necessarily take place in a classroom per se. Electronic Data Systems uses videoconferencing to train its employees wherever they are in the world rather than having them travel to one location. The company conducted a "coaching skills for leaders" program that was disseminated to 1,500 managers in 41 countries via videoconferencing.

PHASE 4: EVALUATING THE TRAINING PROGRAM

How can you figure out whether the training program you conducted was successful? A variety of methods are available to assess the extent to which a firm's training programs improve learning, affect behaviour on the job, and impact the bottom-line performance of an organization. Figure 7.9 shows that four basic criteria are available to evaluate training: (1) reactions, (2) learning, (3) behaviour, and (4) results. Some of these criteria are easier to measure than others, but each is important in that it provides different information about the success of the programs. The combination of these criteria can give a total picture of the training program in order to help managers decide where problem areas lie, what to change about the program, and whether to continue it. Reality Check describes how these four levels have been applied at Conexus, the largest credit union in Saskatchewan.

CRITERION 1: REACTIONS

One of the simplest approaches to evaluating a training program is to assess participants' reactions to it. In addition to indicating whether they enjoyed the training, they can give insights into the content and techniques they found most useful. They can critique the instructors or make suggestions about how to improve it or whether or not they find it should be continued.

However, positive reactions to a training session are no guarantee it has been successful. It may be easy to collect glowing comments from trainees, but as gratifying as this information is, it may not be useful to the organization

FIGURE 7.9

CRITERIA FOR EVALUATING TRAINING

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unless it translates into tangible, improved on-the-job performance based on the firm's strategic goals. Reaction measures should not stop with assessing the training's entertainment value.[37]

transfer of training
The effective application of principles learned to what is required on the job

CRITERION 2: LEARNING

Beyond what participants *think* about the training, did they actually learn anything? Testing the knowledge and skills of trainees before and after a training program will help determine their improvement. The skill and knowledge levels of employees who have undergone a training program can also be compared to those of employees who have not. FedEx took this approach. The company studied 20 van drivers who attended a week-long new-hire training program. The company then compared the performance of these drivers to a control group of 20 drivers who had received only OJT. FedEx found that the drivers who had been formally trained made fewer package processing errors, saving the company about $500 per trained driver.[38]

CRITERION 3: BEHAVIOUR

The **transfer of training** refers to how well employees apply what they have learned to their jobs. There are several ways to assess the transfer of learned skills back to the job. At Xerox, for example, trainers observe trainees once they return to their regular positions, interview the trainees' managers about their progress later on, and examine their post-training performance appraisals.

You might be surprised to learn that much of what is learned in a training program never gets used back on the job. To maximize the transfer of training, managers and trainers can take several approaches:

1. *Feature identical elements*. Have conditions in the training program come as close as possible to those on the job. For example, instead of verbally

explaining a manufacturing process, it is better to demonstrate it on a factory floor.

2. *Focus on general principles, if necessary.* When jobs change or the work environment cannot be matched exactly, trainers often stress the general principles behind the training rather than focusing on rote behaviour. This approach helps trainees learn how to apply the main learning points to varying conditions on the job.

3. *Establish a climate for transfer.* In some cases, trained behaviour is not implemented because old approaches and routines are still reinforced by other managers, peers, and employees. To prevent this kind of problem, firms need to encourage their managers to embrace the strategic changes their organizations are seeking to implement and reinforce and reward trainees for applying the new skills or knowledge.

4. *Give employees transfer strategies.* Particularly in settings that are not conducive to transfer, managers should also provide trainees with strategies and tactics for dealing with their transfer environment. One approach, called *relapse prevention* (*RP*), teaches individuals how to anticipate and cope with the inevitable setbacks they will encounter back on the job—that is, a relapse into former behaviours.[39]

CRITERION 4: RESULTS, OR RETURN ON INVESTMENT (ROI)

HR managers are under pressure from top managers to show that their training programs produce "bottom-line" results.[40] Most organizations today measure their training in terms of its return on investment (ROI), which is also sometimes referred to as the *utility* the firm gets for its training dollars. A company's ROI refers to the benefits it derives from training relative to what it costs.

The benefits can include higher revenues generated, increased productivity, improved quality, lower costs, more satisfied customers, higher job satisfaction, and lower employee turnover. The following are the types of questions HR managers should try to answer as they calculate a training program's benefits:

- How much did quality improve because of the training program?

- How much has it contributed to profits?

- What reduction in turnover and wasted materials did the company get after training?

- How much has productivity increased, and by how much have costs been reduced?

To answer these questions, HR managers use various types of data, such as sales data, HR and financial data, and employee survey and control group data gathered from various sources within the organization.

Of course, the costs of the training program need to be measured too. A firm's training costs include the direct costs of the programs (materials, employee travel and meals, meeting site costs, equipment, trainers' salaries or fees, etc.) as well as the indirect costs of the programs (participants' salaries and the productivity they lose while they are attending the training). The ROI can be calculated fairly simply:

$$ROI = \text{benefits of training} \div \text{training costs}$$

If the ROI is greater than 1, the training's benefits exceed its cost; if the ROI is less than 1, the costs of the training exceed the benefits. For example, suppose a program to train call centre representatives to better help customers troubleshoot their Internet connectivity problems costs a cable company $225,000. If the number of customers who drop their service due to connectivity problems

falls by 1,250, and the average year profit earned from each of them is $150, this results in an additional $187,500 for the firm. The ROI can then be calculated as follows:

$$\text{ROI} = \$187{,}500 \div \$225{,}000 = 0.83$$

Because the ROI is less than 1 (only 0.83), the costs of the program outweigh its benefits.

A firm's training ROI can also be measured in terms of how long it takes before the benefits of the training pay off. This analysis is done by adding the costs and dividing the benefits realized in a single month. The result will indicate the overall time required for the training to pay for itself.[41]

Read the Business Case for other examples of ROI for training.

Some HR experts think managers can get overly preoccupied with ROI calculations. Why? Because often the benefits of training can be intangible or take a long time to appear. Measuring participants' reactions can be done immediately, of course. However, measuring improved employee skills, customer satisfaction, and so forth can take somewhat longer, and factors other than training can also affect these measures. Finally, the development of groundbreaking new products or processes can also be sparked by training but take years to develop, making them hard to attribute to training. Nonetheless, developments such as these can transform organizations.

Benchmarking

Benchmarking is the practice of comparing data and statistics from your operations, such as training, against those of recognized leaders in your industry. The American Society of Training has developed training benchmarks from hundreds of different companies to which other firms can compare the data on their training costs, staffing, administration, design, development, and delivery of training programs. Benchmarks such as these can help organizations evaluate their current and future training programs. Highlights in HRM 7.4 shows several aspects of training that can be benchmarked against organizations considered superior in

The Business Case

Return on Training Investment

Organizations spend about 2 percent of payroll on training, an estimated $750 billion around the globe. Most organizations (four out of five) do not measure the ROI on their training dollars, citing barriers such as the difficulty of doing so, cost, lack of training, and lack of experience. However, at the TD Bank Group, which has 1,150 branches, 85,000 employees, and 30 different businesses, a focus on measuring the ROI of training captures results such as revenues and profitability. TD has a front-end process: the business units determine the business results expected, the job performance that will generate these results, and the role that training plays.

According to the Conference Board of Canada, a positive relationship exists between formal training expenditures and performance indicators, such as employee productivity and company profitability. H. J. Heinz Company Canada provided training for its staff in response to increased competition and the need for new technologies. The training costs of $869,000 were repaid within 20 months due to increased productivity, reduced absenteeism, and fewer damaged containers.

Sources: S. Carrigan, "Training: Investment in the Future," *Canadian HR Reporter* 14, no. 11 (June 4, 2001): G1; "What Should You Expect from Your Training?" *Strategis*, Industry Canada, "Canadian Training Solutions," www.strategis.gc.ca.

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Highlights in HRM 7.4

Benchmarking HR Training

Measurement	How to Calculate
Percentage of payroll spent on training	total training expenditures ÷ total payroll
Training dollars spent per employee	total training expenditures ÷ total employees served
Average training hours per employee	total number of training hours (hours × participants) ÷ total employees trained
Percentage of employees trained per year	total number of employees receiving training ÷ total employee population
HR development staff per 1,000 employees	number of HR development staff ÷ total employee population × 1,000
Cost savings as a ratio of training	total savings in scrap or waste ÷ dollars invested in training
Profits per employee per year	total yearly gross profits ÷ total number of employees
Training costs per student hour	total costs of training ÷ total number of hours of training

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orientation
The formal process of familiarizing new employees with the organization, their jobs, and their work units

the training function and how those aspects are calculated. They include, for example, the percentage of payroll spent on training, total hours of training per employee, and so on.

As e-learning continues to change training, the benchmarks for it are changing as well. Measures such as the extent to which learning content has been accessed and downloaded and the ratings given to it by users are likely to become new measures of how well a firm's training programs are working.[42] Nonetheless, the key to improving a training program's effectiveness is continually evaluating it. The information generated by the evaluations then feeds back into phase 1 of the training process, as shown in Figure 7.1. By tying the training closely to key performance metrics and then measuring the training's impact against them, a firm will be in a better position to improve its programs over time.[43]

ADDITIONAL TRAINING AND DEVELOPMENT PROGRAMS

In addition to training to address the demands of a particular job, many employers develop training programs to meet the special needs of employees. In this final section, we summarize some of these programs, including orientation training and onboarding, basic skills training, team training and cross-training, and ethics training. Intercultural training will be covered in Chapter 15.

ORIENTATION AND ONBOARDING

Orientation is the formal process of familiarizing new employees with the organization, their jobs, and their work units. Like training, which emphasizes the *what* and the *how,* orientation often stresses the *why*. It outlines the organization's philosophy and is designed to influence employee attitudes about their role and the work they will be doing.

An organization's HR department is ordinarily responsible for coordinating orientation activities and for providing new employees with information about

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conditions of employment, pay, benefits, and other areas not directly under a supervisor's direction. In many cases, organizations devise checklists for use by those responsible for conducting the orientation so that no aspect of the orientation is overlooked. The checklist would include such things as (1) an introduction to other employees; (2) an outline of training; (3) expectations for attendance, conduct, and appearance; (4) the conditions of employment, such as hours and pay periods; (5) an explanation of job duties, standards, and appraisal criteria; (6) safety regulations; (7) a list of the chain of command; and (8) an explanation of the organization's purpose and strategic goals. Highlights in HRM 7.5 shows the types of materials new hires can be given and the various steps that can ease their transition into the workplace.[44] To ensure that no materials are forgotten, companies often post orientation materials on their intranets and then provide new hires with passwords to access the sites.

Some organizations combine orientation programs with computer-based training. New hires at SumTotal Systems, an e-learning company, go online for virtual tours of the company's various departments, with introductions to company leaders sprinkled throughout. Of course, these types of programs *supplement*— but do not replace—the value of face-to-face orientation.[45]

Onboarding is the process of systematically socializing new employees to help them get "on board" with an organization. Onboarding goes beyond just orienting new employees to their new environments. It brings them into the organization's fold so that they truly feel as if they are a part of it. This is important because new hires are at a high risk of quitting.

Many new hires quit their jobs not because they cannot handle the tasks related to them but because they are going through culture shock within their new organizations. When new hires quickly quit, companies often have to begin recruiting, interviewing, and screening candidates all over again. The best recruiting and selection processes are therefore of little value if a firm is not able to retain the people it hires.

To help new hires avoid culture shock, some companies make videos and podcasts available to new hires before they even begin work. The mission and goals of an organization, a mini-tour of its facilities, and interviews with current

onboarding
The process of systematically socializing new employees to help them get "on board" with an organization

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Highlights in HRM 7.5

Checklist for Orienting New Employees

Orientation Items

- Welcome information outlining the company's background, corporate vision, and mission statement
- Map of the facility, including parking information
- Computer passwords, security cards, and parking decals
- Current organizational chart
- Information about where to find the firm's corporate news, intranet sites, and bulletin boards
- Phone numbers, email addresses, and locations of key personnel and help desk personnel
- A copy of the employee's specific job goals and job description
- Lists of unique terms in the industry, company, and job

- Training class schedules
- Safety and emergency procedures
- The organization's policy handbook, including the firm's employment equity policies, office hours, dress code, vacation, and email and Internet-use rules
- List of employee benefits, including insurance plans
- Holiday schedule

Follow-Up Activities

- Ensure that the employee has completed the required paperwork, including benefit enrollment forms
- Revisit the employee's performance standards
- Schedule the first performance appraisal meeting

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employees talking about what they like about the organization are featured. Executives are often featured as well, which helps new hires develop an early understanding of who's who in the organization.

In some firms, experienced coworkers serve as volunteer "sponsors," or buddies, for incoming employees. In addition to providing them with practical help, they are an important source of information about the culture of the organization, different workgroups, and what is expected of employees. These relationships help with the socialization of new employees and contribute significantly to their long-term success within the organization. Intuit Canada does an excellent job at employee orientation (see Highlights in HRM 7.6). PepsiCo has developed a buddy system for new hires. The company's Barcelona unit has created a YouTube video that explains where new hires need to go on their first day and what to expect. They also get a set of written information as well along with a box of chips and sodas as a welcome gift.

Southwest Airlines approaches onboarding as a welcoming party. "It was so much fun and so informative. [The company] stresses that we are a family," remarked one eager new employee after Southwest's onboarding process.[46] New employees always start on Fridays at **CityMax.com**, a build-your-own-website service in Vancouver, British Columbia. On Fridays, the work is less hectic, people are in a better mood and more relaxed, and are more willing to spend time getting to know new hires.[47]

Highlights in HRM 7.6

Wowing the Candidate

Intuit Canada, headquartered in Edmonton, Alberta, is a leading developer of financial software, including personal finance management, small business accounting, and tax preparation, with products such as QuickBooks and TurboTax. Intuit, like other organizations profiled in this report, is a top employer; it was ranked number one in Canada by *The Globe and Mail* survey and 13th of the 100 Best Companies to Work for in America by *Fortune* magazine in 2017. What makes Intuit special is its success in a highly competitive industry. There are many factors, but evidence of its success is its low attrition rate of 3 percent, which is remarkable in a sector where the average turnover is 20 percent. Ninety-four percent of its employees report that Intuit is a "great place to work," according to their annual surveys.

Intuit is very careful about the first few days of a new employee's work life. There are too many stories about employees in other organizations showing up very excited about their new job, only to discover that no one remembers that they are arriving that day, supplies and offices are not ready, and the reporting manager is absent. Intuit is committed to wowing the candidate—now employee—on the first day. On arriving at work, a new employee is greeted by name by the receptionist, who

gives him or her a stainless steel coffee mug engraved with the employee's name. The hiring manager is called, arrives promptly, and takes the new employee to the workstation, showing the computer, telephone, and office supplies. The next step is to introduce the new employee to colleagues and other team members and a "buddy" who has volunteered to guide the new employee and answer all questions for the next three weeks. New employees often struggle with simple questions, such as "How does the photocopier work?" "Do most people bring their lunches to work?" The IT person arrives next and helps set up voice mail, email, and Internet access. Intuit considers it vital that when a new employee goes home that night, he or she should be able to answer the universal question, "How was your first day on the job?" with "Wow, am I ever glad that I took this job!"

This informal orientation is completed by a formal orientation, in which information about the strategy, vision, plans, history—including war stories and all the successes—is shared. A key part of this orientation is a discussion of Intuit values. At the end of the first week, and again at the end of the first month, feedback about the new employee's experiences is solicited, such as what worked, what was frustrating, and how the orientation can be improved.

Source: M. Belcourt and S. Taggar, "Making Government the Best Place to Work: Building Commitment," *IPAC*, New Directions Series, no. 8, 2002.

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Many new employees quickly quit their new positions because they find it difficult to adjust to their new company's culture. Initiatives such as onboarding attempt to help employees through that transition.

BASIC SKILLS TRAINING

Remedial, or basic skills, training for adults has grown to be a full-blown educational industry on which businesses now spend billions of dollars annually. Almost half of all Canadians have low literacy skills—meaning that they can cope with everyday tasks but lack the capacity to learn new job skills. Although literacy levels today are similar to what they were in 1970, the economy has changed drastically since then. Most workers today need to be able to read and analyze complex, often very technical material to succeed. The basic skills employees need in addition to reading, writing, and computing include speaking, listening, problem solving, working in teams, and leading other people.[48]

To implement a successful program in basic and remedial skills, managers should do the following:

1. Explain to employees why and how the training will help them in their jobs
2. Relate the training to the employees' goals
3. Respect and consider participants' experiences and use them as a resource
4. Use a task-centred or problem-centred approach so that participants learn by doing
5. Give employees feedback on their progress toward meeting their learning objectives

A workplace education program in the City of Charlottetown won an award of excellence for Municipal Workplace Literacy Achievements by following these principles.

TEAM TRAINING AND CROSS-TRAINING

As we discussed earlier in the book, organizations rely on teams to help them attain their strategic and operational goals. Whether the team is an aircrew, a research team, or a manufacturing or service unit, the contributions of the individual members of the team are a function not only of the KSAOs of each individual but also of the interaction of the team members. The teamwork behaviours of effective teams are shown in Figure 7.10.

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FIGURE 7.10

TEAM TRAINING SKILLS

PROCESS DYNAMICS

- Meeting skills
- Problem solving
- Brainstorming
- Decision making
- Negotiation skills
- Goal setting
- Presentation skills
- Process analysis
- Task evaluation
- Customer/vendor analysis
- Project planning
- Information management
- Creativity

TEAM TRAINING

BEHAVIOUR DYNAMICS

- Member communications
- Conflict resolution
- Building trust
- Establishing norms
- Handling difficult members
- Diversity awareness
- Team development stages
- Team issues/concerns
- Team benefits
- Features of good teams
- Negotiations

Source: George Bohlander and Kathy McCarthy, "How to Get the Most from Team Training," *National Productivity Review* (Autumn 1996): 25–35.

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cross-training
The process of training employees to do multiple jobs within an organization

Coca-Cola's Fountain Manufacturing Operation (which makes the syrup for Coke and Diet Coke) developed team training for its manufacturing employees. The program focused on three skill categories: (1) technical, (2) interpersonal, and (3) team action. The technical component, called Four-Deep Training, meant that each individual should learn four different jobs to allow for team flexibility. The interpersonal skills component focused on listening, conflict resolution, influence, and negotiation. Team-action training focused on team roles, group dynamics, and problem solving—all skills needed to function effectively as a team.[49]

Closely related to team training is **cross-training**. Cross-trained employees learn how to do different jobs within an organization as well as their own. Part of the motivation for cross-training is that it gives firms flexible capacity. Workers can be shifted when and where they are needed. Cross-training represents a shift from Henry Ford's assembly line production to flexible production.

By keeping workers interested and motivated, cross-training can cut turnover, increase productivity, pare down labour costs, and lay the foundation for careers rather than dead-end jobs. At Gourmet Pizza, employees begin cross-training their first day on the job. They cycle through every function in the back and front of the restaurant and then plot their own course. If they are interested in the bar, they have the opportunity to work there in various positions; those who want to become managers or franchise owners learn the entire operation, a process that takes 8 to 12 months.[50] In addition to making them more productive, research shows that cross-training gives employees the "big picture," making them more creative and better problem solvers.[51]

ETHICS TRAINING

Ethics training became more prevalent in companies following the high-profile corporate scandals such as those that occurred at the energy giant Enron in 2001. Corporate scandals are, of course, not new to the twenty-first century. The most

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common forms of ethics violations, such as harassment and health and safety, are related to employment laws.

One study found that the problem gets worse in difficult economic times as companies try to cut costs. Most organizations are concerned with ethical behaviours, not just corporations. For example, the Canadian Armed Forces offers a course entitled "Applied Ethics and Decision Making Tools," which focuses on types of ethical reasoning and then an analysis of cases using an ethical decision-making model.

Workers who are responsible for areas that expose them to ethical lapses are likely to require special training. Employees who do the purchasing for their firms are one example. Likewise, some firms offer special training to their overseas personnel who work in countries in which corruption and bribery are prevalent. (We will talk more about bribery in Chapter 15, which covers international topics.) Bringing in an outside expert trained in ethics or values-based management can be helpful, as can surveying employees, managers, and sometimes even customers about what they believe the ethical state of their companies is and where improvements could be made. Other efforts a firm can take to ensure that employees at all levels are behaving ethically and legally include establishing toll-free ethics hotlines and secure email addresses where employees can confidentially report violations they have noticed.

Some firms have **chief ethics officers**—high-ranking managers directly responsible for fostering the ethical climate within their firms and ensuring compliance. Keep in mind, however, that employees take their cues from top managers and mirror their behaviour. If these people don't behave ethically, no ethics training program within a company can be effective.

Small Business Application

Training is very important to small businesses because, typically, employee turnover is high, and as a result, the development of new employees quickly and effectively is one of the key success factors for smaller businesses.

To illustrate the role of training for small business, let's draw on the example of a clothing retailer we will call Style Zone. Style Zone has one store, located in a popular shopping mall. It is open seven days per week from 10 a.m. to 9 p.m. It is located close to two high schools, which provide regular customers, as well as staff. Style Zone has 35 staff in addition to the owner and the assistant manager. Generally speaking, turnover is 50 percent per year, meaning that over the course of the year, half of the staff leave, equating to one or two new hires per month. Style Zone supports the regular integration of staff by the standardization of roles and processes for two positions: cashier and stock associate. Within these two roles, the company has clearly defined and documented the responsibilities for the role, from how the employees should groom and dress, to what they do when they arrive, to how they greet customers, to what procedures to follow, to what they do before they leave for the day.

Why is role specialization important for Style Zone or any other small company managing the integration of staff? There are three primary reasons. First, standardization of roles allows many people to be able to train new workers. In Style Zone, with one owner and one assistant manager, it is imperative that existing staff are able to train new staff so that Style Zone is ready on any given day to integrate new staff. Second, role standardization allows new workers to be coached and supported by other staff as they learn their roles. Orientation is typically a small part of on-the-job learning as employees will spend days and weeks becoming proficient in their new roles. Lastly, role specialization is important because it allows new employees to have clear visibility into the expectations of the role and quickly become proficient.

So how did Style Zone get there? The owner and assistant manager worked together to document the knowledge and skills required for each job. With this written documentation, the manager then started training, which consisted of a systematic review of the required behaviours with the employee, demonstration of these behaviours, and practice of these behaviours with reinforcement—all done on the job.

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Summary

OUTCOME 1 The types of training given to employees range from simple, on-the-job instruction to sophisticated skills training conducted on multi-million-dollar simulators. Training programs cover a broad range of subjects and involve personnel at all levels. The goal of training is to contribute to an organization's overall strategic goals. To be effective, training programs need to be developed systematically. This approach consists of four phases: (1) needs assessment, (2) program design, (3) implementation, and (4) evaluation.

OUTCOME 2 The needs assessment phase begins with an organization analysis. Managers must establish a context for training by deciding where training is needed, how it connects with their firms' strategic goals, and how their companies' resources can best be used in terms of training. A task analysis is used to identify the knowledge, skills, and abilities employees need. A person analysis is used to identify which people need training.

OUTCOME 3 When designing a training program, managers must consider the two fundamental preconditions for learning: the readiness and motivation of trainees. In addition, the principles of learning should be considered to create an environment that is conducive to learning. These principles include goal setting, the meaningfulness of presentation, modelling, individual differences, active practice and repetition, experiential learning, whole-versus-part learning, massed-versus-distributed learning, and feedback and reinforcement.

OUTCOME 4 A wide variety of methods are available to train personnel. On-the-job training is one of the most commonly used methods. Apprenticeship training and internships are especially effective. On-the-job experiences include coaching, understudy assignments, job rotation, lateral transfers, project and committee assignments, and staff meetings. Off-the-job experiences include analysis of case studies, role-playing, and behaviour modelling.

Classroom training is still the most popular way to train employees. However, e-learning methods, such as simulations, games, just-in-time learning, and social media, are becoming more popular. Using multiple methods, or what is called blended learning, has been found to be most effective.

OUTCOME 5 The effectiveness of training can be evaluated on several criteria: participants' reactions, the amount of learning they have acquired, their behavioural changes on the job, and bottom-line results such as the program's ROI. The transfer of training is measured via examination of the degree to which trained skills are demonstrated back on the job. Benchmarking and utility analysis help evaluate the impact of training and provide the information for further needs assessment.

In addition to training that addresses a particular job, many employers develop additional training programs for various purposes. Orientation training allows new hires to more quickly acquire the knowledge, skills, and attitudes that increase the probabilities of their success within the organization. Onboarding programs go beyond orientation by bringing new hires into an organization's fold so that they truly feel as if they are a part of it. This is important because new hires are at a high risk of quitting. Basic skills training, team and cross-training, and ethics training are other programs commonly conducted by organizations.

Key Terms

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Discussion Questions

1. What economic, social, and political forces have made employee training even more important today than it was in the past?
2. You have been asked by a colleague to teach her how to use Excel. How would you conduct a needs analysis to determine her current knowledge and skill level?
3. Suppose that you are the manager of an accounts receivable unit in a large company. You are switching to a new system of billing and record keeping and need to train your 3 supervisors and 28 employees in the new procedures. What training method(s) would you use? Why?
4. Using the section on training methods, list all of those that you have experienced. Prepare a grid, with the methods on one column and the four levels of evaluation on another. Rate each method as to its effectiveness in your reaction, learning, behaviour, and results, citing specific examples where possible.
5. Team up with a classmate and design an orientation program for a new student to your school.

HRM Experience

Training and Learning Principles

Even though it is not difficult to do so, a surprising number of training programs do not explicitly incorporate the principles of learning (goal setting, modelling, individual differences, and feedback) discussed in the chapter. To prove that incorporating them is not difficult, complete the following assignment for building a paper airplane.

Assignment

1. Form teams of four to six members. Identify someone on the team who knows how to make a paper airplane. That person will be the *trainer*.

2. Identify someone who will be the *observer/recorder*. That person will not participate in the training but will write down how many (and how effectively) principles of learning are used in the instruction:
   a. Goal setting
   b. Modelling
   c. Meaningfulness
   d. Individual differences
   e. Whole-versus-part learning
   f. Mass-versus-distributed learning
   g. Active practice
   h. Feedback

3. Give the trainer 10 to 15 minutes to train the group in making a paper airplane. The observer/recorder will keep notes of effective and ineffective training techniques (demonstrated learning principles).

4. Have someone from each team—not the trainer—volunteer to come before the class for a friendly competition. The instructor will give each team member two minutes to make a paper airplane. Then, just for fun, they can compete by seeing which one flies the farthest. (As always, no wagering, please.)

5. To finish the exercise, the observer/recorder will lead a discussion of the learning principles that were demonstrated. If they were done in this setting, also discuss why they might not be done in other training settings.

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Case Study 1

SERVICE AT THE FAIRMONT CHATEAU WHISTLER

The Fairmont Chateau Whistler in Whistler, British Columbia, is one of the world's leading hotels and has been named the number one ski resort in North America for many years. The 550-room hotel opened in 1989 and currently has 650 full-time employees.

The orientation program for new employees at the Fairmont Chateau Whistler reflects the same standards that guests enjoy at the hotel. New recruits have raw talents such as energy and enthusiasm but have to be trained quickly in the art of excellent service.

On day 1 of the orientation program, an "orientation game" is played; then the employees are introduced to the hotel (e.g., the types of rooms, the amenities). Then the following are discussed:

- salary and benefits, including health care, pension plan, discounted ski passes, staff meals, food discounts, discounted rates at other properties, and health club access
- employment standards, human rights, and labour relations (although the hotel is not unionized)
- health and safety, including the Workplace Hazardous Materials Information System (WHMIS) and Material Safety Data Sheets (MSDSs) and the environmental program
- harassment policy
- wellness program
- incentive program

New employees also receive a tour of the town of Whistler so that they can talk to guests about the key attractions and establish a network of friends.

Day 2 is devoted to the Service Plus Program. The Service Plus Code is spelled out this way:

S support
E empathy
R responsiveness
V valuing differences
I interdependence
C caring
E expectations

The day 2 program focuses on the guest–employee interaction and strives to teach employees how to provide excellent service, deal empathetically and effectively with problems reported by guests, and solve problems creatively. Training consists of role-plays such as "handling the difficult guest." Specifically, the new recruits gain an understanding of the hotel's mission statement and commitment to service, the changing service culture, and the high service expectations of the guests.

The third component of the orientation program is "Guest for a Night," during which employees who have been working at the hotel for three months eat at the restaurants, enjoy the facilities, and spend one night in the hotel as a guest. According to David Roberts, the hotel's general manager, the goal of the Guest for a Night program is to ensure that employees can talk knowledgeably about guest rooms, restaurants, and other facilities and understand the level of quality that the hotel provides.

As part of this program, employees are asked to fill out a feedback survey, just like a guest. Also at this time, employees are invited to be part of a focus group to express concerns and provide feedback about their work experiences.

Through these orientation and training programs, employees develop knowledge and skills in service excellence. More importantly, they develop a commitment to the company. At a 10-year reunion party given for 600 people, 599 said that it was the best working experience of their lives.

Questions

1. Compare the Fairmont Chateau Whistler's orientation program to the list of activities presented in Highlights in HRM 7.5. Would you add anything?
2. The hospitality sector has high turnover rates among employees. Why does the hotel invest so much time, money, and energy into its orientation program?
3. Describe the activities in the orientation and training programs that would ensure a high degree of transfer of training to the job.
4. How would you measure the success of this program? What results criteria would you try to measure?

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Case Study 2

PEOPLE DEVELOPMENT STRATEGIES AT CREDIT UNION CENTRAL OF SASKATCHEWAN

There are 128 credit unions in Saskatchewan, with assets ranging from less than $1 million to more than $1 billion. All of these are affiliated with Credit Union Central of Saskatchewan, which facilitates cooperation among credit unions and provides consulting services, trade association functions, and liquidity management.

Credit Union Central, together with the four largest Saskatchewan credit unions, developed a plan to implement a comprehensive HRM system to produce, first, a better alignment of employee performance to organizational objectives and, second, more focused training to produce desired business results and an enhanced ability to retain employees through opportunities for professional development. Working with Hay Management Consultants, the first step was to develop a competency glossary, followed by performance management processes and tools, selection and staffing tools, and then succession planning.

Competencies can be defined as attitudes, skills, knowledge, or behaviours that are essential to perform at work and that differentiate superior performers. The competency glossary defines core competencies, which apply to all roles within the organization, and role-specific competencies. Competency target levels indicating superior performance are set for each role.

An example of a core competency, based on the key values and strategies of the organization, is "results orientation":

When your employee tried to improve his or her own performance, he or she

1. Identified areas of waste or inefficiency but did not take any action
2. Made some changes to work methods to reach particular goals that had been set for him or her
3. Made specific changes in the system and his or her work methods to improve performance beyond goals set
4. Set challenging goals that were accomplished with a significant amount of planning, analysis, and effort
5. Set individual goals by thinking through the costs and benefits and explicitly considered potential profits, risks, and ROI to make decisions that ended up having a positive organizational impact

6. Took a calculated entrepreneurial risk and committed significant organizational resources to act on an idea that ended up significantly improving performance

A role-specific competency might be "concern for order, quality, and compliance," defined as follows:

When your employee demonstrated attention to detail in his or her work, he or she

1. Checked on the work to ensure that it was accurate, complied with all relevant regulations, and followed all standard practices and procedures
2. Monitored the accuracy and quality of his or her work and others' work consistently and systematically and kept a detailed record of work when it was necessary
3. During the project, monitored the progress of the project against milestones and deliverables, took action to ensure that the procedures put in place were effective, and quickly corrected any weaknesses or deficiencies
4. Established and utilized a procedure and/or system to facilitate work efficiency and ensure high-quality output and modified and improved the procedure and/or system when a weakness was identified to ensure that high-quality work was being produced

Managers work with employees to assess competency levels. The competency glossary and a competency assessment questionnaire enable managers and employees to discuss skills, abilities, and behaviours using a common framework. Training and development plans are based on gaps between target performance and actual performance. A developmental resource kit, which includes training courses, seminars, books, and work opportunities, all classified by competency, assists with building development plans.

This approach has resulted in clear direction on performance and development plans to move employees toward optimum performance levels.

Questions

1. Describe the advantages of the approach used to identify performance gaps.
2. Why would managers resist or support this approach?
3. Describe methods that you would use to evaluate the effectiveness of this approach by levels of learning, behaviour, and results.

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ONBOARDING AT CAPITAL POWER

Capital Power is an independent power producer, based in Edmonton, Alberta, but with operations across North America. It has an aggressive growth strategy with the goal of tripling its generating capacity by 2020. With this strategy, Capital Power needs to increase its workforce of 950 employees and retain the talent that it plans to hire. Feeling that traditional orientation programs were not effective, the senior vice president of HR, environment, and health and safety designed and implemented an onboarding program called Strong Start. The features of the program include the following:

- a new hire portal, which directs the new employee to content relevant to the position
- an e-learning module, Capital Power 101: The Basics, which outlines the organization's design, vision, values, leadership team, major policies, and how the company makes money, as well as the growth strategy
- an e-learning module, Capital Power 102: Powering Up and Plugging In, which provides the template for a 100-day developmental plan that the new hire must create with the manager
- a day-and-a-half classroom session with other new hires, which includes a personality inventory (to increase self-insight); a presentation by an executive about the mission, vision, and values; and a plant tour

An assessment of the Strong Start program revealed that over 90 percent felt that the program leads to the engagement of employees, aligns employees with the culture of the company, and enables new hires to be more successful. A majority also felt that it will assist in reducing turnover. There has been a 30 percent increase in organizational knowledge among participants.

According to a study by Alan Saks (University of Toronto) and Jamie Gruman (University of Guelph), structured onboarding tactics result in more engaged employees who believe that they fit both the job and the organization. Onboarding programs, unlike orientation programs, create opportunities for employees to develop a social network and establish where and how to get information.

Questions

1. Using the checklist in Highlights in HRM 7.5, compare the requirements for an orientation program to Capital Power's Strong Start program. What are the differences?
2. Capital Power has evaluated its program. Using the four levels of evaluation, determine which levels were used. Prepare an evaluation program that will assess the goals of the program and the goals of onboarding outlined by Saks and Gruman.

Sources: "Capital Power: About Us," http://www.capitalpower.com; B. Mitchell, "Power to the People," *Canadian HR Reporter* (January 30, 2012): 23–25; A. M. Saks and J. A. Gruman, "Getting Newcomers Engaged: The Role of Socialization Tactics," *Journal of Managerial Psychology* 26, no. 5 (January 2011): 383–402.

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Performance Management

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Explain what performance management is and how the establishment of goals, ongoing performance feedback, and the evaluation process are part of it.

LO 2 Describe the different sources of performance management information.

LO 3 Explain the various methods used to evaluate the performance of employees.

LO 4 Outline the characteristics of effective performance review meetings and feedback sessions and ways in which the performance of employees can be improved.

NEL

PERFORMANCE MANAGEMENT SYSTEMS

We have discussed some of the ways that you as a manager can acquire top-notch employees and train and develop them. But how do you know if your efforts are really paying off in terms of what the employees are contributing once they are on the job?

Performance management is the process of creating a work environment in which people can perform to the best of their abilities in order to meet a company's goals. It is an entire work system that flows from a company's goals. Figure 8.1 shows the elements of a performance management process.

Performance reviews are the result of a process by which a manager evaluates an employee's performance relative to the requirements of his or her job, the goals set with his or her manager, and then uses the information to show the person where improvements can be made and how. The reviews are a tool organizations can use to develop employees. Performance reviews are also referred to as *performance appraisals* and *performance evaluations*.

Typically, performance reviews are delivered annually, biannually, or sometimes on a quarterly basis. However, firms are finding that more frequent short reviews that provide employees with feedback regularly are more effective. At Achievers, a hiring startup that develops social applications, all employees have quarterly reviews, or "feedback sessions," that last just 20 minutes. "My job here isn't just to make sure everyone is crossing their T's and dotting their I's," says Brent Daily, cofounder and chief operating officer. "My job is to remove the obstacles they face and allow them to do what they do best."[1]

In Figure 8.1, the performance review is just part of the performance management process. Aligning the goals of employees with those of the firm, providing

FIGURE 8.1

STEPS IN THE PERFORMANCE MANAGEMENT PROCESS

STEP 1: Goals set to align with higher level goals

STEP 2: Behavioural expectations and standards set and then aligned with employee and organizational goals

STEP 3: Ongoing performance feedback provided during cycle

STEP 4: Performance appraised by manager

STEP 5: Formal review session conducted

STEP 6: HR decision making (e.g., pay, promotion, etc.)

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workers with continual on-the-job feedback, and encouraging and rewarding them for a job done well are critical, too.

You might compare a performance review to taking a test in school. Do tests motivate you? Do they make you want to truly excel, or do you just want to get through them? Now compare your test-taking experience with an experience in which your instructor talked to you about your career plans, complimented you on your performance, and offered you suggestions for improving it. That probably motivated you more.

We hope you can see the analogy we are making. Employers have to appraise you, just as your university has to test you to be sure you graduate with the qualifications people in society expect. But your performance in either scenario consists of so much more than that. That is why organizations need to look at the performance management system as a whole rather than just evaluations. Evaluations are simply a logical extension of the day-to-day performance management process.[2]

THE PURPOSES OF PERFORMANCE MANAGEMENT

It has been said that "what gets measured gets done." Good performance management systems have the capability to influence employee behaviour and improve an organization's performance. One study showed that organizations with strong performance management systems are 40 to 50 percent more likely to outperform their competitors in the areas of revenue growth, productivity, profitability, and market value.[3] In addition to improving a firm's overall performance and profitability, Figure 8.2 shows the other two most common purposes of performance management programs, which are developmental and administrative.

Developmental Purposes

A performance management system gives managers a concrete framework they can use to gather information about an employee's performance, provide employees with feedback, and discuss an employee's goals and how they align with the organization's goals. The goal is to build on a person's strengths, eliminate potential weaknesses, and further his or her career while improving the performance of the organization as well. By taking a developmental approach to the performance management process, managers help employees understand

FIGURE 8.2

PURPOSES OF A PERFORMANCE REVIEW

DEVELOPMENTAL	ADMINISTRATIVE
• Provide performance feedback • Identify individual strengths and weaknesses • Recognize individual performance achievements • Help employees identify goals • Evaluate goal achievement of employees • Identify individual training needs • Determine organizational training needs • Reinforce authority structure • Allow employees to discuss concerns • Improve communication • Provide a forum for leaders to help employees	• Document personnel decisions • Promote employees • Determine transfers and assignments • Identify performance problems and develop ways to correct them • Make retention, termination, and layoff decisions • Validate selection criteria • Meet legal requirements • Evaluate training programs/progress • Assist with human resources planning • Make reward and compensation decisions

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that the feedback they are getting is designed to improve their future competencies and further their careers and are not being conducted simply to judge them.

Many companies have redesigned their performance management programs to focus more on employee development and learning. For example, a company could integrate its system to work in concert with the company's learning and career management objectives. For each position in the firm, this system could include a detailed job description, performance review information, and a career planner to track employees' long-term goals as well as access to the company's automated career library. The system would be ultimately linked to the company's succession policies. By creating this overall system, the role of the manager shifts from that of "judge" to one of "coach."[4]

Administrative Purposes

Performance management programs provide input that can be used for the entire range of HRM activities, such as promotions, transfers, layoffs, and pay decisions. The practice of "pay for performance"—basing employees' pay on their achievements—is found in all types of organizations. Studies have shown that employees who earn performance-based pay are more satisfied.[5] Performance data can also be used for HRP, to determine the relative worth of jobs, and as criteria for recruiting particular types of employees and validating selection tests.

Yet another purpose of having a performance management system in place along with performance reviews is to document HRM actions that can result in legal action. Because of the government's equal employment opportunity directives, employers need to maintain accurate, objective employee performance records in order to defend themselves against possible charges of discrimination when it comes to promotions, salaries, and terminations. Finally, the success of the entire HR program depends on knowing how the performance of employees compares to the goals established for them.

WHY PERFORMANCE MANAGEMENT SYSTEMS SOMETIMES FAIL

Performance reviews often fall short of their potential. But why? According to a survey by the Society for Human Resource Management, only half of HR professionals say annual performance reviews are an accurate appraisal of an employee's performance. Forty-nine percent believe their firms' performance-review process needs to be reevaluated.[6] Employees and managers alike often dread appraisals, and complain that they are time consuming and ineffective.

Many people fault the formal review process. They believe it discourages teamwork by focusing on workers' individual achievements rather than what their teams or firms accomplish. (Who gets the best rating and the biggest raise? Who does not?) Others contend that evaluations are useful only at the extremes—for highly effective or highly ineffective employees—and are not as useful for the majority of employees in the middle. Other people point out that evaluations often focus on short-term achievements rather than long-term improvement and learning. Still others complain that the only feedback they get is during formal evaluations, or they aren't done at all. This can especially be a problem in small businesses, as this chapter's small business feature shows. It's not uncommon for managers to show new employees to their workstations and leave them on their own or to assign tasks to employees on a routine basis with little or no feedback on the tasks they have already completed. A more complete list of the reasons why formal reviews fail is shown in Figure 8.3.

For reasons such as these, a substantial number of organizations no longer conduct formal evaluations but use ongoing coaching, individual development plans, or other feedback systems instead. Adobe has an ongoing "check-in" system employees and their managers use to give each other feedback.[7] Written reviews

FIGURE 8.3

LET ME COUNT THE WAYS … REASONS WHY PERFORMANCE REVIEWS CAN FAIL

- The manager has prepared inadequately.
- The employee is not given clear objectives at the beginning of the performance period.
- The manager may not be able to observe performance or have all the information.
- The performance standards may not be clear.
- Ratings are inconsistent among supervisors or other raters.
- The manager rates the employee's personality rather than performance.
- Raters may be subject to perceptual biases such as the halo and/or contrast effect.
- The time span for evaluation is inappropriate (either too short or too long).
- There is an overemphasis on uncharacteristic performance.
- Ratings are inflated because managers do not want to deal with "bad news."
- The language in written evaluations is subjective or vague.
- Organizational politics or personal relationships could cloud judgments.
- There is no thorough discussion of the causes of performance problems.
- The manager may not be trained in evaluation or giving feedback.
- No follow-up and coaching after the evaluation.

Sources: Patricia Evres, "Problems to Avoid during Performance Evaluations," *Air Conditioning, Heating & Refrigeration News* 216, no. 16 (August 19, 2002): 24–26; Clinton Longnecker and Dennis Gioia, "The Politics of Executive Appraisals," *Journal of Compensation and Benefits* 10, no. 2 (1994): 5–11; "Seven Deadly Sins of Performance Appraisals," *Supervisory Management* 39, no. 1 (1994): 7–8.

SMART goals
Goals that are specific, measurable, achievable, realistic, and time-based

aren't required. (See Case Study 2 at the end of the chapter). Other organizations, including Xerox, Motorola, and Procter & Gamble, have modified their performance evaluations to try to improve them.[8]

DEVELOPING AN EFFECTIVE PERFORMANCE MANAGEMENT SYSTEM

LEARNING OUTCOME 2

As an employee, do you think you would be in a good position to appraise your boss? What aspects of his or her performance might you be in a good position to appraise?

A firm's HR department ordinarily has the primary responsibility for overseeing and coordinating its performance management system. However, managers from the company's operating departments must also be actively involved, particularly when it comes to helping establish the objectives for the program, to ensure that they are aligned with a company's strategic goals and translate to on-the-job efforts and behaviours. Employees are also more likely to accept and be satisfied with a performance management system when they have the chance to participate in its development. Asking experienced employees to help identify important job behaviours also helps ensure that the system takes into account all of the tasks that need to be done in an organization, especially when major changes in the firm and its jobs are taking place.[9]

WHAT ARE THE PERFORMANCE STANDARDS?

Performance standards should be based on job-related requirements derived from a job analysis and reflected in an employee's job description and job specifications. Establishing SMART goals can be very helpful for this purpose. **SMART goals** are goals that are **s**pecific, **m**easurable, **a**ttainable, **r**ealistic, and **t**ime-based—hence, the abbreviation *SMART*. Realistic and specific performance standards that are actually attainable in a certain amount of time (given the firm's current resources and employee's abilities), measurable, and written down communicate precise information to employees. For example, "the ability and willingness to handle

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SMART goals can help improve the performance of employees as well as remove the vagueness and subjectivity of performance reviews.

customer orders" is not as good a performance standard as "all customer orders will be filled in 4 hours with a 98 percent accuracy rate." When the standard is expressed in specific, measurable terms, comparing an employee's performance against it results in more accurate feedback.

As Figure 8.4 shows, there are four basic elements that must be considered when establishing performance standards: strategic relevance, criterion deficiency, criterion contamination, and reliability.

Strategic Relevance

Strategic relevance refers to the extent to which the performance standards relate to the strategic objectives of the organization in which they are applied. For example, if an organization has established a standard that "95 percent of all

FIGURE 8.4

ESTABLISHING PERFORMANCE STANDARDS
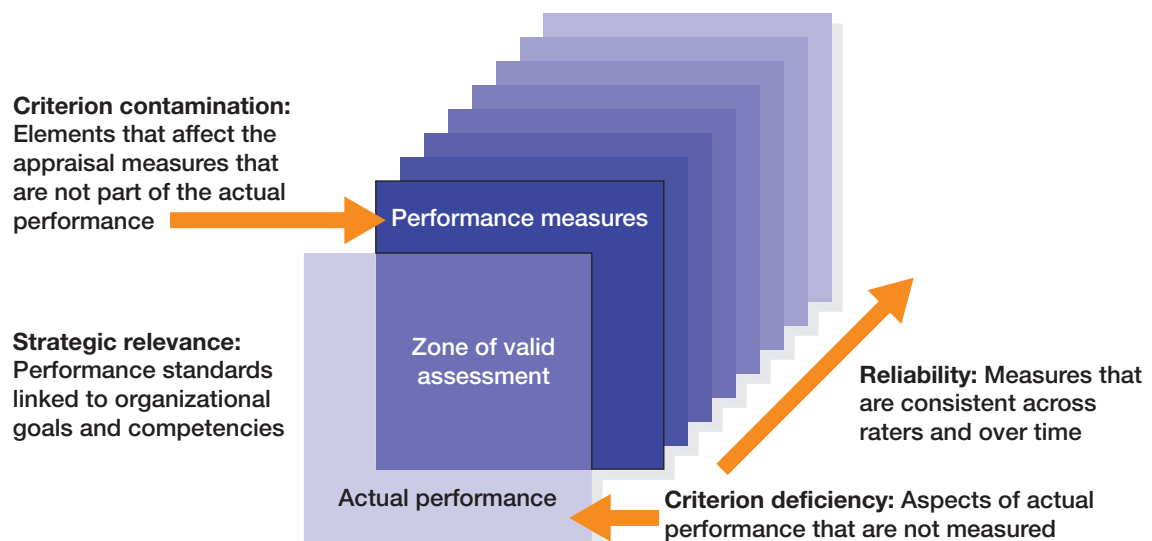
Criterion contamination: Elements that affect the appraisal measures that are not part of the actual performance

Performance measures

Strategic relevance: Performance standards linked to organizational goals and competencies

Zone of valid assessment

Reliability: Measures that are consistent across raters and over time

Actual performance

Criterion deficiency: Aspects of actual performance that are not measured

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customer complaints are to be resolved in one day," then it is relevant for the customer service representatives to be held to this standard when they are evaluated. Companies such as 3M have strategic objectives to the effect that a certain percentage of their sales is to be generated from products developed within the past five years. These objectives are then translated into performance standards for their employees. General Motors and Whirlpool's strategic objectives include cost, quality, and speed, and the two companies have developed metrics to identify and compare their performance around the world on these measures. A strategy-driven performance review process also provides the documentation HR managers need to justify training expenses in order to close any gaps between employees' current skills and those they will need in the future to execute the firm's strategy. Moreover, because they provide evidence of a person's performance, review metrics based on a firm's strategy are more defensible in court.[10]

Criterion Deficiency

The performance standards should capture the entire range of an employee's performance. When they focus on a single criterion (such as sales revenues) to the exclusion of other important but less quantifiable performance dimensions (such as customer service), then the performance management system is said to suffer from criterion deficiency.[11]

Criterion Contamination

Just as performance criteria can be deficient, they can also be contaminated. There are factors outside an employee's control that can influence his or her performance. A comparison of performance of production workers, for example, should not be contaminated by the fact that some work with newer machines than others do. A comparison of the performance of travelling salespeople should not be contaminated by the fact that territories differ in terms of their sales potential.[12]

Reliability

As we discussed in Chapter 6, reliability refers to the stability or consistency of a standard or the extent to which individuals tend to maintain a certain level of performance over time. Reliability can be measured by correlating two sets of ratings made by a single rater or by two different raters. For example, two managers would rate the same individual. Their ratings would then be compared to determine interrater reliability.

To make sure managers are rating employees consistently, some companies use a process called **calibration**. During calibration meetings, a group of supervisors, led by their managers and facilitated by an HR professional, discuss the performance of individual employees to ensure that all managers apply similar standards to all of the firm's employees. The supervisors begin the process by rating employees whose performances are especially good or especially poor. They then attempt to rate employees who lie more in the middle and try to achieve a consensus on their performance. Initially, the ratings are likely to vary considerably simply because some managers are hard raters and others are not. Over subsequent evaluation periods and calibration meetings, however, the ratings should begin to converge, or become more similar.

As we will discuss, calibration meetings can be particularly helpful when it comes to training new managers to appraise employees. The meetings can also be very useful after a merger or acquisition—especially one that is global. Why? Because differences in the corporate cultures and performance standards of the formerly separate companies can cause the same employees to be rated quite differently. When Lawson Software grew from 1,400 employees in 3 countries to

4,000 employees in 30 countries, it successfully used calibration to be sure its managers across the globe were assessing employees accurately.[13]

Fairness and Acceptability

One of the main concerns employees have about performance management systems in general and reviews in particular is fairness. Organizational politics, a firm's culture, the orientation of its managers, history, and current competitive conditions can all affect how managers view how well their employees are doing on the job as well as rate them.[14] Sometimes managers inflate reviews because they want to obtain higher salaries for their employees or because higher ratings for their subordinates make them look good as supervisors.

Even when reviews are supposed to be confidential, employees often have a keen sense about whether the process is fair or not, or at least they think they do. Employees who believe the system is unfair are likely to consider the process a waste of time or feel frustrated and cynical. As we discussed earlier, in the section on developing a performance management system, if employees are allowed input as to what constitutes a good performance and how the performance management system operates, they are more likely to believe that it's fair, and the program is more likely to be successful.

Acceptability relates to how difficult it is to administer and use the performance management system. If using it is time consuming or difficult or if it's hard to see how it's really helping the organization, the system is likely to fail.

LEGAL ISSUES

Because performance reviews are used to make many personnel decisions, they must meet certain legal requirements. Employers might face legal challenges when reviews indicate that an employee's performance is acceptable or above average but then the person is later passed over for promotion, disciplined for poor performance, discharged, or laid off from the organization. Companies such as Goodyear and Ford have also faced legal battles in the United States because their performance reviews were viewed as discriminatory against older workers.[15]

So, from a legal perspective, performance reviews can be a double-edged sword. You need them to help employees perform better and document your actions as a manager, but if they are poorly done or inaccurate, or you don't make decisions based on them, you can find yourself in legal trouble. To avoid problems such as these, performance reviews should meet the following legal guidelines:

- Performance ratings must be job related, with performance standards developed through a job analysis. Only evaluate those areas that are necessary for effective job performance.

- Employees must be provided with clear, written job standards in advance of their evaluations so they understand what they need to do to get top ratings.

- Managers who conduct the reviews must be able to observe the behaviour they are rating. This implies having measurable standards with which to compare employee behaviour.

- Do not allow performance problems to continue unchecked. Document problems when they occur and refer to them in employees' reviews. This information may prove decisive should an employee take legal action. An employer's credibility is strengthened when it can support performance evaluation ratings by documenting instances of poor performance.

- Supervisors should be trained to use review forms correctly and apply the evaluation standards when making judgments.

- A firm's HR department should review the evaluations to see if minority groups are being adversely impacted. Having evaluations reviewed by a supervisor's superior can also reduce the chance of biased reviews and reviews that could be legally problematic.

- The reviews should be discussed openly with employees and counselling or corrective guidance offered to help poor performers improve their performance. Be open to the possibility that employees could be transferred to other positions that better suit their abilities.
- An appeals procedure should be established to enable employees to express their disagreement with the reviews.[16]

SOURCES OF PERFORMANCE REVIEW INFORMATION

Given the complexity of today's jobs, it is often unrealistic to presume that one person can fully observe and evaluate an employee's performance. At IBM, employees are regularly reviewed by a broad cross-section of the company's leaders, not just their immediate bosses. As shown in Figure 8.5, the raters can include supervisors, peers, team members, employees themselves, their subordinates, customers, vendors, and suppliers.

Manager/Supervisor

The **manager and/or supervisor review** has been the traditional approach to evaluating an employee's performance. In most instances, supervisors are in the best position to perform this function, although it may not always be possible for them to do so. Managers with many subordinates often complain that they do not have the time to fully observe the performance of each of them. These managers must then rely on performance records to evaluate an employee's performance. If reliable and valid measures are not available, the review is likely to be less than accurate as a result. (Recall our earlier discussion of criterion deficiency and criterion contamination.) In addition, research has shown that the ratings managers give employees they have known for less than one year are less reliable, which can be a drawback of relying solely on information from managers.[17]

The Employee

In many firms, employees are asked to evaluate themselves on self-review forms. A **self-evaluation** can increase an employee's involvement in the review process and get the employee thinking about his or her strengths and weaknesses. In other

FIGURE 8.5

ALTERNATIVE SOURCES OF REVIEWS
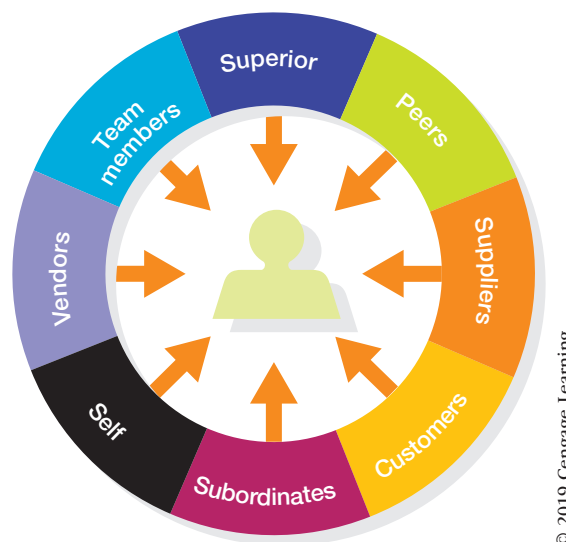
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words, they serve as a catalyst for discussion. The employee and his or her manager then discuss the employee's job performance and agree on a final evaluation.

It's not uncommon for employees to present themselves in a highly favourable light in self-evaluations or believe they will have more influence over the outcome of a performance review. If that expectation is not met, the employee can become frustrated. For this reason, self-evaluations are often best used for developmental purposes rather than for administrative decisions.[18]

Subordinates

Subordinate evaluations have been used by both large and small organizations to give managers feedback on how their subordinates view them.[19] Subordinates are in a good position to evaluate their managers because they are in frequent contact with their superiors and occupy a unique position from which to observe many performance-related behaviours, such as their leadership ability, ability to delegate, employee supportiveness, and so on. Managers are often hesitant to be evaluated by the people they supervise, particularly when it might be used as a basis for compensation decisions. However, when the information is used for developmental purposes, managers tend to be more open to the idea. Evidence suggests that when managers heed the advice of their subordinates, their own performance can improve substantially. To avoid any problems with retaliation, subordinate reviews should be submitted anonymously, and the results of the individuals combined in a single report.[20] The manager's supervisor then uses the information as part of the person's final review.

Peers

Individuals of equal rank who work together are increasingly asked to evaluate each other using a **peer evaluation**. With peer evaluations, coworkers complete an evaluation on the employee. The information is then usually compiled into a single profile, which is given to the supervisor for use in the final review. One advantage of peer evaluations is the belief that they furnish more accurate and valid information than evaluations by superiors. Supervisors often see employees putting their best foot forward, whereas those who work with their fellow employees on a regular basis may see a more realistic picture. Peers can readily identify leadership and interpersonal skills along with other strengths and weaknesses of their coworkers. For example, a superior asked to rate a patrol officer on a dimension such as "dealing with the public" might not have had much opportunity to observe it. Fellow officers, on the other hand, likely would have.

For employees who have trouble confronting their coworkers about problems, the reviews provide a forum in which to address issues and resolve conflicts. They also provide an opportunity to hand out praise.[21] However, peer evaluations alone should not be used to make administrative decisions related to salaries, bonuses, promotions, and other major decisions about an employee. They should also be kept confidential so that interpersonal rivalries or hurt feelings don't result among coworkers. Instead of listing individual comments and ratings from an employee's peers, the ratings should be tallied to arrive at a composite score and the comments summarized by the worker's supervisor.

Team Members

An extension of the peer evaluation is the **team evaluation**. In a team setting, it may be nearly impossible to separate an individual's contribution. To address this issue, organizations have used team evaluations to evaluate the performance of their teams as a whole.[22] These companies believe that team evaluations can help break down barriers between individual employees and encourage a joint effort on their part. Frequently, the system is complemented by the use of team incentives or group variable pay (see Chapter 10).

subordinate evaluation
A performance review of a superior by an employee, which is more appropriate for developmental than for administrative purposes

peer evaluation
A performance evaluation done by one's fellow employees, generally on forms compiled into a single profile for use in the evaluation meeting conducted by the employee's manager

team evaluation
A performance evaluation that recognizes team accomplishment rather than individual performance

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Customers

Customer evaluations are another source of performance evaluation information. External customers' evaluations, of course, have been used for some time to appraise restaurant personnel. However, companies such as FedEx and BMW Canada are among the companies that have utilized external customers as well. To provide feedback to its technicians and see how well they have performed, Sears routinely calls customers after the technicians have serviced their appliances. Other companies survey their vendors and suppliers as part of the evaluation process. By including the firm's business partners in the performance reviews, managers hope to produce more objective evaluations, more effective employees, more satisfied customers, and better business performance.[23]

In contrast to external customers, internal customers include anyone inside the organization who depends on an employee's work output. For example, managers who rely on the HR department for selecting and training employees would be candidates for conducting internal customer evaluations of employees in the department or the department as a whole. For both developmental and administrative purposes, internal customers can provide extremely useful feedback about the value added by an employee or team of employees.

PUTTING IT ALL TOGETHER: 360-DEGREE EVALUATIONS

Companies such as Intel and Disney are among the many organizations that have used a multiple-rater approach—or **360-degree evaluation**—that combines various sources of performance evaluation information.[24] Jobs are multifaceted, and different people see different things. As the name implies, 360-degree feedback is intended to provide employees with as accurate a view of their performance as possible by getting input from all angles: supervisors, peers, subordinates, customers, and the like. The information is then compiled into a single document, which is synthesized by the employee's manager as part of the overall review.

Figure 8.6 shows a list of pros and cons of 360-degree evaluation. When Intel established a 360-degree system, the company observed the following safeguards to ensure its maximum quality and acceptance:

- *Ensure anonymity*. Make certain that no employee ever knows how any evaluation team member responded. (The supervisor's rating is an exception to this rule.)

- *Make respondents accountable*. Supervisors should discuss each evaluation team member's input, letting each member know whether he or she used the rating scales appropriately, whether his or her responses were reliable, and how other participants rated the employee.

- *Prevent "gaming" of the system*. Some individuals may try to help or hurt an employee by giving either too high or too low an evaluation. Team members may try to collude with one another by agreeing to give each other uniformly high ratings. Supervisors should check for obviously invalid responses.

- *Use statistical procedures*. Use weighted averages or other quantitative approaches to combine evaluations. Supervisors should be careful about using subjective combinations of data, which could undermine the system.

- *Identify and quantify biases*. Check for prejudices or preferences related to age, gender, ethnicity, or other group factors.[25]

Based on the experiences of companies such as Canadian Tire, described in the Reality Check, it appears that 360-degree feedback can be a valuable approach to performance appraisal. As with any appraisal technique, its success depends on how managers use the information and how fairly employees are treated.

FIGURE 8.6

PROS AND CONS OF A 360-DEGREE EVALUATION

Pros
• The system is more comprehensive because feedback is gathered from multiple perspectives.
• It may lessen bias and prejudice because feedback comes from more people, not one individual.
• The feedback from peers and others may improve an employee's self-development.
Cons
• The system is complex in combining all the responses.
• The feedback can be intimidating and cause resentment if employees feel the respondents have "ganged up" on them.
• There may be conflicting opinions, although they may all be accurate from the respective standpoints.
• Raters must undergo some training.
• Employees may collude or "game" the system by giving invalid evaluations to one another.
• Raters may not feel accountable if their evaluations are anonymous.

Sources: Compiled from David A. Waldman, Leanne E. Atwater, and David Antonioni, "Has 360-Degree Feedback Gone Amok?" *Academy of Management Executive* 12, no. 2 (May 1998): 86-94; Bruce Pfau, Ira Kay, Kenneth Nowak, and Jai Ghorpade, "Does 360-Degree Feedback Negatively Affect Company Performance?" *HR Magazine* 47, no. 6 (June 2002): 54-59; Maury Peiperl, "Getting 360-Degree Feedback Right," *Harvard Business Review* 79, no. 1 (January 2001): 142-47; Joyce E. Bono and Amy E. Colbert, "Understanding Responses to Multi-Source Feedback: The Role of Core Self-Evaluations," *Personnel Psychology* 58, no. 1 (Spring 2005): 171-205.

TRAINING APPRAISERS

Training appraisers can vastly improve the performance review process. A weakness of many performance evaluation programs is that raters are not adequately trained for the task, and so the feedback they provide their subordinates is not as accurate or useful as it might be or is actually destructive. Training appraisers can vastly improve the performance evaluation process, however. According to one HR manager: "What's not important is the (evaluation) form or the (measuring) scale. What's important is that managers can objectively observe people's performance and objectively give feedback on that performance." Nonetheless, in a survey of 55 HR managers from medium and large companies, more than half said their companies did either little or no evaluation of how well their supervisors do evaluations.[26] In addition to providing supervisors with training, firms should make accurately evaluating and developing their subordinates a standard by which the supervisors themselves will be evaluated.

Establishing a Review Plan

A training program for raters is most effective when it follows a systematic process that begins by explaining the objectives of the firm's performance management system and its philosophy on reviews. For example, the rater needs to know the purpose for which the review is to be used. Using the review for compensation decisions rather than development purposes can affect how the rater evaluates the employee and may change the rater's opinion of how the review form should be completed. The mechanics of the rating system should also be explained, including how managers should keep performance records and review them, how frequently the reviews are to be conducted, who will conduct them, what the standards of performance are, and how to go about preparing for reviews. In addition, evaluation training should alert raters to the weaknesses and problems of evaluations so that they can be avoided.

Eliminating Rating Errors

Eliminating the subjective errors made by managers in the rating process is an extremely important part of evaluating the performance of an employee. The "halo error" we discussed in Chapter 6, when we looked at selecting employees,

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Reality Check

Canadian Tire 360-Degree Matrix

"Accentuate the positive; build on leadership strengths" is the principal theme of leadership performance evaluation and development conducted by the Canadian Tire Corporation as described by Janice Wismer, vice president of HR. Canadian Tire is a network of interrelated businesses with retail, financial, and petroleum interests. About 45,000 employees work in 1,000 retail stores across Canada.

The customized 360-degree feedback process used at Canadian Tire is research based and designed to build a cadre of great leaders. The first step in the design of the 360-degree feedback instrument was to benchmark other organizations that had effective 360-degree feedback processes. Twenty-seven key employees at Canadian Tire were interviewed to identify the attributes of their great leaders as measured by the standards of the organization. These key leadership attributes were then discussed and evaluated in workshops with important stakeholders. A total of 16 competencies were identified. Seven related to "who one is"—characteristics such as *trustworthy*, *passionate*, and *curious*. Nine others focused on "what one can do for the team, business, and enterprise," such as *make strategic choices*, *motivate and celebrate*, and *communicate authentically*.

To date, about 170 managers have been assessed by an average of 9 colleagues, including peers, subordinates, and bosses. Colleagues complete a self-survey, and all feedback assessment is analyzed relative to their own organization and to industry standards, which are maintained in a database. A confidential feedback report is given to each individual.

In addition to the generation of individual reports, an aggregate one-page executive summary is produced. The report, presented as a matrix, provides a visual summary colour-coded under each competency comparing aggregate feedback data for all individuals in a defined business unit. The sample 360-degree matrix shown below lists key attributes across the horizontal axis and the employee's feedback along the vertical axis. To maintain confidentiality, identifiers are assigned to the supervisors and managers so that they can see their relative standing but without knowing the identity of the other employees. In the colour coding, red signifies a weak performance, yellow is an average performance, and green indicates exceptional strengths. By using this 360-degree matrix, HR can identify areas where groups of employees need professional development, thus investing training dollars where it matters most. In the example, Executives A, B, and C are perceived as generally excellent across most of the eight areas of interest, whereas Executives M, N, and O are experiencing considerable difficulty. In addition, most of the executive team performed well in areas 1, 2, and 3, having the most difficulty in area 8. In this case, individual development plans may work well for executives having problems in areas 1, 2, and 3, whereas a group development solution may be best designed for area 8.

According to Ed Haltrecht, PhD, CHRP, who specializes in measurement and organizational leadership development, in most organizations when performance feedback is presented, both the employee and the manager focus on the reds—the weaknesses—and try to work out methods of development to improve this area. What is unique about Canadian Tire is that the focus is on the positive. It has found that improvements in weak areas (provided that they are not fundamental flaws) do not affect overall performance, whereas improvements in areas of strength bring managers from good to extraordinary. The goal is to identify and strengthen attributes so employees will distinguish and present themselves as extraordinary. Individuals first address any "fundamental flaws," either a very weak attribute of the individual or, more importantly, elements regarded as critical to the organization. In the sample 360-degree matrix, Executives I, L, N, and O have potential fundamental flaws in areas 1 and 2. If there are no fundamental flaws, then development focuses on building strengths. This combination has resulted in measurable gains in performance.

This approach is research based. One book, *The Extraordinary Leader: Turning Good Managers into Great Leaders*, by John Zenger and Joseph Folkman (New York: McGraw-Hill, 2002), presents several significant findings based on 225,000 evaluations of 20,000 people. Poor leaders were identified as those scoring in the bottom 10 percent; extraordinary leaders scored in the top 10 percent. Employee turnover in a call centre was 19 percent for the units managed by the poor managers, 14 percent for the middle group, and 9 percent for the extraordinary leaders. In another case that looked at a bank, net incomes for the bank generated by those groups whose managers were extraordinary, average, and poor were $7 million, $3.7 million, and $1.9 million, respectively. Employee satisfaction indices were at the 80th percentile for top managers compared to the 18th percentile for the bottom-scoring managers. Likewise, union vulnerability indices, which measure how attractive the organization is to a union's membership drive, reflected the 91st percentile for the top-scoring managers compared to the 10th percentile for the poor managers—that is, poorer managers are

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more likely to attract union interest. Although the pay structure was the same across different departments, those led by the top-scoring managers had employees who were at the 65th percentile in satisfaction with company pay and job security; the employees of average managers were in the 50th percentile; and poor managers' employees scored at the 37th percentile for satisfaction with company pay and job security.

Canadian Tire's leadership development system also recognizes two other significant research findings: first, extraordinary leaders have about three competencies at which they excel, and developing a few strengths to very high performance levels has a greater impact than improving several competencies from poor to average. Second, competencies travel together, and improvement in one leads to significant progress in others. Identifying these companion competencies has proven to be extremely worthwhile. In a nutshell, these are the findings: start with the right set of competencies or attributes, focus on strengths, eliminate any fundamental flaws, and pay attention to companion attributes.

The assessment feedback process at Canadian Tire is seen as a tool for dialogue and for focusing on what makes a great company and what matters in leadership. Those employees who try to improve are given a developmental opportunities guidebook. Canadian Tire has discovered that the best development methods are challenging stretch assignments, coaching and mentoring, personal feedback, talks with consultants, and training programs.

Source: Interview with Janice Wismer and Ed Haltrecht.

Executive	1. Treats others with respect.	2. Gives credit to others who have contributed or performed well.	3. Shows consistency between words and action.	4. Models the core values of the corporation; leads by example.	5. Treats team members as individuals based on knowledge of their strengths and development needs.	6. Takes actions that build a high level of commitment to work group goals and objectives.	7. Obtains resources so that the team has the knowledge, skills, and experience required to deliver results.	8. Where there is underlying conflict, helps parties involved bring up their issues and get to the heart of the problem.	Mean
A	5.0	4.9	4.9	4.6	4.8	4.6	4.6	4.5	4.7
B	5.0	4.8	4.9	4.9	4.9	4.8	4.3	3.7	4.7
C	5.0	4.7	4.5	4.7	4.7	4.7	4.5	4.2	4.6
D	4.8	4.6	4.2	4.7	4.3	4.3	4.6	4.1	4.4
E	4.7	5.0	4.7	4.0	3.7	4.0	4.3	4.3	4.4
F	4.8	4.3	4.3	4.5	4.4	4.3	4.1	3.2	4.2
G	4.6	4.2	4.2	4.2	4.2	4.1	4.2	3.9	4.2
H	4.5	4.4	4.1	4.2	4.3	3.9	3.9	4.1	4.2
I	4.4	3.8	4.0	4.3	4.0	4.3	4.5	3.7	4.2
J	4.4	4.3	4.5	4.2	4.1	4.2	3.9	4.0	4.2
K	4.6	4.2	4.5	4.0	4.5	4.2	3.6	4.3	4.1
L	3.8	4.4	4.3	4.3	3.7	4.1	4.5	3.9	4.1
M	4.4	4.2	4.4	4.1	4.2	4.0	4.0	4.2	4.1
N	4.3	3.8	4.1	3.9	4.0	4.0	3.5	2.9	3.9
O	3.3	4.1	4.0	3.6	3.8	3.8	3.9	3.3	3.6
Mean	4.5	4.3	4.4	4.2	4.2	4.2	4.1	3.9	4.2

Source: Interview with Janice Wismer and Ed Haltrecht.

can occur during the evaluation process if raters do not have carefully developed descriptions of the employee behaviours being rated. The "horn error" is the opposite of the halo effect. It occurs when a manager focuses on one negative aspect about an employee and generalizes it into an overall poor evaluation rating. A personality conflict between a manager and his or her employees increases the probability of the horn effect, which can lead to a high level of frustration on the employee's part if it is not corrected.[27]

Distributional Error

A distributional rating error occurs when a single rating is skewed toward an entire group of employees. For example, raters who are reluctant to assign either extremely high or extremely low ratings commit the **error of central tendency**. In this case, all employees are rated about average. It is also common for some raters to give unusually high or low ratings. For example, a manager might erroneously assert, "All my employees are excellent" or "None of my people are good enough." These beliefs give rise to what is called **leniency or strictness error**.[28]

One way to reduce distributional errors is to explain to raters that when you are looking at large groups of employees, you should generally expect to find significant differences among them. Using clearly defined characteristics or dimensions of performance and providing meaningful descriptions of behaviour, known as "anchors," on the scale can help raters determine how individual employees should be rated. Another approach is to require ratings to conform to a **forced distribution**, which is also sometimes referred to as *forced ranking*. Managers appraising employees under a forced distribution system are required to place a certain percentage of employees into various performance categories. For example, it may be required that 10 percent of ratings be poor (or excellent). This is similar to the requirement in some schools that instructors grade on a curve. A variation of this is peer ranking, whereby employees in a work group are ranked against one another from best to worst.

Although forced distribution and peer ranking may solve leniency and strictness errors, they can create other rating errors—particularly if most employees are performing above the standard, in the middle, or below the standard. Similarly, with peer ranking, three employees all performing nearly at the same level would have to be ranked 1, 2, and 3. That creates a misleading picture of how well the individuals are performing, which in turn affects their pay, promotability, and so forth. Companies, including Ford, Goodyear (described in the Business Case), and Microsoft, abandoned their forced ranking systems after lawsuits, lower morale, decreased teamwork, and destructive employee competition ensued following their use. In addition, not all corporate cultures are conducive to forced ranking systems. For example, at Starbucks, which fosters a corporate climate based on teamwork, using a forced ranking system would probably be counterproductive. Because of the legal issues related to forced ranking, companies that use it obviously need to carefully train their appraisers.[29]

Temporal (Recency) Error

Some rating errors are temporal in that the performance review is biased either favourably or unfavourably depending on the way performance information is selected, evaluated, and organized by the rater over time. For example, when the evaluation is based largely on the employee's recent behaviour, good or bad, the rater has committed the **temporal (recency) error**. Managers who give higher ratings because they believe an employee is "showing improvement" may unwittingly be committing recency error. Having the rater routinely document employee accomplishments and failures throughout the whole evaluation period can minimize the recency error. One way for managers to do this is by keeping a diary or a log.

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The Business Case

Rank and Yank

Research shows that performance appraisals can have a positive financial impact, but there is the potential to lose money if the wrong system is chosen. Goodyear Tire & Rubber Co. abandoned a performance rating system for salaried employees just as discrimination attorneys were planning to file a class-action lawsuit over it. Goodyear said it was dropping major parts of its program, including its so-called 10-80-10 feature, which essentially graded all salaried employees on a curve. The top 10 percent were rated A, the middle 80 percent were rated B, and the bottom 10 percent were rated C. Those falling in the bottom 10 percent weren't eligible for raises or bonuses and were warned that they might lose their jobs.

The lawsuit alleged that the workers who got C ratings were humiliated and stigmatized among their peers and managers. The legal arm of the AARP, formerly known as the American Association of Retired Persons, joined the lawsuit as co-counsel. Most of the plaintiffs who got C rankings in the case were Goodyear employees who were over 50 years old. "This case will send a clear message that performance rating schemes that target older workers for unfair treatment are illegal and will not be tolerated," said Laurie McCann of AARP.

Jack McGilvrey, a 59-year-old salaried employee, was one of those named in the suit. He claimed that he always received ratings of at least "good/effective performer" in his formal performance reviews up through the late 1990s. In 2000, he was ranked "highly effective." But in February 2001, he was transferred to a new department and shortly thereafter was given a C rating in his performance review. The suit asserted that Mr. McGilvrey didn't deserve the rating and received it as part of Goodyear's plan to discriminate against older employees. He was later dismissed.

The lawsuit against Goodyear has many parallels to one filed in 2001 against Ford Motor Co. In that case, also joined by AARP, the company modified its plans in the face of a legal challenge. The Ford case was eventually settled.

In modifying its white-collar ranking system, Goodyear said it would replace those A, B, and C rankings with the terms *exceeds expectations*, *meets expectations*, and *unsatisfactory*. There will be no requirement to assign those ratings to set percentages of employees. The company also said it was stepping up training for managers so they learn to do a better job of conducting performance reviews.

Ranking employees is also demotivating. Dr. Dunning, a Cornell psychologist identified a concept which he labelled "illusory superiority," the assumption that people think that they are actually better than their peers in most tasks. So if employees approach a performance review thinking that they are above average, but are actually ranking lower, they leave the interview demotivated.

Contrast Error

Contrast error occurs when an employee's evaluation is biased either upward or downward because of another employee's performance. For example, an average employee may appear very productive when compared with a poor performer. However, that same employee could appear unproductive when compared with a star performer. Contrast errors are most likely when raters are required to rank employees in order from the best to the poorest.[30]

Similar-to-Me Error

The **similar-to-me error** occurs when a supervisor inflates the evaluations of people with whom they have something in common. For example, if both the manager and the employee are from the same town or went to the same schools, the manager may unwittingly have a more favourable impression of the employee. The similar-to-me error can be powerful, and when the similarity is based on race, religion, or gender, it can result in discrimination.

contrast error
A performance rating error in which an employee's evaluation is biased either upward or downward because of comparison with another employee just previously evaluated

similar-to-me error
A performance rating error in which an appraiser inflates the evaluation of an employee because of a mutual personal connection

Furthermore, raters should be aware of any stereotypes they may hold toward particular groups. For example, one study found that men who experience conflicts between family and work received lower overall performance ratings than men who did not experience such conflicts. Women, on the other hand, were judged no differently whether they experienced family–work conflicts or not.[31]

Holding "mock" calibration meetings can help trainers improve the accuracy of their ratings. The training can pay off, particularly when participants have the opportunity to (1) observe other managers making errors, (2) actively participate in discovering their own errors, and (3) practise job-related tasks to reduce the errors they tend to make.[32] Google, which often conducts performance reviews with input from employee groups, has compiled a "cognitive biases" list for employees to refer to as they discuss ratings.[33]

Other companies, including the consulting firm Accenture and the software developer SAP, are experimenting with *machine learning* to collect data on employees' work and analyze it to get an unbiased picture of a person's performance. Machine learning is a type of artificial intelligence that allows computers to discover new insights in data without being programmed where to look for it.[34]

Feedback Training

A training program for raters should provide some pointers managers can use to provide performance feedback to employees on an ongoing basis and during formal reviews and feedback sessions. During formal reviews in particular, many managers are as nervous about giving feedback as employees are about receiving it. Often they just want them to be over. When this happens, managers do not engage employees in much of a conversation during the reviews, which is a major drawback.

Managers need to understand that employees want to know how they are doing and how they can improve. They are less eager to be appraised or judged. This is why it is important for their managers to provide them with ongoing feedback and not just "dump on them" during a formal performance evaluation. If an employee is doing something wrong, waiting for a formal evaluation later in the year to communicate that information is the wrong approach. The person needs to be corrected immediately.

Even when appraising an outstanding employee, managers often are reluctant to evaluate an employee's performance. Sometimes it is as simple as the manager lacks the skills to execute an effective performance review session; sometimes there is never enough money to recognize even the top performer. So reviews

Performance evaluation programs are most effective when managers have been properly trained to adequately observe and give feedback to their employees.

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Highlights in HRM 8.1

Supervisor's Checklist for the Performance Review Meeting

Scheduling

1. Schedule the meeting and notify the employee 10 days to 2 weeks in advance.

2. Ask the employee to prepare for the session by reviewing his or her performance, job objectives, and development goals.

Preparing

1. Review the performance documentation collected throughout the year. Concentrate on work patterns that have developed.

2. Be prepared to give specific examples of above- or below-average performance.

3. If the performance meets or exceeds expectations, discuss this and plan how to reinforce it. Where the performance falls short of expectations, determine what changes need to be made.

4. After the evaluation is written, set it aside for a few days and then review it again.

Conducting the Review

1. Select a private location that is comfortable and free of distractions.

2. Discuss each area of performance one at a time and address both the employee's strengths and shortcomings in that area.

3. Be specific and descriptive, not general and judgmental. Report occurrences rather than evaluating them.

4. Discuss your differences and resolve them.

5. Jointly discuss and design plans for taking corrective action for growth and development.

6. Maintain a professional and supportive approach to the discussion.

are postponed or handled poorly, and the result is that the organization's best performers are left frustrated, angry, disillusioned, and demotivated.

Conflicting purposes of the review can also hamper the effectiveness of the feedback employees receive. For example, if a review program is used to determine an employee's future pay and at the same time to motivate the person to perform better, the two purposes can end up conflicting with one another. Often when salary decisions are discussed during a performance review, they tend to become the dominant topic of conversation, and managers spend a lot of time justifying their pay decisions. As a result, ways to improve the employee's future job performance get less discussion.

Feedback training should cover at least three basic areas: (1) communicating effectively so as to gain the employee's support, (2) diagnosing the root causes of performance problems, and (3) setting goals and objectives for the employee to achieve in conjunction with the feedback. A checklist such as the one in Highlights in HRM 8.1 can be used to help supervisors prepare for performance review meetings so that their subordinates get the best information as possible from the result.

PERFORMANCE REVIEW METHODS

Now that you understand more about performance management, the question is how do you go about measuring, or appraising, it? Performance review methods can be broadly classified as measuring traits, behaviours, or results. Trait approaches based on people's characteristics continue to be used despite their subjectivity. Behavioural approaches provide more action-oriented information to employees and therefore may be best for development. The results-oriented approach has become more popular because it focuses on the measurable contributions that employees make to the organization.

LEARNING OUTCOME 3

As an employee, would you rather be evaluated on your personality traits, your on-the-job behaviours, or the results that you get?

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TRAIT METHODS

Trait approaches are designed to measure the extent to which an employee possesses certain characteristics—such as dependability, reactivity, initiative, and leadership—that are viewed as important for the job and the organization in general. Trait methods became popular because they are easy to develop. However, if not designed carefully on the basis of job analysis, trait evaluations can be notoriously biased and subjective.

Graphic Rating Scale Method

In the **graphic rating scale method**, each trait or characteristic to be rated is represented by a scale on which a rater indicates the degree to which an employee possesses that trait or characteristic. In Highlights in HRM 8.2, the dimensions

Highlights in HRM 8.2

Graphic Rating Scale with Provision for Comments

Appraise employee's performance in PRESENT ASSIGNMENT. Check (✔) most appropriate square. Appraisers are *urged to freely use* the "Remarks" sections for significant comments descriptive of the individual.

1. KNOWLEDGE OF WORK:
Understanding of all phases of his/her work and related matters

Needs instruction or guidance		Has required knowledge of own and related work		Has exceptional knowledge of own and related work
☐	☐	☐	✔	☐

Remarks: *Is particularly good on gas engines.*

2. INITIATIVE:
Ability to originate or develop ideas and to get things started

Lacks imagination		Meets necessary requirements		Unusually resourceful
☐	✔	☐	☐	☐

Remarks: *Has good ideas when asked for an opinion, but otherwise will not offer them. Somewhat lacking in self-confidence.*

3. APPLICATION:
Attention and application to his/her work

Wastes time Needs close supervision		Steady and willing worker		Exceptionally industrious
☐	☐	✔	☐	☐

Remarks: *Accepts new jobs when assigned.*

4. QUALITY OF WORK:
Thoroughness, neatness, and accuracy of work

Needs improvement		Regularly meets recognized standards		Consistently maintains highest quality
☐	☐	☐	☐	✔

Remarks: *The work he turns out is always of the highest possible quality.*

5. VOLUME OF WORK:
Quantity of acceptable work

Should be increased		Regularly meets recognized standards		Unusually high output
☐	☐	✔	☐	☐

Remarks: *Would be higher if he did not spend so much time checking and rechecking his work.*

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are defined briefly, and some attempt is made to define the points on the scale. Subjectivity bias is reduced when the dimensions on the scale and the scale points are defined as precisely as possible.[35]

Mixed-Standard Scale Method

The **mixed-standard scale method** is a modification of the basic rating scale method. Rather than evaluating traits according to a single scale, the rater is given three specific descriptions of each trait. These descriptions reflect three levels of performance: superior, average, and inferior. As Highlights in HRM 8.3 discusses, supervisors evaluate employees by indicating whether their performance is better than, equal to, or worse than the standard for each behaviour.

Forced-Choice Method

The **forced-choice method** requires the rater to choose from statements, often in pairs, that appear equally favourable or equally unfavourable but are designed to distinguish between successful and unsuccessful performance. For example, forced-choice pairs might include the following:

1. _____ a) Works hard   _____ b) Works quickly
2. _____ a) Shows initiative   _____ b) Is responsive to customers
3. _____ a) Work is reliable   _____ b) Performance is good

The rater then selects one statement from the pair without knowing which statement correctly describes successful job behaviour. Because it's not immediately clear which response results in a higher rating, less bias results.

Highlights in HRM 8.3

Example of a Mixed-Standard Scale

DIRECTIONS: Indicate whether the individual's performance is above (1), equal to (0), or lower than (2) each of the following standards.

1. _____ Employee uses good judgment when addressing problems and provides workable alternatives; however, at times does not take actions to prevent problems. (medium PROBLEM SOLVING)

2. _____ Employee lacks supervisory skills, frequently handles employees poorly, and is at times argumentative. (low LEADERSHIP)

3. _____ Employee is extremely cooperative, can be expected to take the lead in developing cooperation among employees, and completes job tasks with a positive attitude. (high COOPERATION)

4. _____ Employee has effective supervision skills; and encourages productivity, quality, and employee development. (medium LEADERSHIP)

5. _____ Employee normally displays an argumentative or defensive attitude toward fellow employees and job assignments. (low COOPERATION)

6. _____ Employee is generally agreeable but becomes argumentative at times when given job assignments; cooperates with other employees as expected. (medium COOPERATION)

7. _____ Employee is not good at solving problems, uses poor judgment, and does not anticipate potential difficulties. (low PROBLEM SOLVING)

8. _____ Employee anticipates potential problems and provides creative, proactive alternative solutions; has good attention to follow-up. (high PROBLEM SOLVING)

9. _____ Employee displays skilled direction, effectively coordinates unit activities, is generally a dynamic leader, and motivates employees to high performance. (high LEADERSHIP)

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Essay Method

The **essay method** requires the appraiser to compose a statement that best describes the employee's strengths and weaknesses and make recommendations for his or her development. Often the essay method is combined with other rating methods because it provides additional descriptive information about an employee's performance that cannot be generated with a structured rating scale. Essays also provide an excellent opportunity for supervisors to point out the unique characteristics of the employee being appraised, including specific points about the employee's promotability, special talents, skills, strengths, and weaknesses. A limitation of the essay method is that it can be subjective.

BEHAVIOURAL METHODS

As we mentioned, trait-oriented performance reviews can be vague and subjective. In contrast, behavioural methods specifically describe which actions should (or should not) be exhibited on the job. Let's look at some behavioural methods.

Critical Incident Method

Recall from Chapter 4 that a **critical incident** occurs when employee behaviour results in unusual success or unusual failure. The manager keeps a log or diary for each employee throughout the evaluation period and notes specific critical incidents related to how well they perform.

The critical incident method can also help a manager counsel employees when they are having performance problems. It also increases the objectivity of the evaluation by requiring the rater to use job performance criteria to justify the ratings.[36]

Behavioural Checklist Method

The behavioural checklist method requires the rater to check statements on a list that describe characteristics of the employee's behaviour. A checklist developed for salespeople who sell electronic products might include a number of statements, such as the following:

_____ Questions customers about their needs

_____ Identifies products that meet customers' needs

_____ Keeps current about new developments in technology

_____ Processes orders correctly

Behaviourally Anchored Rating Scale (BARS)

A **behaviourally anchored rating scale (BARS)** consists of a series of 5 to 10 vertical scales—one for each important dimension of performance identified through job analysis. These dimensions are "anchored" by behaviours identified through a critical incident job analysis. The critical incidents are placed along the scale and are assigned point values according to the opinions of experts. A BARS for the job of firefighter is shown in the upper portion of Highlights in HRM 8.4.

A BARS is typically developed by a committee that includes both subordinates and managers. Employee participation can lead to greater acceptance of the performance review process and of the performance measures that it uses. The procedures followed in developing a BARS also result in scales that have a high degree of content validity.

Behaviour Observation Scale (BOS)

A **behaviour observation scale (BOS)** is similar to a BARS in that they are both based on critical incidents. However, the lower portion of Highlights in HRM 8.4 shows that rather than asking the evaluator to choose the most representative

Highlights in HRM 8.4

BARS and BOS Examples

Example of a BARS for Firefighters

FIREFIGHTING STRATEGY: Knowledge of Fire Characteristics. This area of performance concerns the ability of a firefighter to understand fire characteristics to develop the best strategy for fighting a fire.

HIGH	7	— Finds the fire when no one else can
	6	— Correctly assesses best point of entry for fighting fire
	5	— Uses type of smoke as indicator of type of fire
AVERAGE hydraulics	4	— Understands basic
	3	— Cannot tell the type of fire by observing the colour of flame
	2	— Cannot identify the location of the fire
LOW	1	— Will not change the fire-fighting strategy in spite of flashbacks and other signs that accelerants present

Sample Items from Behaviour Observation Scales

For each behaviour observed, use the following scale:

5 represents *almost always*	95–100% of the time
4 represents *frequently*	85–94% of the time
3 represents *sometimes*	75–84% of the time
2 represents *seldom*	65–74% of the time
1 represents *almost never*	0–64% of the time

Sales Productivity	Never				Always
1. Reviews individual productivity results with manager	1	2	3	4	5
2. Suggests to peers ways of building sales	1	2	3	4	5
3. Uncovers specific needs for each contact	1	2	3	4	5
4. Keeps account plans updated	1	2	3	4	5
5. Follows up on customer leads	1	2	3	4	5

Source: Adapted from Landy, Jacobs, and Associates. Reprinted with permission.

behavioural anchor, a BOS is designed to measure how frequently each behaviour has been observed.

A BOS allows the appraiser to play the role of observer rather than of judge, which makes it easier to provide constructive feedback to the employee, who will be more willing to accept it. Research shows that users of the system frequently prefer it over the BARS or trait scales for (1) maintaining objectivity, (2) distinguishing good performers from poor performers, (3) providing feedback, and (4) identifying training needs.[37]

RESULTS METHODS

Rather than looking at employees' traits or on-the-job behaviours, many organizations evaluate employees' accomplishments—such as the sales and output results they achieve. Employees are responsible for their outcomes along with discretion over the way they accomplish them (within limits). Advocates of results-based reviews argue that they are more objective and empowering for employees.

management by objectives (MBO)

A results review process that rates the performance of employees based on their achievement of goals set mutually by them and their manager

Productivity Measures

A number of results measures are available to evaluate performance. Salespeople are evaluated on the basis of their sales volume (both the number of units sold and the dollar amount in revenues). Production workers are evaluated on the basis of the number of units they produce and perhaps the scrap rate or number of defects detected in their work. Executives are frequently evaluated on the basis of a company's profits or growth rate. Each of these measures directly links what employees accomplish to results that benefit the organization. In this way, results evaluations can directly align employee and organizational goals.

For jobs that are more service oriented, it is not enough to simply look at production or sales figures. Factors such as cooperation, adaptability, initiative, and concern for human relations are important to the job success of employees too. If these factors are important job standards, they should be added to the evaluation review. Thus, to be realistic, both the results and the methods or processes used to achieve them should be considered.[38]

Management by Objectives

One method that attempts to overcome some of the limitations of results evaluations is **management by objectives (MBO)**. Employees establish objectives (such as production costs, sales per product, quality standards, and profits) by consulting with their superiors. Employees are then evaluated based on these objectives.[39] An MBO system (see Figure 8.7) consists of a cycle that begins with setting the organization's common goals and objectives and ultimately returns to that step. The system acts as a goal-setting process whereby objectives are established for the organization (Step 1), departments (Step 2), and individual managers and employees (Step 3).

FIGURE 8.7

PERFORMANCE APPRAISAL UNDER AN MBO PROGRAM

MANAGEMENT BY OBJECTIVES

Step 1: Organization goals and metrics

Step 2: Department goals and metrics

Step 3A: Supervisor lists goals and metrics for subordinate

Step 3B: Subordinate proposes goals and metrics

Step 4: Mutual agreement of goals and metrics

Step 5A: Inappropriate goals/metrics deleted

Step 5B: New inputs are then provided

Step 5: Interim review

Step 6: Final review

Step 7: Review of organization performance

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boilerplate

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As Figure 8.7 shows, employees help establish specific goals, but those goals are based on a broad statement of an employee's responsibilities prepared by the person's supervisor. The employee-established goals are then discussed with the supervisor and jointly reviewed and modified until both parties are satisfied with them (Step 4). The goal statements are accompanied by a detailed account of the actions the employee proposes to take to reach the goals and how they will be measured (the metrics).

During periodic reviews, the progress the employee makes toward the goals is then assessed (Step 5). The goals and metrics may be changed at this time as new or additional information is received. After a period of time, the employee makes a self-evaluation of what he or she has accomplished. Step 6 is an examination of the employee's self-evaluation by the supervisor and the employee together. The final step (Step 7) is reviewing the connection between the employee's performance and the organization's. Notice how the steps in an MBO program are similar to the steps in Figure 8.1 at the beginning of the chapter but are more specific.

The Balanced Scorecard

The balanced scorecard (BSC), which we first discussed in Chapter 2, can be used to appraise individual employees, teams, business units, and the corporation itself. A BSC evaluation takes into account four related categories: (1) financial measures, (2) customer measures, (3) process measures, and (4) learning measures. Highlights in HRM 8.5 shows how a BSC in the financial category

Highlights in HRM 8.5

Personal Scorecard

CORPORATE OBJECTIVES

- Double our corporate value in 7 years.
- Increase our earnings by an average of 20% per year.
- Achieve an internal rate of return 2% above the cost of capital.
- Increase both production by 20% in the next decade.

❑ Corporate
❑ Business Unit
❑ Team/Individual

Corporate Targets and Business-Unit Targets									Team/Individual Objectives
2018	2019	2020	2021		2014	2015	2016	2017	1.
Financial (millions of dollars)									
100	120	160	180	Earnings					
35	55	85	100	Net profits					
15	35	65	75	Net cash flow					2.
Operating (millions of dollars)									
35	35	40	50	Production and development costs					
30	30	35	30	Overhead and operating costs					
100	105	108	110	Total annual production (million units)					3.
Team/Individual Measures					**Targets**				
1.									
2.									4.
3.									
4.									

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translates to a personal scorecard for an employee. The corporation's financial objectives have already been spelled out on the top of the scorecard. Then the various business unit targets are added, followed by the target objectives of the firm's teams and individual employees. The scorecard allows each individual to see clearly how his or her performance ties into the overall performance of the firm.

The BSC evaluation method is similar to an MBO system in that it translates broad corporate goals into divisional, departmental, team, and individual goals in a cascading way. This ensures that implementing the firm's strategy becomes "everyone's" job.

WHICH PERFORMANCE EVALUATION METHOD SHOULD YOU USE?

Figure 8.8 lists some of the strengths and weaknesses of trait, behaviour, and results approaches to appraising employees. Although researchers and HR managers generally believe that the more sophisticated and time-consuming methods offer more useful information, this may not always be the case. Ronald Gross, an industrial psychologist and HR consultant, states: "I've seen many systems fail miserably because they're too complex, too time-consuming, and too burdensome. I've never seen a system fail because it was too simple."[40]

The accounting firm Deloitte uses a form with only four measures that it administers quarterly. For example, one measure asks evaluators to use a five-point scale to answer the following question: "Given what I know of this person's performance, I would always want him or her on my team."[41] One way to assess whether an organization's evaluation system is effective is by doing an annual, or at least periodic, audit of the process using a survey instrument that both managers and employees complete on a periodic basis. This should give HR a better sense of whether the evaluation process is improving.

FIGURE 8.8

A SUMMARY OF VARIOUS EVALUATION METHODS

	Advantages	Disadvantages
Trait methods	1. Are inexpensive to develop 2. Use meaningful dimensions 3. Are easy to use	1. Have high potential for rating errors 2. Are not useful for employee counselling 3. Are not useful for allocating rewards 4. Are not useful for promotion decisions
Behavioural methods	1. Use specific performance dimensions 2. Are acceptable to employees and superiors 3. Are useful for providing feedback 4. Are fair for reward and promotion decisions	1. Can be time consuming to develop/use 2. Can be costly to develop 3. Have some potential for rating error
Results methods	1. Have less subjectivity bias 2. Are acceptable to employees and superiors 3. Link individual performance to organizational performance 4. Encourage mutual goal setting 5. Are good for reward and promotion decisions	1. Are time consuming to develop/use 2. May encourage a short-term perspective 3. May use contaminated criteria 4. May use deficient criteria

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PERFORMANCE REVIEW MEETINGS AND FEEDBACK SESSIONS

After you have evaluated how well your employees are doing using one or more evaluation methods, how should you begin to present the information to them in an evaluation meeting or feedback session? The format for the meeting or session will be determined in large part by its purpose, type of performance management system used, and organization of a firm's evaluation form. The meetings and sessions should be scheduled far enough in advance to allow the subordinate and manager to prepare for the discussion. Usually, 10 days to 2 weeks is a sufficient amount of lead time.

Sometimes discussing an employee's past performance and future development goals can make for a meeting or feedback session that is too long. It can also be difficult for a supervisor to perform the role of both evaluator and counsellor in the same review period. Dividing the meeting into two sessions, one for the performance review and the other for the employee's growth plans, can be helpful.

LEARNING OUTCOME 4

Imagine that you are a manager (or a friend) trying to get someone to talk about a performance problem. What techniques would you use to facilitate the discussion?

TYPES OF PERFORMANCE REVIEW MEETINGS AND FEEDBACK SESSIONS

There are three basic types of formats for providing feedback during a performance evaluation meeting or feedback session: tell-and-sell, tell-and-listen, and problem solving. No one format is best for every review session. Rather, managers can use one or more of the formats depending on the purpose of the session, the topic being discussed, and the receptiveness of the employee.

- *Tell-and-sell.* The skills required in the tell-and-sell format include the ability to persuade an employee to change his or her behaviour in a certain way. This requires a manager to skillfully use motivational and persuasive techniques to try to change the behaviour. But because there is less communication on the part of the employee, this format is less than ideal. However, it may be used if other formats haven't worked, the employee is resistant to change, or the employee is reluctant to participate in the discussion.

- *Tell-and-listen.* In the tell-and-listen format, the appraiser or supervisor communicates the strong and weak points of an employee's job performance during the first part of the session. During the second part of the session, the employee's feelings about the evaluation are thoroughly explored. The tell-and-listen method gives both managers and employees the opportunity to release and work through any frustrating feelings they might have.

- *Problem solving.* This format is the most proactive. Listening, accepting, and responding to feelings are essential elements of it. However, the format goes beyond an interest in the employee's feelings. It seeks to obtain the employee's buy-in for a mutually agreed-upon way to overcome obstacles and improve the person's performance. One of the ways in which a problem-solving format is accomplished is by beginning with the employee's self-evaluation. That way, the manager and employee can compare where they agree and disagree, and focus on problem-solving instead of the manager trying to convince the employee he or she is right.

Interestingly, Canadian researchers are suggesting that a fourth method, the feed forward interview, may be the most effective way to ensure changes in behaviour. The feed forward method is described in Highlights in HRM 8.6.

CONDUCTING THE PERFORMANCE REVIEW MEETING OR FEEDBACK SESSION

There are no hard-and-fast rules for how to conduct a review, but the guidelines that follow can increase the willingness of employees to accept feedback, discuss their performance and improve it, and increase their overall satisfaction with the feedback process.

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Highlights in HRM 8.6

The Feed Forward Performance Evaluation Interview

Critics of performance evaluation interviews claim that the interviews do not result in positive performance change; that employees become demotivated, not motivated; and most interviews are subject to "recency" effects, which do not capture annual performance. But the majority of HR professionals and some managers are reluctant to abolish performance evaluation because of the need for employees to receive feedback. The quest for a mechanism to provide feedback that results in motivated employees willing to change behaviour may have moved a step forward.

Canadian researchers at York University and the University of Toronto have developed an interview protocol that focuses on the positive aspects of employee experiences instead of on "what is wrong." The theory, based on positive psychology, is that the interview should focus on strengths, successes, and values. By focusing on the positive, managers and employees can identify the conditions under which success occurs.

It works like this. Managers are trained, for 2.5 hours, to ask employees questions, paraphrased here, such as "Please tell me about an incident where you felt especially good about achieving a goal" and "What were the circumstances that enabled you to be effective?" and "What can you do in this coming year to create the conditions that will enable you to be successful?" The results show that this interview process increased performance four months later (compared to the standard performance appraisal, where the emphasis was on feedback regarding past performance). The manager was no longer a judge or critic but an enabler of appreciative inquiry.

Ask for a Self-Evaluation

Research shows that employees are more satisfied and view evaluation systems as more fair when they have input into the process. A self-evaluation can be used to discuss areas in which the manager and the employee have reached different conclusions—not so much to resolve the "truth" as to work toward the resolution of problems. A self-evaluation also ensures that the employee knows against what criteria he or she is being evaluated, eliminating any potential surprises.

Invite Participation

Communication is a two-way street. Most experts advise supervisors to encourage their employees to speak freely and listen closely to what they have to say. The more likely that an employee is an active participant in that discussion, the more likely it is that the root causes and obstacles to his or her performance will be uncovered and that constructive ideas for improvement will be developed. In addition, research suggests that an employee's participation is strongly related to the person's satisfaction with the feedback delivered, the extent to which the person believes it is fair and useful, and the desire to improve his or her performance. As a rule of thumb, supervisors should spend only about 30 to 35 percent of the time talking. They should spend the rest of the time listening to the information their employees volunteer and their responses to questions.

Express Appreciation

Because praise is a powerful motivator and employees are seeking positive feedback, it is frequently beneficial to start the session by expressing appreciation for what the employee has done well. Surprisingly, not all supervisors think to do this. They should. A performance review is the perfect time to tell people they

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The purpose of a performance appraisal interview is to initiate a dialogue that will help an employee improve his or her performance, making the employee an active participant in the discussion. Such participation is strongly related to an employee's satisfaction with appraisal feedback.

are valued, top performers in particular, so they feel encouraged and motivated to continue to come to work day after day and remain with the firm.

Starting the meeting by talking about what the employee is doing well will also make the person less defensive and more likely to talk about aspects of the job that are not going so well. Don't, however, deliberately "sandwich" positive statements followed by negative ones, which are then followed by positive statements. If you do, the individual will be less likely to take the praise seriously and view it instead as a way to soften the bad news. Furthermore, if employees are given feedback on their performance on a regular basis, there will be no need to sandwich bad news between good news.

Be Supportive and Demonstrate That You Care

One of the better techniques for engaging an employee in the problem-solving process is for the manager to ask: "What can I do to help?" Employees frequently attribute performance problems to either real or perceived obstacles (such as bureaucratic procedures or inadequate resources). By being open and supportive, the manager conveys to the employee that he or she will try to eliminate roadblocks and will work with the employee to achieve a higher standard of performance. Good managers also demonstrate during evaluations and on the job that not only do they support their employees' work efforts and ways to improve them, they also care about them personally and want to help them get what they want out of life. No one wants to be just a "cog in the machine."

Minimize Criticism

Even the most stoic employees can absorb only so much criticism before they start to get defensive. If an employee has many areas in need of improvement, managers should focus on the issues that are most problematic or most important to the job. In other words, criticism should be given in small doses.

Some tips for using criticism constructively include the following:

- *Consider whether it is really necessary*. Sometimes a manager's frustration with a performance problem is little more than "letting off steam." Be sure that the criticism focuses on a recurrent problem or a consistent pattern of behaviour over which the employee has control.

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- *Consider the person's ability to handle it.* Everyone handles criticism differently. Some people are able to handle it well. Others react very negatively to even the slightest criticism.
- *Be specific and do not exaggerate.* Sometimes we overstate problems in order to be convincing or to demonstrate our concern. Try to keep criticism simple, factual, and to the point. Avoid using terms such as *always*, *completely*, and *never*.
- *Watch your timing.* Properly timed criticism can often mean the difference between success and failure. Even good criticism given late in the day, for example, can touch a raw nerve if the employee is tired. Take a break or save it for another day.
- *Make improvement your goal.* Frankly, it is hard to change a person's behaviour with a single conversation, so "laying it on the line" is probably not a good idea. Instead of getting into a "blame game" in which both manager and employee enter into a potentially endless discussion of why a situation has occurred, focus on the problem and devise a solution to it.[42]

Establish Goals

The final step is establishing goals for the next performance-management cycle. Jointly establishing goals and then revisiting and revising them at the end of the cycle is a critical part of the review process. Revisiting goals during a performance review also emphasizes the ongoing nature of the process. Because one of the major purposes of the evaluation meeting or feedback session is to improve an employee's future performance, his or her manager should focus the person's attention on the future rather than the past:

- Emphasize strengths on which the employee can build rather than weaknesses to overcome.
- Drop unproductive tasks.
- Limit improvement plans to a few important items that can be accomplished within a reasonable period of time and spell out how they will be achieved. The plans might also include a list of resources, contact information for people who can help the employee achieve the goals, and timetables for following up to ensure that they are met.
- Highlight how both the employee and the firm will excel if the goals are achieved. Some supervisors will be tempted to establish difficult goals with their employees, thinking that these will "motivate" them to achieve more. The ethical issues surrounding unreasonable goals are discussed in Ethics in HRM.

Follow Up Day to Day

Often both managers and employees are frequently happy to finish formal performance reviews and file away the evaluation form. As we have emphasized, a better approach is to have informal talks periodically, perhaps quarterly, to follow up on the issues that were discussed. This puts managers in more of a coaching role versus that of a judge. For example, as a sales manager, should you wait to appraise your employees once or twice a year? Probably not. Most likely you would want to monitor their sales on a weekly and monthly basis. Has a particular salesperson met his or her customer contact numbers this week? Why or why not? Is the salesperson closing deals with the people he or she does contact? If at the six-month mark the salesperson isn't making his or her goals, how can you help the person if you haven't provided ongoing feedback? The lack of sales will be hard to make up at this point.

It's not just salespeople who need continual feedback. All types of employees can benefit from ongoing performance conversations with their managers. "Millennials and Gen Z-ers don't want hierarchy, formal feedback processes and appraisals," says Nicholas Greschner, the Canadian director of human resources

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Ethics in HRM

Stretch Goals

Employees are being asked to set performance goals, labelled "stretch goals," that ask them to do such things as double their sales or increase response time to customers threefold. Stretch goals are characterized by two attributes: extreme difficulty (for example, Southwest Airlines had a stretch goal of a ten-minute turn-around at airport gates when the industry standard was close to one hour.) and extreme novelty (using new employee work practices and changing the behaviour of customers, Southwest Airlines did achieve their ten-minute turnaround goal).

Research has shown that the establishment of goals results in higher productivity. So if goals are good, are super-goals better? Research has shown that stretch goals result in employees exhibiting three types of concerning behaviour:

1. *Burnout.* Companies set ambitious goals for their employees but fail to provide them with the resources they need to achieve them. They are saying, in effect, "We aren't going to give you any more people or money, so your solution is to work smarter and be creative." The only resource left to employees is their personal time, so North Americans are working harder than employees in any other developed country. They are working evenings and weekends, with fewer vacations. "That's immoral," says Kerr. "Companies have a moral obligation to provide the tools to meet tough goals."

2. *Risk taking.* Stretch goals may lead to risk-taking behaviour on the part of employees. For instance, U.S. banks set numerical goals for mortgages that resulted in selling mortgages to high-risk customers, who subsequently defaulted, causing a massive meltdown in the home real estate market.

3. *Unethical behaviour.* In 2013, Wells Fargo set a goal of selling eight financial products per household, about five times the industry average. As a result, sales associates, facing an impossible task, engaged in unethical behaviour and opened $3.5 million fraudulent accounts. Wells Fargo then faced more than 300 million in fines and class-action lawsuits.

How should stretch goals be managed? The goal must be seen as achievable and not provoke a reaction of "You've got to be kidding." People must also realize that creative energy can be increased. For example, in one innovation training program, teams are given an orange and told that each person must handle the orange, but the orange must end up in the hands of the person who started with it. All teams start by throwing the orange to team members; this takes nine seconds. They try to reduce the time to seven seconds by throwing faster or in tighter circles. When told that it is possible to do this task in one second, they get creative: they stack their hands, and the first person drops the orange through the stacked but open hands and catches it at the bottom.

If the stretch goals are not achieved, then punishment should not be used. Be careful with high achievers who are already stretching or these winners will feel like losers if they cannot meet impossible goals. Provide the tools; asking people to double their quota without ensuring backup is demoralizing. Finally, share the wealth. If the achievement results in additional funds flowing to the organization, split the incremental savings or gains.

Some employees, masters at the politics of organizations, play games with stretch goals. They negotiate hard for modest, achievable goals while arguing that these are stretch targets. Others, with high needs for achievement, accept the stretch targets. At bonus time, the modest goal setters have met or surpassed their goals and receive merit increases. Having failed to achieve impossible targets, the less Machiavellian employees receive nothing.

Sources: Adapted from S. G. Shorr, "Stretch Goals: Motivating, Inspiring and Wildly Misused," *Uppercase HR* (September 19, 2017), https://www.uppercasehr.com/blog/setting-stretch-goals-for-employees; S. Sitkin, C. C. Miller, and K. E. See, "The Stretch Goal Paradox," *Harvard Business Review* (January–February, 2017), https://hbr.org/2017/01/the-stretch-goal-paradox, accessed June 14, 2018; S. Sherman, "Stretch Goals: The Dark Side of Asking for Miracles," *Fortune* (November 13, 1995): 231; W. Immen, "The Goal: To Set Goals That Really Can Be Met," *The Globe and Mail* (March 20, 2009): B12.

for the consulting firm Accenture. "They demand real-time, in-person feedback, forward-looking conversations and support to grow their careers."[43] Managers need to constantly engage in a dialogue with their subordinates. Once the manager and employees have a series of discussions, there is an ebb and flow of ideas, some with the potential to serve as catalysts for improvement within the company.[44]

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The ultimate purpose is to better both parties. Of course, there is an app to help supervisors provide feedback more often. Using an app called 15five, each week managers at several companies in Western Canada asked employees a few questions that took 15 minutes to answer. Managers then spent five minutes with each employee responding to feedback, discussing issues, and reinforcing successes.

Providing employees with feedback on a continual basis also helps them know where they stand when they receive their formal evaluations. As a result, the anxiety they experience during formal evaluations is often alleviated, and a more meaningful conversation with them and their supervisors can take place. If employees are surprised by their reviews, it is probably safe to say that their supervisors have not been providing them with much ongoing feedback. Many organizations are adopting a model of continuous feedback, as discussed in Highlights in HRM 8.7.

IMPROVING PERFORMANCE

What if one of your employees is performing poorly? What can you do to help the person perform better? This requires some diagnosis of the situation. But although performance management systems can often tell us who is not performing well, they typically cannot reveal why.

Identifying the Sources of Ineffective Performance

A person's performance is a function of several factors, but perhaps it can be boiled down to three primary concerns: ability, motivation, and environment. Each individual has a unique pattern of strengths and weaknesses that play a part. But

Highlights in HRM 8.7

Continuous Feedback, Please

Millennials want feedback often and consistently. It should be done daily and not annually. But their bosses are uncomfortable with giving feedback, and this belief has to be changed. The responsibility of the manger is to motivate and develop employees. Short, consistent, and frequent mini meetings are more effective and less difficult than the annual review. About 10 percent of global companies—including Adobe, Deloitte, and Netflix—are favouring a culture heavier on continuous feedback.

Accenture CEO Pierre Nanterme is a believer in continuous feedback—so much so that his firm eliminated annual performance appraisals. "Performance is an ongoing activity. It's every day, after any client interaction or business interaction or corporate interaction," Mr. Nanterme said. "It's much more fluid. People want to know on an ongoing basis, 'Am I doing right? Am I moving in the right direction? Do you think I'm progressing?'

Nobody's going to wait for an annual cycle to get that feedback. Now it's all about instant performance management." This type of feedback is more natural and collaborative.

Because teamwork is so important in organizations today, companies are starting to use crowdsourcing as part of their performance management systems. In an HR context, *crowdsourcing* involves continually gathering feedback, compliments, and suggestions from the different people who work with an employee using "social recognition" software and mobile apps. (You can think of the applications as being somewhat analogous to "liking" something someone posts on Facebook.) Achievers and Globoforce are two such brands. Hey Taco and Growbot are two crowdsourcing add-ons that can be used with the popular chat platform Slack. When employees are recognized by other workers for doing a good job, they get points that translate into monetary and other rewards, such as time off or gift cards.

Sources: V. Galt, "Annual Performance Reviews Getting the Axe from Some Companies," *The Globe and Mail* (May 15, 2018), https://www.theglobeandmail.com/report-on-business/careers/career-advice/life-at-work/annual-performance-reviews-getting-the-axe-from-some-companies/article27048834/, accessed June 9, 2018; M. Vander Wier, "Perfecting Performance Reviews," *Canadian HR Reporter* (June 7, 2017), http://www.hrreporter.com/hr-trends/34177-perfecting-performance-reviews, accessed June 10, 2018; S. Burney and K. Moore, "Not Giving Regular Feedback? No Wonder You're Losing Talent," *The Globe and Mail* (May 12, 2018), https://www.theglobeandmail.com/report-on-business/careers/leadership-lab/not-giving-regular-feedback-no-, accessed June 8, 2018.

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FIGURE 8.9

FACTORS THAT AFFECT AN EMPLOYEE'S PERFORMANCE

ABILITY	MOTIVATION	ENVIRONMENT
• Technical skills • Interpersonal skills • Problem-solving skills • Analytical skills • Communication skills • Physical limitations	• Career ambition • Goals and expectations • Job satisfaction and frustrations • Fairness perceptions • Relations with coworkers	• Equipment/materials • Job design • Economic conditions • Unions • Rules and policies • Managerial support • Laws and regulations

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talented employees with low motivation are not likely to succeed. In addition, other factors in the work environment—or even in the external environment, which includes personal, family, and community concerns—can affect a person's performance either positively or negatively. To diagnose a poor performance, managers should focus on these three interactive elements. Figure 8.9 provides a better picture of how these three factors (ability, motivation, and environment) can influence people's performance.

As Figure 8.10 shows, if an employee's performance is not up to standards, the cause could be a skill problem (knowledge, abilities, technical competencies), an effort problem (motivation to get the job done), or some problem in the external conditions of work (poor economic conditions, worker shortages due to downsizing, difficult sales territories). Any one of these problem areas could cause performance to suffer.

FIGURE 8.10

PERFORMANCE DIAGNOSIS

FACTORS AFFECTING PERFORMANCE

	Ability	Motivation	Environment	ACTION
Competency	Competency measures only show "can do" factors such as knowledge, skill, and/or ability.			If an employee demonstrates low competency, training and development are needed.
Behaviour	Behavioural measures are affected by both ability and motivation ("can do" and "will do"). Behaviours tend to be less contaminated by environmental factors.			If an employee has necessary competencies but does not exhibit desired behaviours, there may be a motivational problem. Coaching and/or reward incentives may be helpful.
Results	Results measures are affected by ability, motivation, and external environment.			If an employee demonstrates desired behaviour, but does not achieve results, situational factors may be affecting performance. Changing the context, job design, etc. may be most helpful.

PERFORMANCE METRIC

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Too often, however, managers assume that poor performance is due first to a lack of ability, second to poor motivation, and third to external conditions an employee faces. Ironically, research also suggests that we tend to make just the opposite attributions about our own performance. We first attribute poor performance to external constraints such as bad luck or factors out of our control. If the problem is internal, then we typically attribute it to temporary factors such as motivation or energy ("I had a bad day") and only as a last resort admit that it might be due to our abilities or lack of them. This difference in opinion between the two parties can result in a negative feedback cycle if it's not handled properly. Managers who assume that employees are not motivated or not capable may begin to treat them differently (perhaps supervising them too closely or watching for their next mistake). This can decrease an employee's motivation and cause him or her to withdraw. Seeing this might confirm the manager's initial belief that the employee does not "measure up." As you can probably tell, this "set-up-to-fail" syndrome can be self-fulfilling and self-reinforcing.[45]

Performance Diagnosis

So what can be done to diagnose the *real* reasons for poor performance? More specifically, how can managers identify the root causes and get to work on a solution that improves performance? By comparing different performance measures, managers can begin to get an idea of the underlying causes of performance problems.

For example, as Figure 8.10 shows, results measures cannot distinguish between ability, motivation, and situational determinants of performance. So if someone is not achieving desired results, it could be due to ability, motivation, or external constraints. On the other hand, behavioural measures are less affected by external constraints. So if someone is demonstrating all the desired behaviours but is not achieving the desired results, logic suggests that it might be due to factors beyond his or her control. Other kinds of diagnoses are possible by comparing different measures of performance. Only by correctly diagnosing the causes of performance problems can managers—and employees—hope to improve them.

Managing Ineffective Performance

Once the sources of performance problems are known, a course of action can be planned. This might involve providing training in areas that would increase the knowledge and skills the employee needs to perform effectively. A transfer to another job or department might give an employee a chance to become a more effective member of the organization. In other instances, different ways to motivate the individual might have to be found. Sometimes underperformers do not understand exactly what is expected of them. However, once their responsibilities are clarified, they are in a position to take the corrective action needed to improve their performance.

Focus on Changing the Behaviour, Not the Person

A bad performance on the part of an employee is likely to make his or her supervisor's job harder. As hard as it might be to do, the supervisor has to try to separate the employee from the behaviour—it is not the employee who is bad, but his or her actions exhibited on the job. One way to communicate this to employees is not to make suggestions about personal traits they should change but instead to suggest more acceptable ways of performing. For example, instead of focusing on a person's "unreliability," a manager might focus on the fact that the employee "has been late to work seven times this month." It is difficult for employees to change who they are; it is usually much easier for them to change how they act.

If the ineffective performance persists, it may be necessary to transfer the employee, take disciplinary action, or discharge the person from the organization. Not only is the ineffective behaviour likely affecting the manager and the organization as a whole, but it is also probably affecting the person's coworkers. Whatever action is taken, however, should be done legally, fairly, and with an understanding of the feelings of the individual involved. A new manager is likely to need training in this area because it is one of the most difficult aspects of supervising people.

Small Business Application

Does a Small Business Need to Formally Evaluate Its Employees?

So now you have your own business. That means you can dispense with those pesky, time-consuming performance reviews everyone dreads, right? You never liked them as an employee. In fact, maybe they helped solidify your desire to work for yourself. Why would you like them any more as a manager, entrepreneur, or small business owner?

Do not be so fast to dump formal performance evaluations. Without them, you might end up "flying blind" when it comes to some important performance metrics. "In a small business in particular, the performance review is like a dashboard—it gives you all kinds of gauges about quality, job knowledge, and customer service," says Robert Chanin, the director of client services for the Alcott HR Group. "If there isn't any gauge, you don't know if your business is doing well or not."

Evaluating your employees also lets them know they are not just human cogs in the production process—that you care about them, their involvement in the firm, and their personal goals. This can help a small business retain its top employees rather than losing them to big companies, where they are often treated more impersonally. The feedback can be verbal if the reviews are for development purposes only. However, if the evaluations are used in conjunction with raises and promotions, they should be written.

In this chapter, we have covered many appraisal methods under the broad categories of trait, behavioural, and results models. Depending on the context, any of these may be suitable for a small business. However, in a small business, where one's role is unique, a results-based model is likely going to be the most suitable model. For clarity, a results-based model considers the employee's objective outcomes against preestablished objectives. Let's use the example of a carpenter named John working for a small contracting company. Although there are periods when there is enough carpentry work for him to be occupied for the full day, the company regularly also turns to John for assistance on client calls, as well as other miscellaneous work, such as painting. So how does one evaluate John's performance? In essence, John's core responsibility is carpentry, so John will be evaluated based on the effectiveness of his carpentry in terms of quantity, quality, and the manner in which it was delivered. This is a results-based assessment. The other components of John's role fall into the category of "other duties as required." Recognizing that these, even though they are unstructured, form a regular part of John's role, John's manager will likely speak to John regarding his performance in these areas, drawing on the behavioural methods we have reviewed, likely the critical incident method.

Small companies looking for assistance in training in or development of effective performance appraisal may consider working with outside training companies or HR consultants to effectively establish performance appraisal processes. Small businesses with few employees or that are just launching their performance management systems can utilize off-the-shelf systems consisting of either printed forms or software. Popular software brands include Success Factors' Performance Management system, Featherlight Software, and Halogen's evaluation product—the latter two are Web based. Generally, a manager can customize evaluation forms in software packages by selecting elements from a list of attributes and behaviours that describe on-the-job success for a position.

Keep in mind that performance reviews are not about the forms, however. They are a two-way discussion designed to benefit both parties. In addition to your employees learning about how they can improve their performance, the evaluations can help you learn how to improve yours as well.

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Summary

OUTCOME 1 Performance management is the process of creating a work environment in which people can perform to the best of their abilities to meet a company's goals. Performance reviews and feedback sessions, which are used for development and administrative purposes, are the result of a process in which a manager meets with and evaluates an employee's performance relative to the requirements of his or her job and uses the information to show the person where improvements are needed and why. The reviews are just part of the performance management process, however. Aligning the goals of employees with that of the firm, providing employees with continual on-the-job feedback, and rewarding them are critical as well.

Although some firms believe performance reviews are ineffective and no longer use them, most organizations continue to do so. The ultimate success or failure of a performance review program depends on the philosophy underlying it, its connection with the firm's business goals, and the attitudes and skills of those responsible for its administration.

OUTCOME 2 Information about how well employees are performing can be derived from a variety of sources, including the employee, his or her supervisor, peers, customers, suppliers, and subordinates. Using multiple sources is frequently a good idea because different individuals see different facets of an employee's performance.

Performance management systems must comply with the law and, like selection tests, be job related, valid and reliable, and free from criterion deficiency and contamination. Employees must understand their performance standards in advance, and appraisers must be able to observe job performance, be trained, and have an appeals procedure established. Some companies hold calibration meetings to compare the behaviour of employees and ensure that their managers are accurately evaluating their performance.

OUTCOME 3 Several methods can be used to assess the performance of employees. These include trait approaches (such as graphic rating scales, mixed-standard scales, forced-choice forms, and essays), behavioural methods (such as critical incident ratings, checklists, BARS, and BOS), and results methods (MBO). The choice of method depends on the purpose of the evaluation. Trait methods are simple to develop and complete, but they have problems in terms of their subjectivity and are not useful for feedback. Behavioural methods provide more specific information for giving feedback but can be time consuming and costly to develop. Results methods are more objective and can link individual performance to the organization as a whole, but they may encourage a short-term perspective (such as annual goals) and may not include subtle yet important aspects of performance.

OUTCOME 4 Although there are various approaches to review meetings, research suggests that employee participation and goal setting lead to higher satisfaction and improved performance. Discussing problems with employees, showing support for them, minimizing criticism, and rewarding them when they perform well are critical. During the meeting, performance deficiencies can be discussed and plans for improvement can be made.

Key Terms

360-degree evaluation, 294

behaviour observation scale (BOS), 306

behaviourally anchored rating scale (BARS), 305

calibration, 290

contrast error, 299

critical incident, 304

customer evaluation, 294

error of central tendency, 298

essay method, 304

forced-choice method, 304

forced distribution, 298

graphic rating scale method, 303

leniency or strictness error, 298

management by objectives (MBO), 307

manager and/or supervisor review, 292

mixed-standard scale method, 304

peer evaluation, 293

performance management, 285

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self-evaluation, 293

similar-to-me error, 300

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subordinate evaluation, 293

team evaluation, 294

temporal (recency) error, 299

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Discussion Questions

1. Eighty percent of Canadian organizations have performance appraisal systems. List some reasons why 20 percent would not choose to implement one.
2. Develop a list of the characteristics of effective service for fast-food servers at places such as Tim Hortons. Over your next five visits, rate the servers against the criteria that you have developed. Did your criteria meet the performance standards of relevance and reliability, or were they subject to criterion deficiency or contamination?
3. Develop a 10-item checklist to be used to rate student behaviour (e.g., *Always submits assignments on time*). Rate your own behaviour against this list. Then ask friends and family members to rate your behaviour. Are there differences? If so, how would you explain them?
4. Take two of the items from question 3 and develop a BARS for each of these items. Then rate yourself and ask others to rate you using the BARS. Did the ratings change? If so, why?
5. Think of a friend or a family member whose behaviour you wish to change (e.g., your friend is usually late for events that you have organized). Using the problem-solving interview and the suggestions for conducting an effective appraisal interview, provide appraisal feedback to your friend.

HRM Experience

Performance Diagnosis

Managing the performance of employees is a vital—yet delicate—responsibility. One of the toughest aspects of performance management is assessing why someone is not performing well. Although it may be easy to spot who is not performing well, it is not always easy to diagnose the underlying causes of poor performance (such as motivation, ability, and external constraints). But without a correct diagnosis, it is nearly impossible to fix the problem. Managers also need to coach employees to improve their performance.

Assignment

The following are descriptions of three different employees. Describe what the potential causes of poor performance for each of the following employees might be and solutions that could enhance the person's performance.

1. *Carl Spackler* is the assistant greenskeeper at Bushwood Country Club. Over the past few months, members have been complaining that gophers are destroying the course and digging holes in the greens. Although Carl has been working evenings and weekends to address the situation, the problem persists. Unfortunately, his boss is interested only in results, and because the gophers are still there, he contends that Carl is not doing his job. He has accused Carl of "slacking off" and threatened his job.

2. *Clark Griswold* works in research and development for a chemical company that makes non-nutritive food additives. His most recent assignment has been the development of a non-nutritive aerosol cooking spray, but the project is way behind schedule and seems to be going nowhere. CEO Frank Shirley is decidedly upset and has threatened that if things do not improve, he will suspend bonuses again this year, as he did last year. Clark feels dejected because without the bonus he will not be able to make a down payment on the family's swimming pool.

3. *Tommy Callahan Jr.* recently graduated from university after seven years and returned home. His father, Big Tom Callahan, the owner of Callahan Motors, offers Tommy a job in the auto parts factory that makes brake pads. The factory is in severe danger of going under unless sales of the company's new brake pads increase dramatically. Tommy must go on the road with Richard (Big Tom's right-hand man) in a last-ditch effort to save the company. But Tommy proves to be unfocused, inexperienced, and lacking in confidence. Sales call after sales call is met with rejection, even when the prospect looks promising. Customers express some concern about a warranty on the brake pads, but Richard believes that Tommy's inexperience and awkward approach are the big problems.

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Case Study 1

"PROJECT OXYGEN" RESUSCITATES GOOGLE'S POOR-PERFORMING BOSSES

When it comes to gathering data and analyzing them to build new and better products, few companies do it as well as Google. Recently, Google decided to use its infotech expertise to answer an important question: Since people make the difference between good and great companies, could a data-driven, analytical approach be used to improve Google's HRM function? Such an approach worked for Billy Beane, so surely it could work for Google, couldn't it? Recall from Chapter 2 that Beane, the manager of the Oakland A's, dramatically improved players and the team using data and statistics. (Actor Brad Pitt dramatized Beane's efforts in the movie *Moneyball*.)

One thing Google wanted to know was if it could "build" better bosses. Why? Because despite the many job perks Google's workers get, the company's employee turnover rate was surprisingly high. It's been said that the number 1 reason people leave their jobs is because of their bosses. Could this be true at Google? And if so, could the behaviours of good bosses be pinpointed and used to improve the performance of not-so-good bosses? The researchers at Google wanted to find out. They also wanted to answer these questions using data from their own organization to find out precisely what works for Google rather than other organizations.

To answers these questions, a team of 25-plus Google researchers and scientists began studying the company's supervisors using their performance reviews, surveys from their employees, interviews, and observations of their behaviours. Over 10,000 observations were collected on 100 variables to determine how well the supervisors were performing. Initially, not all supervisors were thrilled to be evaluated by their subordinates and "put under the microscope." Consequently, the effort took some "selling" to Google's top management. The fact that the researchers could point to dramatic differences in the overall ratings employees gave different managers and that

some teams performed much better than others helped fuel the fire to get Project Oxygen off the ground. (Presumably, a good boss gives you room to breathe, whereas a bad boss can suck the life right out of you—hence the project's name.)

Once concluded, Project Oxygen yielded a plethora of information, some of which mirrored conventional wisdom and some of which did not: teams with higher-rated managers performed better, the employees in them were happier, and they stayed with the company longer. Their managers had more impact on how the employees felt about their jobs than any other factor. However, it turned out that the best bosses weren't the ones with the greatest technical expertise, as Google had anticipated. Instead, they were those who are even-tempered, help their teams think through problems without micromanaging them, and care about them as people. Google then used the information it gathered to implement training and coaching programs to quickly improve the quality of the bulk of its worst-performing managers.

Specifically, Google identified eight behaviours you should engage in if you want to be a good boss—at least at Google:

1. Be a good coach.
2. Empower your team and don't micromanage.
3. Express interest in team members' success and personal well-being.
4. Be productive and results oriented.
5. Be a good communicator and listen to your team.
6. Help your employees with career development.
7. Have a clear vision and strategy for the team.
8. Have key technical skills so you can help advise the team.

Questions

1. Why isn't having the greatest amount of technical expertise the key to being a good supervisor at Google?
2. Does Google's research on the performance of its managers surprise you? Why or why not?

Sources: Adam Bryant, "Google's Quest to Build a Better Boss," *New York Times* (March 12, 2011), http://www.nytimes.com; Meghan Casserly, "Google's Failed Quest to Find Managers Are Evil, and Why You Should Care," *Forbes* (July 17, 2013), http://www.forbes.com; Judith Aquino, "Eight Traits of Stellar Managers as Defined by Googlers," *Business Insider* (March 15, 2011), http://www.businessinsider.com.

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ADOBE DITCHES FORMAL PERFORMANCE REVIEWS— AND WANTS TO HELP OTHER COMPANIES DO SO TOO

As we explained in this chapter, an increasing number of companies are no longer conducting formal performance reviews. However, most still do. In a recent survey of 1,500 U.S. office workers, 88 percent of them reported receiving formal written reviews—often with rankings—usually on an annual basis.

The survey, which was conducted by Adobe Systems, the maker of Acrobat, Photoshop, and Flash software, also revealed the following bad news about formal performance reviews:

- More than half of office workers feel that formal performance reviews have no impact on how they do their jobs (59 percent) and are a needless HR requirement (58 percent).
- Eighty percent of office workers would prefer feedback in the moment rather than a progress review after a certain number of months.
- Performance reviews are extremely stressful for both managers and employees. Rankings and ratings create competition among employees and result in even more stress.
- A surprisingly large number of workers, both male and female, reported actually crying after a performance review and either looked for another job or quit their jobs shortly afterward.
- Nearly two-thirds of millennials (61 percent) would switch jobs to a company with no formal performance reviews even if the pay and job level were the same.

For reasons such as these, Adobe stopped doing formal reviews in 2012. The effort to ditch them began somewhat haphazardly: Donna Morris, then a senior vice-president of human resources for Adobe, believed the firm's 360 employee reviews and ranking process was too complex, bureaucratic, and ate up massive amounts of time for which the company saw little or no return. She also believed they created barriers to team-work and innovation because being ranked for compensation seemed to pit employees against one another.

The problem was something Morris had been thinking about at Adobe's offices in India while being interviewed for a major business publication in the country. The reporter conducting the interview asked Morris what new cutting-edge HR practices Adobe was implementing. Suffering from jetlag, offhandedly she responded: "We plan to abolish the annual performance review format."

Quickly Morris's announcement made headlines. There was just one problem with it: She had only been contemplating ending formal performance reviews. She hadn't actually cleared the idea with her CEO. Needless to say, when she got back to Adobe's office in the United States, she had some explaining to do.

Morris wrote her case for ending performance reviews and posted it on the company's intranet. She encouraged employees and managers to examine Adobe's current review practice to figure out how to improve it, which they subsequently did. What they discovered was troubling. Adobe's managers were spending in excess of 80,000 hours annually on the reviews. Worse yet, feeling demoralized by their reviews and rankings, a high number of Adobe employees quit after having them. That was making it hard for Adobe to retain talent, especially because it's located in Silicon Valley, where the demand for tech employees is high.

Instead of formal performance reviews, today Adobe employees have periodic "check-ins" with their managers who offer them feedback, help with on-the-job problems, and ideas for their growth and development. No written review is required.

So does the new check-in system work? Yes. In surveys, employees say the check-ins make performance conversations easier, and less stressful, and that they get better feedback. Voluntary turnover has dropped dramatically.

In fact, Adobe believes its check-in system works so well it is helping other companies adopt it—for free. No software purchase necessary. The company has posted information about the system and all of its associated documents available on its pubic website. Among the items posted are worksheets and discussion guides for managers and employees and FAQs (frequently asked questions) about how the check-in process works and how to implement it.

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"We love talking to other companies who are considering a move away from structured performance reviews, and many have adopted some form of check-in already," says Morris. "Now we want to make it easier to share our experience with people who are exploring a model like this—whether they're in technology or a totally different industry."

Questions

1. Why did Adobe need a new performance management system? What drawbacks might there be to the company's check-ins?
2. Are formal performance reviews always bad? Why or why not?

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Managing Compensation

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Distinguish a strategic compensation program from one that is nonstrategic.

LO 2 Discuss the various factors that influence the setting of wages.

LO 3 Determine how to design pay systems.

LO 4 Identify the major provisions of the laws and regulations affecting compensation.

LO 5 Discuss the current issues of equal pay for work of equal value and pay compression.

NEL

An organization's pay system is important for a number of reasons. Among other things, it helps organizations attract and retain top talent and motivate employees; it is also crucial in driving employees' behaviours that are pivotal to achieving strategic objectives. An organization's pay systems also send important signals on its values.

In 2011, Google gave all its employees a 10 percent raise. The company-wide pay boost, spread across 20,300 employees, probably cost the company $1 billion a year. In an email to employees, former Google CEO Eric Schmidt explained that the company had received feedback that salary is more important than other sources of pay (i.e., bonuses and stock in the company).[1] Schmidt explained that even in a slowed-down economy, they are in a "war for talent," and employees had expressed concerns "dealing with sky-high property prices, mortgages, and those kinds of things." But, ultimately, Schmidt stated that the primary reason for the raise was that they "just thought it was good for the whole company!"[2] Recently, the CEO of a firm in the United States raised the minimum wage for his employees to a whopping $70,000 (the minimum wage in the United States is approximately $17,000). Dan Price, the founder and chief executive of Gravity Payments, a credit card processing firm, decided that it was unfair for him to earn $1 million per year and "not right" for him to earn 100 times more than most of his staff. The new pay system will be phased in over the 2015 to 2018 period.[3] And CEOs of Canada's five largest banks collectively received about $54 million in increases in 2018, up by 7 percent, with the CEO of Toronto-Dominion Bank receiving an increase of 20 percent in total direct compensation. One of the reasons gives for the increases was the increasing demand for their talent in the banking sector.[4]

In each case above, compensation is targeted at specific behaviours and potential outcomes, including attraction and retention of talent, fairness to employees, and employee loyalty. In Google's case, it was seen as a way to decrease the likelihood that its employees will be hired away by competitors such as Facebook.[5] It reflects a strategic move on the part of the company to show that its employees are the most important component for Google's success. So why focus on compensation? Why not better select employees who will be more loyal? Why not improve the training programs or evaluation systems? The answer is simple. Compensation is directly linked to an employee's livelihood. Employees can receive stellar training and copious growth opportunities and be completely satisfied with their work and the environment, but they will not show up to work if there is no paycheque in return.

WHAT IS COMPENSATION?

Compensation consists of three main components. *Direct compensation* encompasses employee wages and salaries, incentives, bonuses, and commissions. *Indirect compensation* comprises the many benefits supplied by employers. *Nonfinancial compensation* includes employee recognition programs, rewarding jobs, organizational support, work environment, and flexible work hours to accommodate personal needs. *Total rewards* capture all three components, plus other aspects of organizational rewards, including career advancement/developmental opportunities, recognition, work–life balance and job security. In sum, a total reward strategy is a combination of total compensation (base pay, performance-based pay and benefits), plus opportunities for personal growth. Given the changing profile of the workforce, these rewards are changing as well to cover part-time and flexible-working employees and greater generational diversity. As one partner at PricewaterhouseCoopers (PWC) says, "…Non-financial reward could become more fashionable…This could see items such as access to training programmes that develop skills for life become more prevalent in total reward strategies…I think it's less about total reward but more about the employee value proposition (EVP), which within it includes things like recognition, career development, training and flexible working, and overlaying that there will be much more choice."[6]

In this chapter, we will explain one aspect of direct compensation (base pay through wages and salaries) and discuss how pay is determined. Included will be a discussion of laws and regulations that affect wage and salary rates. Chapter 10 reviews pay-for-performance and incentive plans for employees. Employee benefits that are part of the total compensation package are discussed in Chapter 11.

STRATEGIC COMPENSATION

What is strategic compensation? Simply stated, it is the compensation of employees in ways that enhance motivation and growth while at the same time aligning their efforts with the objectives, philosophies, and culture of the organization. Strategic compensation planning goes beyond determining what market rates to pay employees—although market rates are one element of compensation planning—to purposefully linking compensation to the organization's mission and general business objectives. For example, although Google's decision to increase base pay for all its employees was a strategic move to be more competitive with market rates, Google also recognizes that base pay is not everything. Google offers flexible work schedules, innovative benefits, and an opportunity to work on exciting new products. In this regard, Google has not only aligned its compensation strategy with the external market, it has also aligned it with its desire to be a flexible and innovative company whose core competency is found in the creativity of its people.

Additionally, strategic compensation planning serves to mesh the monetary payments made to employees with specific functions of the HR program. For example, in the recruitment of new employees, the rate of pay for jobs can increase or limit the supply of applicants. A compensation specialist speaking to one of the authors noted, "The linkage of pay levels to labour markets is a strategic policy issue because it serves to attract or retain valued employees while affecting the organization's relative payroll budget." For example, community colleges and universities know that they cannot attract or retain qualified professors unless their pay strategy is linked to competitive market rates.

Many fast-food restaurants, such as Burger King and Taco Bell—traditionally low-wage employers—have had to raise their starting wages to attract a sufficient number of job applicants to meet staffing requirements. If pay rates are high, creating a large applicant pool, then organizations may choose to raise their selection standards and hire better qualified employees. This in turn can reduce employer training costs. When employees perform at exceptional levels, their performance appraisals may justify an increased pay rate. For these reasons and others, an organization should develop a formal HR program to manage employee compensation. We will discuss three important aspects of strategic compensation planning: linking compensation to organizational objectives, pay-for-performance systems, and motivating employees through compensation.

LINKING COMPENSATION TO ORGANIZATIONAL OBJECTIVES

The financial crisis of 2007 to 2010 changed the landscape for compensation. Now companies are more heavily scrutinized by shareholders, government, and the public for how much they pay their people. For example, due to complaints of bloated federal government salaries, exorbitant Wall Street banker bonuses, and generous autoworker benefits, managers are trying to ensure that their compensation plans are in strict alignment with the organization's objectives. In Canada, where the crisis was not as severe as in the United States, the impact on compensation systems has been broadly similar. There is pressure on both private- and public-sector organizations to make their pay systems more performance based. For instance, restrictions were placed on public-sector organizations, such as hospitals in Ontario, on bonuses and salary increases.

Additionally, compensation has been revolutionized by heightened domestic competition, globalization, increased employee skill requirements, and new technology. Therefore, an outcome of today's dynamic business environment is that managers have had to change their pay philosophies from paying for a specific position or job title to also rewarding employees on the basis of their individual competencies or work contributions to organizational success. One study showed that 91 percent of responding organizations had a company compensation philosophy linking their pay strategy with organizational performance. As the authors of this study noted, "A written compensation philosophy indicates senior management understands and is committed to aligning their business strategy with pay, suggesting that alignment can have a positive impact on organizational effectiveness."[7]

In a radical reconsidering of compensation strategy, Zappos has moved toward paying employees based on their skills rather than their position. This move came from an ongoing transition from a traditional management structure to a holacracy, a system where work is organized around roles rather than titles and employees report to teams instead of individual supervisors. When this transition was completed, Zappos began using a system of badges to represent roles rather than job titles to determine compensation. Employees are free to earn badges as they wish, with a chance to earn more and plot a unique path in the company. The idea behind the badges is similar to levelling up in a video game—Zappos CEO Tony Hsieh is hoping the badge-based compensation system will encourage employees to focus on building skills rather than climbing a corporate latter and to explore different aspects of the company, rather than adhering to a strict hierarchy of roles. This idea is in line with some of Zappos basic cultural values, such as pursuing growth and learning; being adventurous, creative, and open-minded; and embracing and driving change."[8]

Increasingly, compensation specialists are asking which components of the compensation package (benefits, base pay, incentives, and so on), both separately and in combination, create value for the organization and its employees. Managers are asking questions such as, "How will this pay program help retain and motivate valued employees?" and "Does the benefit or pay practice affect the administrative cost?" Payments that fail to advance either the employee or the organization tend to be removed from the compensation program.[9]

It is not uncommon for organizations to establish very specific goals for linking their organizational objectives to their compensation program.[10] Formalized compensation goals serve as guidelines for managers to ensure that wage and benefit policies achieve their intended purpose. The more common goals of a strategic compensation policy include the following:

- reward employees' past performance[11]
- remain competitive in the labour market
- maintain salary equity among employees
- mesh employees' future performance with organizational goals
- control the compensation budget
- attract new employees
- reduce unnecessary turnover[12]

One of the key purposes of the compensation system, as suggested by many compensation analysts, is to motivate employees.[13] We will examine this issue in more detail below.

MOTIVATING EMPLOYEES THROUGH COMPENSATION: THEORETICAL EXPLANATIONS

Although scholars use several theories to explain the potential motivating effects of an organization's compensation systems, we will focus on two of the more popular theories: equity theory and expectancy theory.

Equity Theory

Pay constitutes a quantitative measure of an employee's relative worth. For most employees, pay has a direct bearing not only on their standard of living but also on the status and recognition they may be able to achieve both on and off the job. Because pay represents a reward received in exchange for an employee's contributions, it is essential, according to the equity theory, that the pay be equitable in terms of those contributions. It is also essential that an employee's pay be equitable in terms of what other employees are receiving for their contributions. Simply defined, equity embraces the concept of fairness. Equity theory is a motivation theory that explains how people respond to situations in which they feel they have received less (or more) than they deserve.[14]

Central to the theory is the role of perception in motivation and the fact that individuals make comparisons.[15] It states that individuals form a ratio of their inputs (abilities, skills, experiences) in a situation to their outcomes (salary, benefits) in that situation. They then compare the value of that ratio to the value of the input/output ratio for other individuals in a similar class of jobs either internal or external to the organization. If the value of their ratio equals the value of another's, they perceive the situation as equitable, and no tension exists. However, if they perceive their input/output ratio as inequitable relative to others', this creates tension and motivates them to eliminate or reduce the inequity. The strength of their motivation is proportional to the magnitude of the perceived inequity. Figure 9.1 illustrates pay equity and feelings of being fairly paid.

For employees, equity is achieved when their perceived input/output ratio equals the input/output ratio of *referent others* (or those to whom they compare themselves). Research clearly demonstrates that employees' perceptions of equity, or inequity, can have dramatic effects on their motivation for both work behaviour and productivity.[16] Managers must therefore develop strategic pay practices that are both internally and externally equitable. Compensation policies are *internally* equitable when employees believe that the wage rates for their jobs approximate the job's worth to the organization. Perceptions of external pay equity exist when the organization is paying wages that are relatively equal to what other employers are paying for similar types of work.

Expectancy Theory

The expectancy theory of motivation predicts that one's level of motivation depends on the attractiveness of the rewards sought and the probability of obtaining those rewards.[17] The theory has developed from the work of psychologists who consider

FIGURE 9.1

RELATIONSHIP BETWEEN EQUITY AND MOTIVATION

Inequity (Feelings of Being Underpaid)	Equity (Feelings of Being Paid Fairly)	Inequity (Feelings of Being Overpaid)
Doing More and Receiving Less	Doing the Same and Receiving the Same	Doing Less and Receiving More
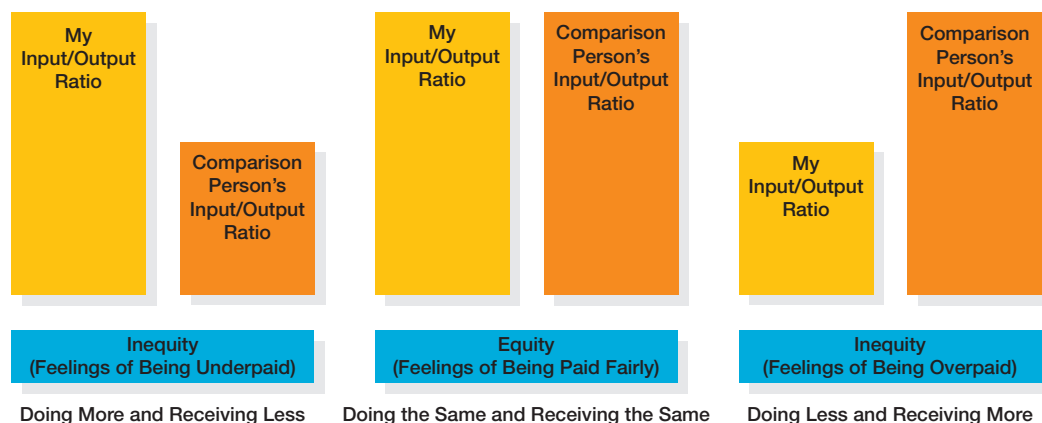
Equity theory can be used to explain the gender pay gap.

hourly work
Work paid on an hourly basis

piecework
Work paid according to the number of units produced

humans as thinking, reasoning people who have beliefs and anticipations concerning future life events. Expectancy theory therefore holds that employees should exert greater work effort if they have reason to expect that it will result in a reward that is valued.[18] To motivate this effort, the value of any monetary reward should be attractive. Employees also must believe that good performance is valued by their employer and will result in their receiving the expected reward.

Expectancy theory suggests that three conditions must be met for a reward to be motivational. First, it must have high valence; that is, it must be valued by employees. Second, compensation packages must have high *instrumentality*; that is, employees must believe that the attainment of goals and objectives set by the organization must result in the promised rewards. Third, employees must have an *expectancy* that they can do the required tasks; that is, although goals can be challenging, they must be attainable.

In summary, how employees view compensation can be an important factor in determining the motivational value of compensation. Furthermore, the effective communication of pay information together with an organizational environment that elicits employee trust in management can contribute to employees having more accurate perceptions of their pay. The perceptions employees develop concerning their pay are influenced by the accuracy of their knowledge and understanding of the compensation program's strategic objectives.

THE BASES FOR COMPENSATION

Work performed in most private, public, and not-for-profit organizations has traditionally been compensated based on **hourly work**. These employees are classified as *hourly employees*, or wage earners, and are normally paid only for the time they work. **Piecework** compensation, in which employees are paid according to the number of units they produce, is another kind of compensation, though it is far less prevalent than hourly work as a basis for compensating employees.

Those whose compensation is computed on the basis of weekly, biweekly, or monthly pay periods are classified as *salaried employees*. Salaried employees, unlike hourly employees, are generally paid the same for each pay period, even though they occasionally may work more hours or fewer than the regular number of hours in a period. They also usually receive certain benefits not provided to hourly employees.

Employment practices are a provincial jurisdiction, and each province has its own employment standards act. Each act contains a provision that requires the employer to reimburse the employee at a specified rate after he or she has worked the minimum required hours. This rate is usually 1.5 times the employee's base hourly rate of pay. Some employers offer overtime pay that is more generous than what the act specifies. Some acts provide for time in lieu of overtime; thus, four hours of overtime paid at 1.5 would be the equivalent of six hours in either pay or time off in lieu of payment. Supervisory and management personnel are not usually paid overtime; still other personnel work overtime for free (see Ethics in HRM). Each employment standards act includes a list of people who are exempt from the overtime provision.

Because so many American companies are operating in Canada, the terms *exempt* (to describe employees not covered in the overtime provisions of the *U.S. Fair Labor Standards Act*) and *nonexempt* (to describe employees covered by the overtime provisions of the *U.S. Fair Labor Standards Act*) are often heard,

Ethics in HRM

Executive Pay

Executive compensation has been an issue hotly debated in the media, and by shareholders, policy makers, and academics alike, even more so since the recession in 2008 to 2009. This financial crisis almost crippled the global economy; many critics lay blame for this crisis on, among other things, the progressively inflated compensation packages that top executives continue to enjoy (especially the huge incentives to those who worked in the banking and mortgage sectors). But the concern regarding CEOs' extravagant pay packages is more than what *they* make; it is also the trickle-down effect, in that executives beneath them will most likely get hefty packages.

Many of the criticisms hurled at some of these executives have to do with the fact that they seem to be overpaid, with very little or a faulty connection between the money they are paid and the overall performance of their organizations, coupled with a series of counterproductive behaviours in an effort to ensure that they obtain all the money they are promised. Studies examining the link between CEO pay and organizational performance have found only a small positive correlation, yet some organizations continue to pay high salaries. Another aspect of the criticism focuses on the relationship between the average pay for top paid CEOs and the pay for the average pay for employees. One study reported that in Canada these CEOs earn more than 200 times the average employee; furthermore, only three women were in the top 100 paid CEOs in Canada.

Some of the issues with executive compensation include easy to obtain targets; a focus on risky, short-term goals that have a long-term impact on the organizations, with no consequences (e.g., clawbacks) for their actions; ill-defined incentives that reward CEOs even if the target is unmet; and incentives based solely on financial metrics that lack leadership components and inadequate disclosure. Executive compensation in some organizations raises serious ethical and sometimes legal issues. For example, Enron's executives prevented their employees from selling their company stock while they sold their stocks; as a result, the executives were not impacted as negatively as the employees. This led to a massive decline in employees' retirement savings because they were not allowed to engage in any preventive actions. How fair is it for executives who already receive huge amounts of pay and benefits to further protect their investments while employees who make much less have to suffer the loss of their pension funds?

Sources: Sophia Harris, "Canada's Top CEOs Earn 200 Times an Average Worker's Salary: Report," *CBC News* (January 2, 2018), http://www.cbc.ca/news/business/ceo-income-pay-canadian-worker-1.4462496, retrieved June 1, 2018; William J. Heisler, "Ethical Choices in the Design and Administration of Executive Compensation Programs," *Business Horizons* 50 (2007): 277–90; Lorsch Jay and Khurana Rakesh, "The Pay Problem: Time for a New Paradigm for Executive Compensation," *Harvard Magazine* (May–June 2010), http://harvardmagazine.com/2010/05/the-pay-problem; S. Craig and M. Reiker, "Goldman Bows on CEO Pay, Blankfein's Take for 2009 is Held to Half of Rival's at J.P. Morgan Amid Public Uproar," *Wall Street Journal* (February 4, 2010), http://www.wsj.com/articles/SB10001424052748704533204575047132761932208; Ethics Resource Centre, "Ethical Leadership and Executive Compensation: Rewarding Integrity in the C-Suite," (2010), http://www.ethics.org/files/u5/execComp.pdf; Nouriel Roubini, "A Global Breakdown of the Recession in 2009," *Forbes* (January 15, 2009), http://www.forbes.com/2009/01/14/global-recession-2009-oped-cx_nr_0115roubini.html.

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although neither has any relevance in Canadian legislation. These terms are used specifically to denote *supervisory* and *nonsupervisory* roles. U.S. legislation stipulates that only nonexempt (i.e., nonsupervisory) workers are entitled to overtime pay.

DETERMINING COMPENSATION—THE WAGE MIX

Employees may inquire of their managers, "How are the wages for my job determined?" In practice, a combination of *internal* and *external* factors can influence, directly or indirectly, the rates at which employees are paid. Through their interaction, these factors constitute the wage mix, as shown in Figure 9.2. For example, the area wage rate for administrative assistants might be $11.50 per hour. However, one employer may elect to pay its administrative assistants $14.25 per hour because of their excellent performance. The influence of government legislation on the wage mix will be discussed later in the chapter.

INTERNAL FACTORS

The internal factors that influence wage rates are the employer's compensation strategy, the worth of a job, an employee's relative worth in meeting job requirements, and an employer's ability to pay.

Compensation Strategy

Highlights in HRM 9.1 illustrate the compensation strategies of two organizations, Tri Star Performance and Preventive Health Care. The pay strategy of Preventive Health Care is to be an industry pay leader, whereas Tri Star Performance seeks to be wage competitive. Both employers strive to promote a compensation policy that is internally fair.

Tri Star Performance and Preventive Health Care, like other employers, will establish numerous compensation objectives that affect the pay employees receive. At a minimum, both large and small employers should set pay policies reflecting (1) the internal wage relationship among jobs and skill levels, (2) the external competition or an employer's pay position relative to what competitors are paying, (3) a policy of rewarding employee performance, and (4) administrative decisions concerning elements of the pay system, such as overtime premiums, payment periods, and short- or long-term incentives.

FIGURE 9.2

FACTORS AFFECTING THE PAY MIX

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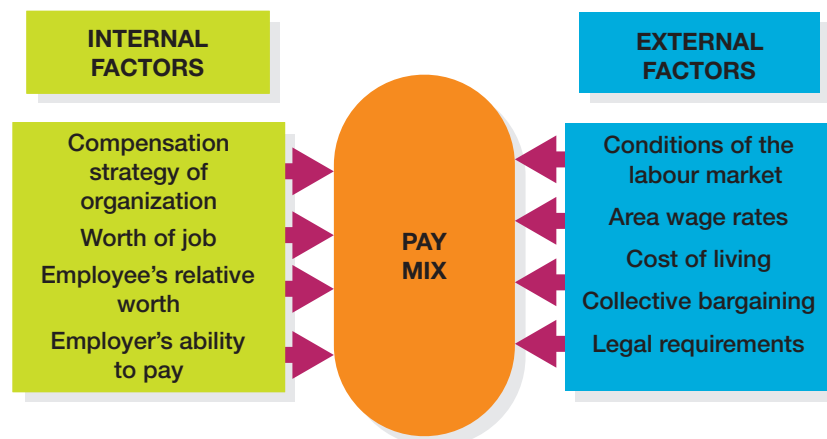
Highlights in HRM 9.1

Comparison of Compensation Strategies

Compensation strategies and objectives can differ widely across large and small employers as well as across employers in the private and public sectors. Here are the compensation strategies at Tri Star Performance and Preventive Health Care.

Tri Star Performance	Preventive Health Care
• promote pay-for-performance practices	• be a pay leader in the healthcare industry
• pay market-competitive compensation	• promote open and understandable pay practices
• achieve internal and external pay equity	• ensure fair employee treatment
• achieve simplicity in compensation programs	• offer benefits promoting individual employee needs
• strive for employee commitment and a collaborative work environment	• offer compensation rewarding employee creativity and achievements
• promote gender fairness in pay and benefits	• offer compensation to foster the strategic mission of the organization
• comply with all governmental compensation regulations	• obtain employee input when developing compensation practices
• minimize increased fixed costs	• emphasize performance through variable pay and stock options

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Worth of a Job

Organizations without a formal compensation program generally base the worth of jobs on the subjective opinions of people familiar with the jobs. In such instances, pay rates may be influenced heavily by the labour market or, in the case of unionized employers, by collective bargaining. Organizations with formal

Frances Roberts/Alamy Stock Photo

Several factors should be taken into consideration when determining how much workers such as these should be paid.

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compensation programs, however, are more likely to rely on a system of *job evaluation* to aid in rate determination. Even when rates are subject to collective bargaining, job evaluation can assist the organization in maintaining some degree of control over its wage structure.

The use of job evaluation is widespread in both the public and the private sector. The City of Mississauga and Star Data Systems use job evaluation in establishing wage structures. The jobs covered most frequently by job evaluation are clerical, technical, and various blue-collar groups. Other jobs covered are managerial and top executive positions.

Employee's Relative Worth

In both hourly and salary jobs, employee performance can be recognized and rewarded through promotion and with various incentive systems. (The incentive systems used most often are discussed in Chapter 10.) Superior performance can also be rewarded by granting merit raises on the basis of steps within a rate range established for a job class. If merit raises are to have their intended value, however, they must be determined by an effective performance appraisal system that differentiates between employees who deserve the raises and those who do not. This system, moreover, must provide a visible and credible relationship between performance and any raises received. Unfortunately, too many so-called merit systems provide for raises to be granted automatically. As a result, employees tend to be rewarded more for merely being present than for being productive on the job. Also, as previously noted, most increases may lack motivational value to employees when organizational salary budgets are low.[19]

Employer's Ability to Pay

Pay levels are limited by earned profits and other financial resources available to employers. This is clearly illustrated by financially burdened companies that ask their employees for pay cuts. Furthermore, an organization's ability to pay is determined in part by the productivity of its employees. This productivity is a result not only of their performance but also of the amount of capital the organization has invested in labour-saving equipment. Generally, increases in capital investment reduce the number of employees required to perform the work and increase an employer's ability to provide higher pay for those it employs.

Economic conditions and competition faced by employers can also significantly affect the rates they are able to pay. Competition and recessions can force prices down and reduce the income from which compensation payments are derived. In such situations, employers have little choice but to reduce wages and/or lay off employees or, even worse, to go out of business.

EXTERNAL FACTORS

The major external factors that influence wage rates include labour market conditions, area wage rates, cost of living, collective bargaining if the employees are unionized, and legal requirements. The legal requirements of compensation will be discussed later in the chapter.

Labour Market Conditions

The labour market reflects the forces of supply and demand for qualified labour within an area. These forces help influence the wage rates required to recruit or retain competent employees. It must be recognized, however, that counterforces can reduce the full impact of supply and demand on the labour market. The economic power of unions, for example, may prevent employers from lowering wage

rates even when unemployment is high among union members. Government regulations also may prevent an employer from paying at a market rate less than an established minimum set by each province.

Area Wage Rates

A formal wage structure should provide rates that are in line with those being paid by other employers for comparable jobs within the area. Data pertaining to area wage rates may be obtained from local wage surveys. Wage survey data also may be obtained from a variety of sources, including compensation consulting firms such as Mercer at a cost, and from some companies such as Glassdoor.ca for free. The Conference Board of Canada also conducts an annual compensation survey. Smaller employers use government or local board of trade surveys to establish rates of pay for new and senior employees. Others engage in a cooperative exchange of wage information or rely on various professional associations for these data.

Wage surveys (discussed fully later in the chapter) serve the important function of providing external wage equity between the surveying organization and other organizations competing for labour in the surrounding labour market. Importantly, data from area wage surveys can be used to prevent the rates for jobs from drifting too far above or below those of other employers in the region. When rates rise above existing area levels, an employer's labour costs may become excessive. Conversely, if they drop too far below area levels, it may be difficult to recruit and retain competent personnel. Wage survey data must also take into account indirect wages paid in the form of benefits.

Cost of Living

Because of inflation, compensation rates have had to be adjusted upward periodically to help employees maintain their purchasing power. Employers make these changes with the help of the **consumer price index (CPI)**. The CPI is a measure of the average change in prices over time in a fixed "market basket" of goods and services. The CPI is based on prices of food, clothing, shelter, and fuels; transportation fares; and prices of other goods and services that people buy for day-to-day living. Statistics Canada collects price information on a monthly basis and calculates the CPI for the nation as a whole and various Canadian cities. Employers in a number of communities monitor changes in the CPI as a basis for compensation decisions.

CPI figures can have important consequences for organizational morale and productivity. Granting wages based largely on "cost-of-living" figures will not inspire higher employee performance and may cause valued employees to leave the organization. Cost-of-living payments, when traditionally given, may be seen by employees as "entitlements" unrelated to individual performance. Furthermore, should cost-of-living increases be discontinued, managers can expect disgruntled employees, particularly those not likely to receive merit raises.

Employees who work under a union contract may receive wage increases through **escalator clauses** found in their collective agreement. These clauses provide for cost-of-living adjustments (COLAs) in wages based on changes in the CPI. The most common adjustments are 1 cent per hour for each 0.3- or 0.4-point change in the CPI. COLAs are favoured by unions during particularly high periods of inflation.

Collective Bargaining

One of the primary functions of a labour union, as emphasized in Chapter 14, is to bargain collectively over conditions of employment, the most important of which is compensation.[20] The union's goal in each new agreement is to achieve increases in **real wages**—wage increases larger than the increase in the CPI—thereby

consumer price index (CPI)
A measure of the average change in prices over time in a fixed "market basket" of goods and services

escalator clauses
Clauses in collective agreements that provide for quarterly cost-of-living adjustments in wages, basing the adjustments on changes in the consumer price index

real wages
Wage increases larger than rises in the consumer price index, that is, the real earning power of wages

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LEARNING OUTCOME 3

As an HR manager, what resources can you use to determine if pay is appropriate?

improving the purchasing power and standard of living of its members. This goal includes gaining wage settlements that equal or exceed the pattern established by other unions within the area.

The agreements negotiated by unions tend to establish rate patterns within the labour market. As a result, wages are generally higher in areas where organized labour is strong. To recruit and retain competent personnel and avoid unionization, nonunion employers must either meet or exceed these rates. The "union scale" also becomes the prevailing rate that all employers must pay for work performed under government contract. The impact of collective bargaining therefore extends beyond the segment of the labour force that is unionized.

JOB EVALUATION SYSTEMS

As we discussed earlier, one important component of the wage mix is the worth of the job. Organizations formally determine the value of jobs through the process of job evaluation. **Job evaluation** is the systematic process of determining the *relative* worth of jobs to establish which jobs should be paid more than others within the organization. Job evaluation helps establish internal equity between various jobs. The relative worth of a job may be determined by comparing it to others within the organization or by comparing it to a scale that has been constructed for this purpose. Furthermore, each method of comparison may be made on the basis of the jobs as a whole or on the basis of the parts that constitute the jobs.[21]

Three traditional methods of comparison provide the basis for the principal systems of job evaluation. We will begin by discussing the simpler, nonquantitative approaches and conclude by reviewing the more popular quantitative system. Also discussed is a newer method of job evaluation: work evaluation. Regardless of the methodology used, it is important to remember that all job evaluation methods require varying degrees of managerial judgment.

JOB RANKING SYSTEM

The simplest and oldest system of job evaluation is the **job ranking system**, which arrays jobs on the basis of their relative worth. One technique used to rank jobs consists of having the raters arrange cards listing the duties and responsibilities of each job in order of the importance of the jobs. Job ranking can be done by a single individual knowledgeable about all jobs or by a committee composed of management and employee representatives.

The basic disadvantage of the job ranking system is that it does not provide a very precise measure of each job's worth. Another weakness is that the final ranking of jobs indicates the relative importance of the job, not the differences in the degree of importance that may exist between jobs. A final limitation of the job ranking method is that it can be used only with a small number of jobs, probably no more than 15. Its simplicity, however, makes it ideal for use by smaller employers.

JOB CLASSIFICATION SYSTEM

In the **job classification system**, jobs are classified and grouped according to a series of predetermined grades. Successive grades require increasing amounts of job responsibility, skill, knowledge, ability, or other factors selected to compare jobs. For example, Grade GS-1 from the U.S. federal government grade descriptions reads as follows:

> GS-1 includes those classes of positions the duties of which are to perform, under immediate supervision, with little or no latitude for the exercise of independent judgment (A) the simplest routine work in office, business, or fiscal operations; or (B) elementary work of a subordinate technical character in a professional, scientific, or technical field.[22]

The descriptions of each of the job classes constitute the scale against which the specifications for the various jobs are compared. Managers then evaluate jobs by comparing job descriptions to the different wage grades to "slot" the job into the appropriate grade. Although this system has the advantage of simplicity, it is less precise than the point system because the job is evaluated as a whole.

POINT SYSTEM

The **point system** is a quantitative job evaluation procedure that determines a job's relative value by calculating the total points assigned to it.[23] It has been successfully used by high-visibility organizations such as the Province of Alberta.

Although point systems are rather complicated to establish, once in place, they are relatively simple to understand and use. The principal advantage of the point system is that it provides a more refined basis for making judgments than either the ranking or classification systems and thereby can produce results that are more valid and less easy to manipulate.

The point system permits jobs to be evaluated quantitatively on the basis of factors or elements—commonly called *compensable factors*—that constitute the job.[24] The skills, efforts, responsibilities, and working conditions that a job usually entails are the more common major compensable factors that serve to rank one job as more or less important than another. More contemporary factors might include fiscal accountability, leadership, teamwork, and project accountability. The number of compensable factors an organization uses depends on the nature of the organization and the jobs to be evaluated. Once selected, compensable factors will be assigned weights according to their relative importance to the organization. For example, if responsibility is considered extremely important to the organization, it could be assigned a weight of 40 percent. Next, each factor will be divided into a number of degrees. Degrees represent different levels of difficulty associated with each factor.

The Point Manual

The point system requires the use of a *point manual*. The point manual is, in effect, a handbook that contains a description of the compensable factors and the degrees to which these factors may exist within the jobs. A manual also will indicate—usually by means of a table—the number of points allocated to each factor and to each of the degrees into which these factors are divided. The point value assigned to a job represents the sum of the numerical degree values of each compensable factor that the job possesses.

For example, the job factors illustrated in Highlights in HRM 9.2 represent those covered by the American Association of Industrial Management point manual. Each factor listed in this manual has been divided into five degrees. The number of degrees into which the factors in a manual are to be divided, however, can be greater or smaller than this number depending on the relative weight assigned to each factor and the ease with which the individual degrees can be defined or distinguished. A statement is provided defining each degree, as well as each factor as a whole. The definitions should be concise and yet distinguish the factors and each of their degrees. Highlights in HRM 9.3 represent another portion of the point manual used by the American Association of Industrial Management to describe each degree for the education factor. These descriptions enable those conducting a job evaluation to determine the degree to which the factors exist in each job being evaluated.

Using the Point Manual

Job evaluation under the point system is accomplished by comparing the job descriptions and job specifications, factor by factor, against the various factor-degree descriptions contained in the manual. Each factor within the job being

Highlights in HRM 9.2

Sample Rating Chart for Point Method Job Evaluation

Job Title _____ **Degree Rating**

Factors	1	2	3	4	5
Skill					
Education	10	20	30	40	50
Experience	15	30	45	60	75
Knowledge	10	20	30	40	50
Effort					
Physical effort	10	20	30	40	50
Mental effort	10	20	30	40	50
Responsibility					
Equipment and materials	10	20	30	40	50
Supervisory responsibility	10	20	30	40	50
Job Conditions					
Working conditions	10	20	30	40	50
Job hazards	5	10	15	20	25
Customer/Client Service	10	20	30	40	50

Source: American Association of Industrial Management.

evaluated is then assigned the number of points specified in the manual. When the points for each factor have been determined from the manual, the total point value for the job as a whole can be calculated. The relative worth of the job is then determined from the total points that have been assigned to that job.

Highlights in HRM 9.3

Sample of Compensable Factor Showing Degrees

1. Education

This factor deals with the level of formal education required to perform a job.

Degree 1: Completion of high school	**10 points**
Degree 2: College diploma	**20 points**
Degree 3: University undergraduate degree or major professional designation	**30 points**
Degree 4: University master's degree	**40 points**
Degree 5: University doctoral degree	**50 points**

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WORK VALUATION

Work valuation is a relatively new job evaluation system championed to meet the demands of a dynamic business environment. The cornerstone for **work valuation** is that work should be valued relative to the business goals of the organization rather than by an internally applied point-factor job evaluation system.[25] As noted by one compensation specialist, "Valuing work properly enables organizations to not only price individual jobs effectively, but provides insight into how jobs relate to overall organizational goals and objectives and how roles ultimately contribute to organizational success."[26] Additionally, work valuation serves to direct compensation dollars to the type of work pivotal to organizational goals.

With work valuations, work is measured through standards that come directly from business goals. For example, jobs might be valued relative to financial, operational, or customer service objectives. All forms of work, employee roles, and ways of organizing work (such as teams) are valued. The work evaluation process ends with a work hierarchy that is an array of work by value to the organization. The work hierarchy is eventually priced through wage surveys to determine individual pay rates.

JOB EVALUATION FOR MANAGEMENT POSITIONS

Because management positions are more difficult to evaluate and involve certain demands not found in jobs at the lower levels, some organizations do not attempt to include them in their job evaluation programs for hourly employees. Rather, they either employ a standardized (purchased) program or customize a point method to fit their particular jobs. However, regardless of the approach adopted, point plans for executive and managerial employees operate similarly to those for other groups of employees.

One of the better known standardized job evaluation programs for evaluating executive, managerial, and professional positions is the **Hay profile method**, developed by Edward N. Hay. The three broad factors that constitute the evaluation in the "profile" are knowledge (or know-how), mental activity (or problem solving), and accountability. The Hay method uses only three factors because it is assumed that these factors represent the most important aspects of all executive and managerial positions. The profile for each position is developed by determining the percentage value to be assigned to each factor. Jobs are then ranked on the basis of each factor, and point values that make up the profile are assigned to each job on the basis of the percentage-value level at which the job is ranked.

THE COMPENSATION STRUCTURE

Job evaluation systems provide for internal equity and serve as the basis for wage rate determination. They do not in themselves determine the wage rate. The evaluated worth of each job in terms of its rank, class, points, or monetary worth must be converted into an hourly, daily, weekly, or monthly wage rate. The compensation tool used to help set wages is the wage and salary survey.

WAGE AND SALARY SURVEYS

The **wage and salary survey** is a survey of the wages paid by employers in an organization's relevant labour market—local, regional, or national, depending on the job. The labour market is frequently defined as the area from which employers obtain certain types of workers. The labour market for office personnel would be local, whereas the labour market for engineers would be national. The wage and salary survey permits an organization to maintain external equity—that is, to pay its employees' wages equivalent to the wages similar employees earn in other establishments.

When job evaluation and wage survey data are used jointly, they link the likelihood of both internal and external equity. Although surveys are conducted primarily to gather competitive wage data, they can also collect information on employee benefits or organizational pay practices (such as overtime rates or shift differentials).

Collecting Survey Data

Although many organizations conduct their own wage and salary surveys, a variety of "preconducted" pay surveys are available to satisfy the requirements of most public and not-for-profit or private employers. Companies such as Willis Towers Watson, AON, Mercer, Korn Ferry, and the Conference Board of Canada conduct annual surveys.

Highlights in HRM 9.4 describe the results of compensation surveys for those working in HRM and accounting.

Many provinces and cities conduct surveys and make them available to employers. Besides these government surveys, boards of trade and professional associations conduct special surveys tailored to their members' needs. Ontario's "Sunshine List" also provides a good source of pay for public sector employees in that province who earn more than $100,000 in a calendar year; see https://www.ontario.ca/page/public-sector-salary-disclosure.

Employers with global operations can purchase international surveys through large consulting firms. The overseas compensation survey offered by

Highlights in HRM 9.4

Compensation Surveys for HR and Accounting Professionals in Canada

Salaries for HR professionals and managers and accounting positions are as follows:

Title	Low ($)	Median ($)	High ($)
Accounting Clerk	30,375	38,509	49,259
HR Assistant	31,193	39,749	50,834
Accounts Receivable Clerk	30,404	37,919	45,868
Recruiter	33,664	45,504	67,659
Accountant	37,150	50,142	72,003
Accounting Manager	47,812	67,619	91,368
Manager, Compensation and Benefits	64,074	91,407	120,071
Director of HR	66,980	97,685	133,303
VP HR	97,627	140,453	189,478

Note that the above figures are from one source (PayScale) and may vary from other sources; there will also be variations by geography/location, size of organization, sector, etc. The intent is for illustrative purposes.

A study done by the Human Resources Professionals Association of Ontario showed the value of professional certification. Those people working in HR who had achieved the Certified Human Resources Professional (CHRP) designation tend to earn about 3 to 4 percent more than their counterparts without a CHRP. Clearly, the CHRP has an economic value in employers' minds.

Sources: https://www.payscale.com, retrieved June 1, 2018; Shannon Klie, "It Pays to Have HR Designation," *Canadian HR Reporter* 23, no. 7 (April 5, 2010): 1, 12.

TPF&C reports on payment practices in 20 countries. Although all of these third-party surveys provide certain benefits to their users, they also have various limitations. Two problems with all published surveys are that (1) they are not always compatible with the user's jobs, and (2) the user cannot specify what specific data to collect. To overcome these problems, organizations may collect their own compensation data. Wage and benefits survey data can be found on numerous websites. Also readily available are commercial products such as those offered at Salary.com (CompAnalyst), Glassdoor, and Monster.ca (Salary Wizard).

Employer-Initiated Surveys

Employers wishing to conduct their own wage and salary survey must first select the jobs to be used in the survey and identify the organizations with which they compete for employees. Since it is not feasible to survey all the jobs in an organization, normally, only key jobs, also called *benchmark jobs*, are used. The characteristics of key jobs include the following:

1. They are important to employees and the organization.
2. They contain a large number of positions.
3. They have relatively stable job content.
4. They have the same job content across many organizations.
5. They are acceptable to employees, management, and unions as appropriate for pay comparisons.

The survey of key jobs will usually be sent to 10 or 15 organizations that represent a valid sample of other employers likely to compete for the employees of the surveying organization. A diversity of organizations should be selected—large and small, public and private, new and established, and union and nonunion—because each classification of employer is likely to pay different wage rates for surveyed jobs.

After the key jobs and the employers to be surveyed have been identified, the surveying organization must decide what information to gather on wages, benefit types, and pay policies. For example, when requesting pay data, it is important to specify whether hourly, daily, or weekly pay figures are needed. In addition, those conducting surveys must state whether the wage data are needed for new hires or for senior employees. Precisely defining the compensation data needed will greatly increase the accuracy of the information received and the number of purposes for which it can be used.[27] Once the survey data are tabulated, the compensation structure can be completed.

THE WAGE CURVE

The relationship between the relative worth of jobs and their wage rates can be represented by means of a **wage curve**. This curve may indicate the rates currently paid for jobs within an organization, new rates resulting from job evaluation, or rates for similar jobs currently being paid by other organizations within the labour market. A curve may be constructed graphically by preparing a scattergram consisting of a series of dots that represent the current wage rates. As shown in Figure 9.3, a freehand curve is then drawn through the cluster of dots in such a manner so as to leave an approximately equal number of dots above and below the curve. The wage curve can be relatively straight or curved. This curve can then be used to determine the relationship between the value of a job and its wage rate at any given point on the line.

PAY GRADES

From an administrative standpoint, it is generally preferable to group jobs into **pay grades** and to pay all jobs within a particular grade the same rate or rate range. When the classification system of job evaluation is used, jobs are grouped

FIGURE 9.3

FREEHAND WAGE CURVE

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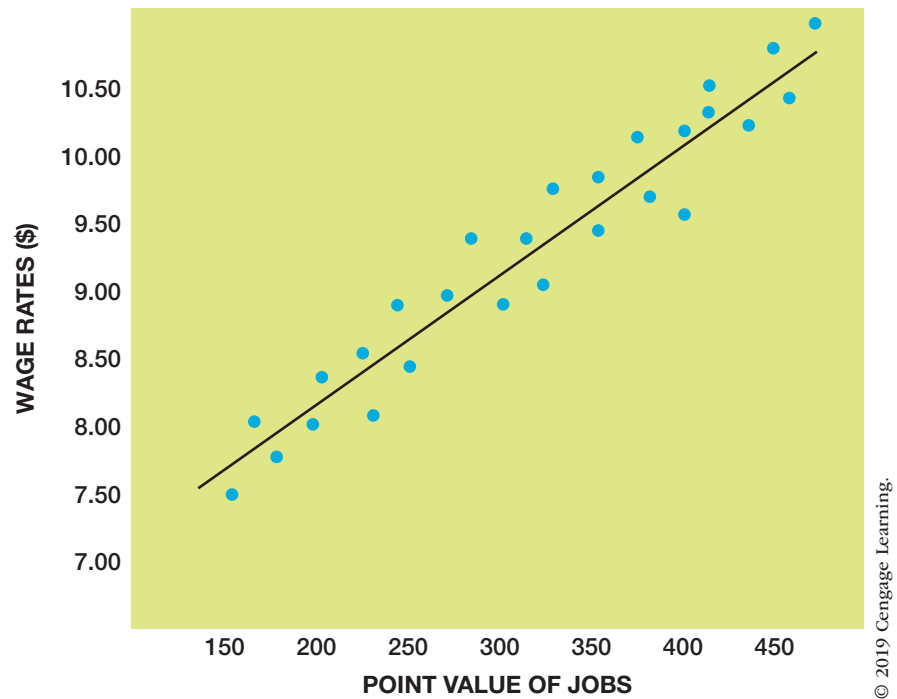
into grades as part of the evaluation process. When the point system is used, however, pay grades must be established at selected intervals that represent either the point or the evaluated monetary value of these jobs. The graph in Figure 9.4 illustrates a series of pay grades designated along the horizontal axis at 50-point intervals.

The grades within a wage structure may vary in number.[28] The number is determined by factors such as the slope of the wage curve, the number and distribution of the jobs within the structure, and the organization's wage administration and promotion policies. The number utilized should be sufficient to permit difficulty levels to be distinguished but not so great as to make the distinction between two adjoining grades insignificant.

RATE RANGES

Generally, organizations provide a range of rates for each pay grade. The rate ranges may be the same for each grade or proportionately greater for each successive grade, as shown in Figure 9.4. Rate ranges constructed on the latter basis provide a greater incentive for employees to accept a promotion to a job in a higher grade.

Rate ranges are generally divided into a series of steps that permit employees to receive increases up to the maximum rate for the range on the basis of merit or seniority or a combination of the two. Most salary structures provide for the ranges of adjoining pay grades to overlap. The purpose of the overlap is to permit an employee with experience to earn as much as or more than a person with less experience in the next higher job classification.

The final step in setting up a wage structure is to determine the appropriate pay grade into which each job should be placed on the basis of its evaluated worth. Traditionally, this worth is determined on the basis of job requirements

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FIGURE 9.4

WAGE STRUCTURE WITH INCREASING RATE RANGES
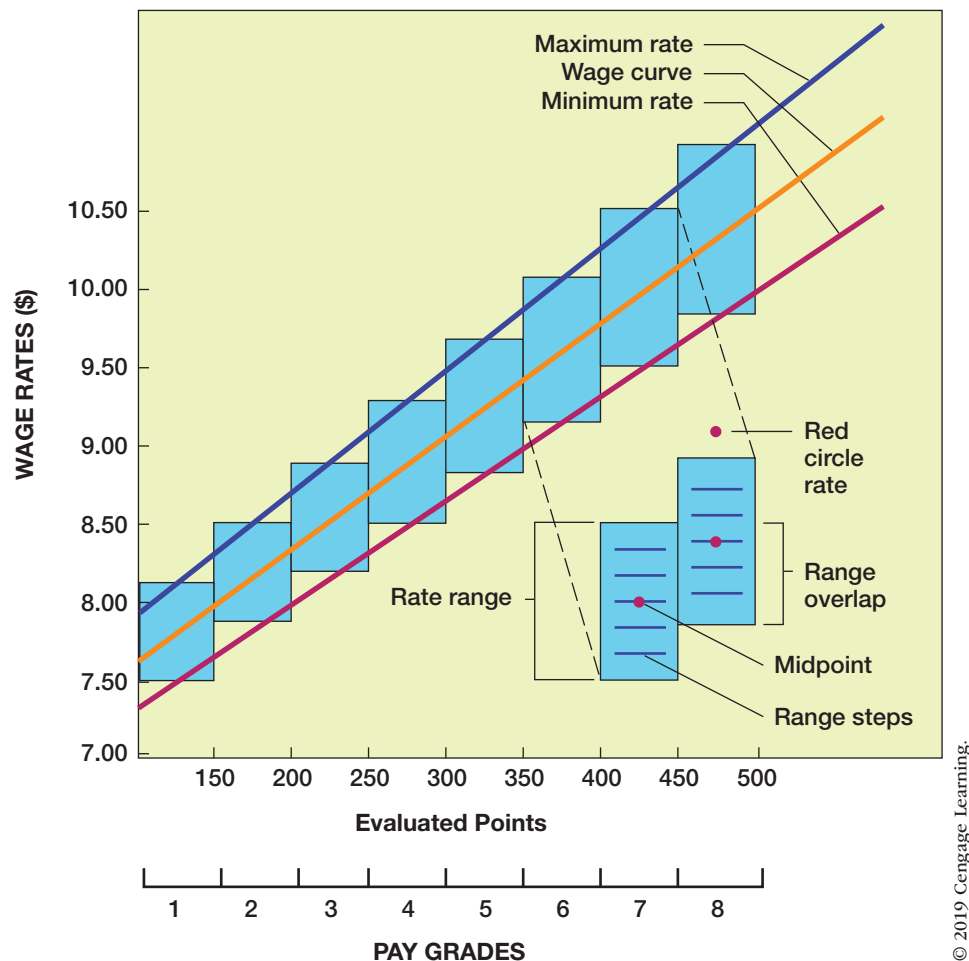
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without regard to the performance of the person in that job. Under this system, the performance of those who exceed the requirements of a job may be acknowledged by merit increases within the grade range or by promotion to a job in the next higher pay grade.[29]

Organizations may pay individuals above the maximum of the pay range when employees have high seniority or promotional opportunities are scarce. Wages paid above the range maximum are called **red circle rates**. Because these rates are exceptions to the pay structure, employers often "freeze" these rates until all ranges are shifted upward through market wage adjustments.

Broadbanding

Broadbanding simply collapses many traditional salary grades into a few wide salary bands. Broadbands may have midpoints and quartiles, or they may have extremely wide salary ranges or no ranges at all. Broadbanding encourages lateral skill building while addressing the need to pay employees performing multiple jobs with different skill level requirements. Additionally, broadbands help eliminate the obsession with grades and, instead, encourage employees to move to jobs in which they can develop in their careers and add value to the organization. Paying employees through broadbands enables organizations to consider job

red circle rates
Payment rates above the maximum of the pay range

broadbanding
Collapses many traditional salary grades into a few wide salary bands

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responsibilities, individual skills and competencies, and career mobility patterns in assigning employees to bands.[30] In all, such pay tools help more effectively implement a compensation strategy.

COMPETENCY-BASED PAY

The predominant approach to employee compensation is still the job-based system. Unfortunately, such a system often fails to reward employees for their skills or the knowledge they possess or to encourage them to learn a new job-related skill. Additionally, job-based pay systems may not reinforce an organizational culture stressing employee involvement or provide increased employee flexibility to meet overall production or service requirements. Therefore, organizations such as Nortel Networks and Honeywell have introduced competency-based pay plans.

Competency-based pay, also referred to as skill-based or knowledge-based pay, compensates employees for the different skills or increased knowledge they possess rather than for the job they hold in a designated job category.[31] Regardless of the name, these pay plans encourage employees to earn higher base wages by learning and performing a wider variety of skills (or jobs) or displaying an array of competencies that can be applied to a variety of organizational requirements. For example, in a manufacturing setting, new tasks might include various assembly activities carried out in a particular production system or a variety of maintenance functions. Within service organizations, employees might acquire new knowledge related to advanced computer systems or accounting procedures. Organizations will grant an increase in pay after each skill or knowledge has been mastered and can be demonstrated according to a predetermined standard.

Competency-based pay systems represent a fundamental change in the attitude of management regarding how work should be organized and how employees should be paid for their work efforts. The most frequently cited benefits of competency-based pay include greater productivity, increased employee learning and commitment to work, improved staffing flexibility to meet production or service demands, and reduced effects of absenteeism and turnover because managers can assign employees where and when needed. Competency-based pay also encourages employees to acquire training when new or updated skills are needed by an organization.

Employee wages may be based in part on how much money people in that area need for day-to-day living

Bloomberg/Contributor/Getty Images

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Unfortunately, competency-based plans bring some long-term difficulties. Some plans limit the amount of compensation employees can earn, regardless of the new skills or competencies they acquire. Thus, after achieving the top wage, employees may be reluctant to continue their educational training. Perhaps the greatest challenge in paying individuals for their skills, knowledge, and competencies is developing appropriate measures. It is difficult to write specific knowledge and skill descriptions for jobs that employees perform and then establish accurate measures of acquired skills or knowledge.

GOVERNMENT REGULATION OF COMPENSATION

Compensation management, like the other areas of HRM, is subject to provincial and federal regulations. Each province has an employment standards act that establishes minimum requirements with respect to wages, hours of work, and overtime. Provincial and federal minimum requirements can be obtained by contacting the appropriate federal or provincial office. These standards can also be accessed from various websites, including ones managed by the Government of Canada.

THE *CANADA LABOUR CODE*

Part III of the *Canada Labour Code* and the *Canada Labour Standards Regulations* set minimum labour standards for all employees and employers in works or undertakings that fall within federal jurisdiction, including interprovincial highway and rail transportation, pipelines, telecommunications, air transport, fishing, and banking. Federal Crown corporations are covered by the *Canada Labour Code*, but federal public service employees are not. Employees working under these classifications are subject to a 40-hour workweek. Managerial and professional employees are not covered by the hours-of-work provisions and may be required to exceed those hours. Revisions are constantly being made to these standards; HR managers must keep abreast of these changes to ensure compliance in the workplace.

EMPLOYMENT STANDARDS LEGISLATION

The employment standards legislation of each province and territory establish minimum standards with a view to protecting both employees and employers in certain employment situations. Collective agreements are permitted to override the provisions of these acts as long as employees are not being provided with less than what the legislation has stipulated and as long as these overrides benefit the employee. Employers who operate in more than one province must become fully informed of the different requirements that exist in each province. This information is generally available on the Internet.

One key aspect of employment standards legislation is minimum wages. This varies by jurisdiction. For instance, Ontario increased the general minimum wages to $14 an hour on January 1, 2018. Previously, it was $11.60 per hour. Other categories of workers, including students and liquor servers have slightly lower minimum wages ($13.15 and $12.20, respectively). This increase attracted considerable debate in the province. Anti-poverty advocates, for instance, argued that a minimum wage increase was necessary to match the increases in the cost of living and provide families with basic necessities. On the other hand, the small business community (in general, as there were exceptions) contended that the increase was too steep and rushed, and that it would cause them to layoff employees and/or increase prices. The debate was brought to the fore when several Tim Hortons franchises cut some of their employees' benefits, claiming that they had to do so to survive.[32] Other provinces have also increased their minimum wages, including British Columbia and Saskatchewan (for details, see http://www.cic.gc.ca/english/work/labour-standards.asp).

Each province's act also contains a provision that stipulates that an overtime rate, usually about 1.5 times the base rate, must be paid for all hours worked in excess of the set minimum prescribed in the province. For example, if an employee works 45 hours in a province that legislates the minimum workweek as 40 hours, he or she is entitled to overtime for the extra five hours at 1.5 times his or her base rate. Particular groups, including lawyers, doctors, engineers, and managers, are exempt from overtime requirements.

OTHER LEGISLATION

Employment equity is under federal jurisdiction for all federally regulated companies, as well as for provincially regulated companies that are suppliers to the federal government. Pay equity is covered provincially where applicable. As we discussed in Chapter 3, legislation relating to employment equity and pay equity is designed to ensure that fair employment practices are applied to all members of designated groups.

SIGNIFICANT COMPENSATION ISSUES

LEARNING OUTCOME 5

Some people contend that an organization cannot compare jobs in different fields (such as a painter versus a nurse) for pay equity purposes as these jobs are inherently different. What are your thoughts?

As with other HR activities, compensation management operates in a dynamic environment. We will discuss two of these issues here: (1) equal pay for work of equal value and (2) wage-rate compression.

PAY EQUITY: EQUAL PAY FOR WORK OF EQUAL VALUE

One of the most important gender issues in compensation is **pay equity**, or equal pay for work of equal value. In Ontario, the definition is "equal pay for work of equal or comparable value." (For a good source on pay equity information, see the website for the Ontario Pay Equity Commission: http://www.payequity.gov .on.ca/Pages/default.aspx). The issue stems from the fact that jobs performed predominantly by women are paid less than those performed by men. In Canada, the gender pay gap is approximately 26 percent; that is, for every dollar a man earns, a woman earns 74 cents. The gap is larger when all women and men are considered, doing all types of work, including part-time and contract work, and smaller when hourly pay is considered. However, no matter how the gap is measured, there is a difference in the average pay for men versus women in Canada (and globally). Furthermore, the gap is larger for women with disabilities, women of colour, trans women, and Indigenous women.[33] Ontario recently conducted a comprehensive study on the gender pay gap in that province. The report concluded that there are several factors that contribute to the gap in Ontario, which stood at 24 percent in 2017, including societal norms, occupational segregation, provision of childcare and eldercare primarily by women, and employer practices, including discrimination.[34]

Critics contend that one of the factors driving the gender pay gap is *institutionalized sex discrimination*, causing women to receive lower pay for jobs that may be different from but comparable in worth to those performed by men. The issue of equal pay for work of equal value goes beyond providing equal pay for jobs that involve the same duties for women as for men. It is not concerned with whether a female secretary should receive the same pay as a male secretary. Rather, the argument for comparable worth is that jobs held by women are not compensated the same as those held by men, even though both job types may contribute equally to organizational success.

MEASURING COMPARABILITY

Advocates of comparable worth argue that the difference in wage rates for predominantly male and female occupations rests in the undervaluing of traditional female occupations. To remedy this situation, they propose that wages should be equal for jobs that are "somehow" equivalent in total worth or compensation to the

Reality Check

Pay Equity

Linda Sullivan, a former program specialist of the Ontario Pay Equity Commission and currently a learning specialist in the Ministry of Labour in Ontario, talks about issues in pay equity:

> Organizations with 10 to 99 employees have the highest rate of noncompliance because they do not have resources, including a dedicated HR professional, and some positions are held by family members. One year, we monitored the food services sector. A family-owned bakery, for example, would need to identify female and male jobs, compare them, and make the required pay adjustments. In these family-owned enterprises, one can find the traditional breakdown where, for example, the bakers are male, and the customer service positions (i.e., the [people] working at the counter) are female. The bakers are paid more than positions in customer service. The multitude of tasks needed in customer service, such as communication skills, organizational skills, dealing with people who are upset, and dealing with customers quickly, are typically overlooked in female-dominated jobs and are not credited. These tasks within each job must be carefully identified and compensated.
>
> Smaller organizations in the public sector have different types of problems. In the public sector, it is difficult to do pay equity in a lot of organizations because these organizations only have jobs held by women. For example, women usually hold all jobs in a daycare centre. These organizations cannot compare male and female jobs because there are no male jobs. So, in 1993, when the pay equity act was amended, another method of comparing jobs for these types of organizations was added: a proxy comparison method.
>
> A third issue is, without a doubt, the degree of emotion felt by those who believe that they are being paid unfairly. For example, I had an email from a woman about her work situation, where she had been hired and was doing what she felt was an equivalent job to a male colleague but was being paid less. So she went to her manager and raised the issue with her, and a change was made to her wage, which she felt was justified. Then she realized once again, while they had raised her wage, she was still being paid considerably less than her male colleague doing work of equal or less value. The employer has not done pay equity. To me, what was striking about this situation was how emotional and betrayed the woman felt. The employers don't realize that employees feel so strongly about this unfair treatment. In a lot of these situations, women end up looking for other work, leaving the organization and costing the employer thousands of dollars required to recruit and train new employees.

Source: Interview with Linda Sullivan.

organization. Unfortunately, there is no consensus on a comparable worth standard by which to evaluate jobs, nor is there agreement on the ability of current job evaluation techniques to remedy the problem. Indeed, organizations may dodge the comparable worth issue by using one job evaluation system for clerical and secretarial jobs and another system for other jobs. Reality Check outlines some of the issues that pay equity specialists face. Furthermore, the advocates of comparable worth argue that current job evaluation techniques simply serve to continue the differences in pay between the sexes. However, others believe that job evaluation systems can be designed to measure different types of jobs, in the same way that apples and oranges can be compared (see Figure 9.5). The Business Case describes two large settlements that have resulted from pay equity issues.

wage-rate compression
Compression of differentials between job classes, particularly the differential between hourly workers and their managers

THE ISSUE OF WAGE-RATE COMPRESSION

Pay compression is a compensation problem that has its roots in low salary budgets. **Wage-rate compression** occurs when less experienced, often junior, employees earn as much as or more than experienced employees due to high starting salaries for new employees. For example, the scarcity of qualified

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FIGURE 9.5

HOW CAN YOU COMPARE APPLES AND ORANGES?
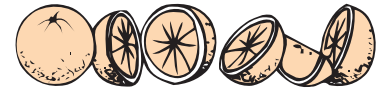
150.0 grams	**Weight**	**150.0 grams**
87	**Calories**	**73**
21.7 grams	**Carbohydrates**	**18.3 grams**
0.3 grams	**Protein**	**1.5 grams**
1.5 grams	**Fibre**	**1.8 grams**
140 IU	**Vitamin A**	**300 IU**

Source: M. Belcourt, "Human Resource Management" in *Introduction to Canadian Business*, edited by J. Pliniussen (Toronto: McGraw-Hill Ryerson and Captus Press, 1994): 410.

applicants in IT, engineering, and other professional and technical fields has forced starting salaries for these occupations to be at or near the salaries paid to employees with considerable experience and seniority. Pay compression can also occur when hourly employees, at the top of their pay grades, earn only slightly less than managers at the low end of their pay grades.

Identifying wage-rate compression and its causes is far simpler than implementing organizational policies to alleviate its effect. Organizations wishing to minimize the problem may incorporate the following ideas into their pay policies:

- Reward high-performing and merit-worthy employees with large pay increases.
- Design the pay structure to allow a wide spread between hourly and supervisory employees.

The Business Case

Cashing Out

Bell Canada had to pay $100 million in cash and added pension benefits to over 4,000 mostly female employees to settle a pay equity dispute started in the early 1990s. The union argued that thousands of Bell employees, who were mostly women, were underpaid compared to those in male-dominated positions. Those working in female-dominated jobs were making, on average, $2 to $5 less an hour than men in comparable jobs. The request for salary adjustments was based on a study of the work performed by telephone operators, clerical staff, sales associates, and others. Most of those employees were women. Their salaries were compared to other job functions that were dominated by men.

In November 2011, the Supreme Court of Canada settled a 28-year epic battle when it ruled in favour of a Canadian Human Rights Tribunal decision in 2005 that there was a wage gap between clerical workers, who were mostly women, and male-dominated employees in an operations group who did work of comparable value to the organization. As a result, Canada Post would have to pay about 6,000 current and former clerical workers $150 million in back pay. The tribunal previously determined that the federal government had underpaid those mainly female workers in administrative support occupational categories. Each employee was entitled to about $30,000 in retroactive pay. The Public Service Alliance of Canada, the union representing the workers affected by the tribunal ruling, calculates that the average annual pension of workers from these groups is only $10,000 per year. The pay equity settlement would make an important difference in the standard of living for these workers and their families now and in the future.

Sources: Colin Freeze, "Bell Settles Pay Equity Dispute," *The Globe and Mail* (May 16, 2006): A5; Neco Cockburn, "Tribunal Rules Systemic Sex Discrimination at Canada Post," *CanWest News* (October 8, 2005): 1; Kathryn May, "After 28-Year Pay Equity Fight, Female Postal Workers Awarded $150-Million," *National Post* (November 17, 2011).

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- Prepare high-performing employees for promotions to jobs with higher salary levels.
- Provide equity adjustments for selected employees hardest hit by pay compression.[35]

Since wage-rate compression is largely an internal equity concern, if not addressed fairly, it can cause low employee morale, leading to issues of reduced employee performance, hard feelings between employees, higher absenteeism and turnover, and even delinquent behaviour, such as employee theft.

Small Business Application

As compensation is one of the biggest costs for small businesses, employees are often the first to be short-changed. At the same time, the old adage holds true: "You get what you pay for." The ability to attract and retain talented employees depends largely on a company's ability to offer suitable compensation. For small businesses, what is considered suitable differs from that of larger businesses.

Big business can woo job candidates by offering comprehensive compensation packages that include stock options, consistent pay raises, security, and sometimes even a Starbucks in the lobby. Although small businesses cannot offer these things, they can offer more customized pay packages to deal with employees' individual needs. For example, not having a complex and bureaucratic compensation system means that a small company can more readily adjust its employees' wages to match those of the external market. Furthermore, small companies offer more opportunity for upward growth and the chance to more rapidly increase one's pay.

If the small business is private, there are many opportunities to attract and retain top talent by padding lower salaries with stock in the company. By offering shares of a private company as a form of compensation, small private companies can offer the possibility for their employees to make larger sums of money in the future. Offering shares or options to buy shares as a form of compensation can be extremely attractive as employees can make a lot of money when their young company finally goes public and is sold on the stock market. In fact, this form of compensation is enough to make employees leave secure, hefty salaries in a big company for lower salaries and shares of a private company. For example, when Google became a public company on August 18, 2004, it sold shares of its company for $85 per share. Some of the employees who were with the company early on had been awarded shares that were worth as little as $0.30 per share. As you can imagine,

someone who had just 10,000 Google shares at this rate was quickly made a millionaire. In fact, hundreds of employees became millionaires at this time.

As a result, a smart manager in a small business can enhance compensation packages that consist of lower salaries through greater opportunities to increase wealth in the future by issuing stock and stock options as part of the pay mix.

Below is a list of specific things small businesses can do to compete with the compensation packages of big business:

1. *Tailor the pay mix to individual employee needs and wants.* For example, one employee may value greater bonus opportunities than base pay, whereas another may want the money the company would spend on health insurance to be paid in salary.

2. *Provide stock options in high-growth environments.* Potential employees will find the opportunity to be part of a high-growth company an exciting and potentially lucrative risk.

3. *Provide faster promotions.* Express how the smallness of your company allows people to move into new and exciting positions quickly, without the bureaucratic red tape found in big business.

4. *Provide frequent contact with top management.* Not being able to interact with and receive mentoring from top management is a major concern for young talent. Smaller companies are able to offer more of these types of growth opportunities than larger competitors.

5. *Provide a greater sense of personal involvement.* One of the advantages of a small company is that they can treat their employees like family. In an age of depersonalized billion-dollar companies, a sense of belonging, where you know the company cares about you, can go a long way in compensating for lower pay.

Sources: "How to Attract Talent to a Small Company," *Wall Street Journal* (November 18, 2010), http://guides.wsj.com/small-business/hiring-and-managing-employees/how-to-attract-talent-to-a-small-company/print/; Miguel Helft, "Mark Zuckerberg's Most Valuable Friend," *New York Times* (October 2, 2010); SME Toolkit Build Your Business, "Compensation Management from Buzgate.org," http://us.smetoolkit.org/us/en/content/en/2188/Compensation-Management.

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Summary

OUTCOME 1 Establishing strategic compensation programs requires an assessment of organizational objectives in relation to specific employment goals—employee retention for continued growth, compensation distribution to ensure employees feel treated fairly, communication of compensation methods to increase employee understanding of organizational objectives, and adherence to a budget for cost efficiencies, for instance. Compensation must reward employees for past efforts (pay for performance) while motivating employees' future performance. Internal and external equity of the pay program affect employees' concepts of fairness. Organizations must balance each of these concerns while still remaining competitive. The ability to attract qualified employees while controlling labour costs is a major factor in allowing organizations to remain viable in domestic or international markets.

OUTCOME 2 The basis on which compensation payments are determined and the way they are administered can significantly affect employee productivity and the achievement of organizational goals. Internal influences include the employer's compensation policy, worth of the job, performance of the employee, and the employer's ability to pay. External factors influencing wage rates include labour market conditions, area wage rates, cost of living, outcomes of collective bargaining, and legal requirements.

OUTCOME 3 Organizations use one of four basic job evaluation techniques to determine the relative worth of jobs. The job ranking system arranges jobs in numerical order on the basis of the importance of the job's duties and responsibilities to the organization. The job classification system slots jobs into preestablished grades. Higher-rated grades will require more responsibilities and more important job duties. The point system of job evaluation uses a point scheme based on the compensable job factors of skill, effort, responsibility, and working conditions. The more compensable factors a job possesses, the more points are assigned to it. Jobs with higher accumulated points are considered more valuable to the organization. The work valuation system evaluates jobs based on their value relative to organizational goals—financial, customer service, and so on—and the job's contribution to organization success.

Wage surveys determine the external equity of jobs. Data obtained from surveys will facilitate establishing the organization's wage policy while ensuring that the employer does not pay more, or less, than needed for jobs in the relevant labour market.

The wage structure is composed of the wage curve, pay grades, and rate ranges. The wage curve depicts graphically the pay rates assigned to jobs within each pay grade. Pay grades represent the grouping of similar jobs on the basis of their relative worth. Each pay grade will include a rate range. Rate ranges will have a midpoint and minimum and maximum pay rates for all jobs in the pay grade.

OUTCOME 4 The federal and provincial governments regulate compensation through the *Canada Labour Code*, employment standards acts, and employment equity/pay equity legislation.

OUTCOME 5 The concept of equal pay for work of equal value seeks to overcome the fact that jobs held by women are compensated at a lower rate than those performed by men. This happens even though both types of jobs may contribute equally to organizational productivity. Wage-rate compression largely affects managerial and senior employees as the pay given to new employees or the wage increases gained through collective agreements erode the pay differences between these groups.

Key Terms

broadbanding, 343
competency-based pay, 344
consumer price index (CPI), 335
escalator clauses, 335
Hay profile method, 339
hourly work, 330
job classification system, 336

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Discussion Questions

1. Nurses at Adelphi Hospital, in British Columbia, have been quitting their jobs for more lucrative deals in the United States. The hospital's administration would like to pursue a coherent strategy that would address not only its compensation issues but also patient care and overall client satisfaction. Suggest different compensation objectives to match Adelphi's goals.
2. Discuss how factors internal to the organization may affect compensation levels and the wage mix.
3. What is job evaluation? Explain the differences between the major job evaluation systems, noting the advantages and disadvantages of each.
4. What are pay grades and pay ranges? In a step-by-step manner, discuss how an organization's wage structure is determined.
5. Laws governing compensation raise important issues for both employers and employees. Discuss the following:
   a. the effects of mandatory overtime
   b. the effects of raising the minimum wage
   c. pay equity: is it needed?
6. The Pay Equity Commission proposes three methods to make pay equity comparisons:
   - the job-to-job comparison method
   - the proportional value comparison method
   - the proxy comparison method

Read about these methods at http://www.payequity .gov.on.ca/en/tools/Pages/plan_sample.aspx and at http://www.payequity.gov.on.ca/en/tools/Pages/ guide_to_act11.aspx. What are some of the problems of developing a pay system based on each method?

HRM Experience

Why This Salary?

A question frequently asked is, "Why is that person paid more than I am when we both perform the same job?" The answer to this question lies in understanding the components of the wage mix, as discussed in this chapter. Although we may disapprove of the idea that someone is paid more or less than we are for similar work, nevertheless, factors both internal and external to the organization influence the final salary paid to a job or a specific person. Often we have little control over the wage mix factors. However, at other times, we can improve our wage by gaining additional job experience or seniority or by obtaining increases in job knowledge or skills. This project is designed to give you experience in understanding why jobs are paid different salaries.

Assignment

The website https://www.payscale.com/research/CA/ Country=Canada/Salary provides a salary calculator for the Canadian market, giving salary ranges for jobs and a comparison tool for the national average. For example, an HR assistant working in Vancouver, British Columbia, earned a median salary of $39,018. Using this site, determine the salaries paid to these occupations, nationally (do not enter city and province in the relevant boxes on this site) and then answer the questions that follow as to why the differences in salaries exist. Relate these reasons to the internal and external factors of the wage mix that are discussed in the text.

Occupation	National Median Annual Salary ($)	Low ($)	High ($)
HR assistant	39,741	31,456	50,880
Librarian			
Construction labourer			
Systems (computer) administrator			
Police officer			
Bus operator			
Lawyer			

(*Continued*)

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1. What factors may account for the wide differences among salaries for different occupations?

2. Now check on compensation rates in your city and compare these to those in Toronto or Vancouver and Lethbridge, Alberta. What factors account for the differences among salaries for identical occupations in different cities?

3. What factors may account for the differences among salaries for the identical occupation in different organizations?

You may work individually or in teams to complete this skill-building exercise.

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Case Study 1

PAY DECISIONS AT UNIVERSITY HEALTH FOODS ON WHEELS

During her first year at university, Amelia Santos became quickly aware that there were not many healthy food and drinks on her campus. After taking a few business courses, she learned how to start a business and manage employees. In February 2018, after extensive development of a strategic business plan and a loan in the amount of $75,000 from the Business Development Bank, she started University Health Foods on Wheels. Based on a marketing plan that stressed fast delivery on campus, excellent customer service, and healthy foods, the firm grew rapidly. In short, students would call a telephone number and order their food from a menu. Health Foods would deliver it for them. At present, the company employs 16 people: 8 cooks earning between $18.75 and $20.25 per hour; 8 delivery persons paid between $16.50 and $18.50 per hour; 2 phone order clerks, each earning $15.75 per hour; an assistant manager earning $21.10 per hour; and a general manager with a wage of $24.00 per hour.

Amelia intends to create a new managerial position, purchasing agent, to handle the complex duties of providing healthy food items for the company's numerous suppliers. Since the position of purchasing agent is new, Amelia is not sure how much to pay this person. She wants to employ an individual with five to eight years of experience in food-related purchasing.

Questions

1. What factors should Amelia consider when setting the wage for the purchasing agent position? What resources are available for them to consult when establishing this wage?
2. Are there any incentive pay systems Amelia should consider? Discuss a few options.

Case Study 2

JOB EVALUATIONS AT CBC/RADIO-CANADA

CBC/Radio-Canada is Canada's national public broadcaster with a special focus on "all things Canadian"; it broadcasts in English, French, and various Indigenous languages from coast to coast. The national radio station is designed to connect Canadians from diverse backgrounds across all regions, with emphasis on protecting Canadian culture by ensuring that programs from the United States do not inundate Canadian airwaves.

CBC/Radio-Canada and the union (CMG) representing all unionized employees at the radio station finalized an agreement that stipulates what the job evaluation process entails. Job evaluation is jointly by management and union members, including designing the job evaluation plan together. The job evaluation system is designed to

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incorporate employee input, to be responsive to federal pay equity legislation, to capture changes due to technological advancements and changes in job demand, and, most importantly, to reflect corporate culture and values in today's diverse and changing work environments.

The job evaluation system measures the content and relative value of jobs, placing them into 13 different pay bands. The system evaluates jobs according to their normal component—that is, tasks that are done on a regular basis. The compensable factors are skills, working condition, effort, and responsibilities, not the performance of the incumbent doing the job. The four factors and subfactors are as follows:

A. Responsibility—what are the responsibilities of the job (accountability, communication coordination of work)?

B. Skills—what skills are required (body of knowledge [education and experience], dexterity)?

C. Working conditions—what working conditions apply to the job? For example, general environment, pressure, task interference, travel, and so on.

D. Effort—what amount of effort does the job require? For example, judgment, creativity exertion, and so on.

Each subfactor level carries a specific weight and based on the number of points awarded for each subfactor, the joint committee awards a total number of points for the job.

AN EXAMPLE OF AN ITEM UNDER B: SKILLS

This subfactor measures the body of knowledge, that is, education and experience required for an employee to effectively do the job. In the case of CBC/Radio-Canada, there are four levels of education and nine levels of work experience. The points awarded to each of the different levels reflect progressive requirements as you move from one level to another. For example, a generalist clerical classification would be awarded 70 points and require a high school or equivalent education plus one year experience; an editor classification would be awarded 130 points, with the requirement of a community college diploma in television arts or equivalent three years' experience; the producer classification would require a university degree or five years' relevant experience and would be awarded 170 points.

Questions

1. What type of job evaluation does CBC/Radio-Canada use?
2. What are the advantages and limitations of this system?

Sources: http://www.payequity.gov.on.ca/en/resources/eval/job_systems.php; http://www.cmg.ca/en/cbcradiocanada/job-evaluation/faq/; CBC Radio-Canada, retrieved from http://www.cbc.radio-canada.ca/en/explore/.

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Pay for Performance: Incentive Rewards

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Discuss the basic requirements for successful implementation of strategic incentive programs.

LO 2 Identify the types of and reasons for implementing individual incentive plans and discuss under what conditions individual incentives are appropriate.

LO 3 Indicate the advantage of each of the principal methods used to compensate salespeople.

LO 4 Identify the key aspects of team and group-level pay-for-performance plans.

LO 5 Differentiate between profit-sharing plans and explain the advantages and disadvantages of these programs.

LO 6 Describe the main types of employee stock ownership plans and discuss their advantages to employers and employees.

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Many organizations globally were forced to re-examine their executive incentives after the last economic downturn in 2008. Canadian organizations were no different. Although the economic woes did not affect the Canadian economy as much as the U.S. or European economies, there were several ways in which Canadian organizations were forced to adapt. In addition to pressures on employees to curb their pay and benefits and/or grant concessions, especially in the public sector, organizations were forced to take a second and third look at their pay-for-performance and incentive systems. Compensation analysts and others trace the financial crisis in the housing and banking sectors that spawned the national and international economic troubles to pay-for-performance systems that encouraged aggressive selling on the part of mortgage brokers and real estate agents. More recently, several banks were in the news for similar pay-for-performance issues. Wells Fargo bank employees were pressured to urge customers to open multiple accounts, credit cards, and debit cards. In many instances, accounts were opened for customers without their permission. The employees' pay was tied to selling multiple financial accounts. Over three million fraudulent accounts were opened. Wells Fargo was subsequently fined $185 million (US) by the courts for the fraudulent practices.[1] Canadian banks have also been scrutinized for similar practices amidst reports by employees that they have been pressured to open accounts.[2]

Organizations are still likely to tie compensation closely to performance.[3] Whether you are a heavily scrutinized big bank on Bay Street, Toronto, or a belt-tightening small store in Nova Scotia, you want the biggest bang for your buck; that is, you would want the best efforts from your employees for the rewards you provide. For many, this means aligning the interests of the employees with the interests of the company, by rewarding people for their performance. But this is no small task. The process of (1) choosing the right incentive plans based on organizational objectives, (2) setting up performance measures, and (3) administering those incentive plans may seem a bit daunting, especially because so much can go wrong if not done properly.

In this chapter, we will discuss incentive plans in terms of the objectives they hope to achieve and the various factors that may affect their success. Because many organizations have implemented broad-based incentive programs, for discussion purposes, we have grouped incentive plans into three broad categories: individual incentive plans, group incentive plans, and enterprise incentive plans, as shown in Figure 10.1.[4]

FIGURE 10.1

TYPES OF INCENTIVE PLANS

Individual	Group	Enterprise/Organization
Piecework	Team compensation	Profit sharing
Standard hour plan	Scanlon Plan	Stock options
Bonuses	Improshare	Employee stock ownership plans (ESOPs)
Merit pay		
Lump-sum merit pay		
Incentive awards		
Sales incentives		
Incentives for professional employees		
Executive incentives		

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STRATEGIC REASONS FOR INCENTIVE PLANS

A major element of strategic compensation management is the use of incentive plans, also called **variable pay** programs, for employees throughout the organization.

Incentive rewards are based entirely on a pay-for-performance philosophy. Incentive pay programs establish a performance "threshold" (a baseline performance level) that an employee or group of employees must reach to qualify for incentive payments. Additionally, incentive plans emphasize a shared focus on organizational objectives by broadening the opportunities for incentives to employees throughout the organization. Incentive plans create an operating environment that champions a philosophy of shared commitment through the belief that every individual contributes to organizational performance and success.

INCENTIVE PLANS AS LINKS TO ORGANIZATIONAL OBJECTIVES

Contemporary arguments for incentive plans focus on linking compensation rewards, both individual and group, to organizational goals and strategy. Specific company goals or objectives might be to lower labour costs, improve customer satisfaction, expand product markets, or maintain high levels of productivity and quality, which in turn improve the market for the company's goods and services in a global economy. By meshing compensation and organizational objectives, managers believe that employees will assume "ownership" of their jobs, thereby improving their effort and overall job performance. Incentives are designed to encourage employees to put out more effort to complete their job tasks—effort they might not be motivated to expend under hourly and/or seniority-based compensation systems. Also, incentive pay is highly valued as a compensation strategy to attract and retain top-performing employees.[5] Figure 10.2 summarizes the major advantages of incentive pay programs as noted by researchers and HR professionals.

Do incentive plans work? The answer is both yes and no. Various studies, along with reports from individual organizations, show a measurable relationship between incentive plans and improved organizational performance.[6] However, the degree of success obtained depends on several factors, including (1) identifying important organizational metrics by which to measure employee performance, and (2) a customized incentive plan that effectively measures employee output and rewards exceptional employee performance.[7] For example, at one hospital, healthcare employees are eligible for up to a 10 percent merit raise depending on whether they meet or exceed important hospital performance expectations. Importantly, in a survey designed to assess the hospital's incentive pay program, employee responses showed a high relationship between hospital goals and the

FIGURE 10.2

ADVANTAGES OF INCENTIVE PAY PROGRAMS

- Incentives focus employee efforts on specific performance targets. They provide real motivation that produces important employee and organizational gains.
- Incentive payouts are variable costs linked to the achievement of results. Base salaries are fixed costs largely unrelated to output.
- Incentive compensation is directly related to operating performance. If performance objectives (quantity and/or quality) are met, incentives are paid. If objectives are not achieved, incentives are withheld.
- Incentives foster teamwork and unit cohesiveness when payments to individuals are based on team results.
- Incentives are a way to distribute success among those responsible for producing that success.
- Incentives are a means to reward or attract top performers when salary budgets are low.

linkage between pay and performance.[8] At an insurance company, salespeople who achieve sales targets receive significant bonuses, merchandise awards, and recognition through the company's website and in-house publications.[9]

Unfortunately, studies also show that variable pay plans may not achieve their proposed objectives or lead to organizational improvements.[10] First, incentive plans sometimes fail to satisfy employee expectations for pay gains. Second, management may have failed to give adequate attention to the design and implementation of the plan, leaving employees confused about how incentive payments are calculated. Third, employees may have little ability to affect performance standards. Furthermore, the success of an incentive plan will depend on the environment that exists within an organization. A plan is more likely to work in an organization where morale is high, employees believe they are being treated fairly, and there is harmony between employees and management.

REQUIREMENTS FOR A SUCCESSFUL INCENTIVE PLAN

For an incentive plan to succeed, employees must believe in it. This desire can be influenced in part by how successful management is in introducing the plan and convincing employees of its benefits. Encouraging employees to participate in developing and administering the plan is likely to increase their willingness to accept it.

Employees must be able to see a clear connection between the incentive payments they receive and their job performance. This connection is more visible if there are objective quality or quantity standards by which they can judge their performance. Commitment by employees to meet these standards is also essential for incentive plans to succeed. This requires mutual trust and understanding between employees and their supervisors, which can be achieved only through open, two-way channels of communication. Management should never allow incentive payments to be seen as an *entitlement*. Instead, these payments should be viewed as a reward that must be earned through effort. This perception can be strengthened if the incentive money is distributed to employees in a separate cheque.

Furthermore, the best managed incentive pay programs are clearly and continuously communicated to employees. This is true during both good and bad economic periods. Proactive organizations find it advisable to continually evaluate the operation and administration of their variable pay programs.

SETTING PERFORMANCE MEASURES

Measurement is key to the success of incentive plans because it communicates the importance of established organizational goals. What gets measured and rewarded gets attention.[11] For example, if the organization desires to be a leader in quality, then performance indexes may focus on customer satisfaction, timeliness, or being error free. If being a low-priced producer is the goal, then emphasis should be on cost reduction or increased productivity with lower acceptable levels of quality. Although a variety of performance options are available, most focus on quality, cost control, or productivity. Highlights in HRM 10.1 provides six proven guidelines on how to establish and maintain an effective performance measurement program.

For some organizations, linking incentive payments to formalized performance measures has not obtained positive results for either employees or the organization. Failure can often be traced to the choice of performance measures.[12] Therefore, measures that are quantitative, simple, and structured to show a clear relationship to improved performance are best. Overly quantitative, complex measures are to be avoided. Also, when selecting a performance measure, it is necessary to evaluate the extent to which the employees involved can influence the measurement. Finally, employers must guard against "ratcheting up" performance goals by continually trying to exceed previous results. This eventually leads to

Highlights in HRM 10.1

Setting Performance Measures: The Keys

Establishing meaningful performance measures is one of the important and difficult challenges facing management today. Before managers or supervisors develop and implement organizational measures, they should consider the following guidelines:

- *Performance measures—at all organizational levels—must be consistent with the strategic goals of the organization.* Avoid nonrelevant measures or metrics that are not closely linked to the business or what employees do in their work.

- *Define the intent of performance measures and champion the cause relentlessly.* Demonstrate that performance measures are good business management and hold managers and employees accountable for their success.

- *Involve employees.* A critical step in any measurement program is the development of an employee involvement strategy outlining the nature of employee participation, implementation, and ongoing management of the performance management program. Segment the workforce

based on the nature of the work and the potential for impact. Consider which metrics require customization. Acceptance of a performance measurement program is heightened when employees "buy into" the process.

- *Consider the organization's culture and workforce demographics when designing performance measures.* For example, organizations with a more traditional hierarchical structure may need more time to introduce performance metrics compared to flatter organizations, which are more fluid and less steeped in control-and-command characteristics.

- *Set challenging but attainable goals.* Goals that are unattainable demotivate employees.

- *Widely communicate the importance of performance measures.* Performance messages are the principles and guidelines that communicate to employees about required performance levels and why the organization needs to achieve those levels of success.

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employee frustration and employee perception that the standards are unattainable. The result will be a mistrust of management and a backlash against the entire incentive program.

Figure 10.3 details captures some of the do's and don'ts of measuring performance for incentives.

FIGURE 10.3

MEASUREMENT DOS AND DON'TS

	Individual Pay	Group Pay	Enterprise Pay
Do	• measure things that are quantitative and simple • measure work that is independent of others' contribution • measure in a way that shows a relationship between work and performance	• measure when work is group interdependent • measure in a way that shows a relationship between work and performance	• measure when work is organizationally interdependent • measure results that employees can control • measure in a way that shows a relationship between work and performance
Don't	• measure based on who you like and dislike • measure based on personalities • measure based on political preferences • measure without considering contributions of peers	• measure without considering contributions of other teams • measure unless there is a mechanism for teams to discipline their "slackers"	• measure unless employees can see how their work actually contributes to the enterprise • measure without considering effects of the environment (e.g., economic downturns)

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ADMINISTERING INCENTIVE PLANS

While incentive plans based on productivity can reduce direct labour costs, to achieve their full benefit, they must be carefully thought out, implemented, and maintained. A cardinal rule is that thorough planning must be combined with a "proceed with caution" approach. Compensation managers repeatedly stress a number of points related to the effective administration of incentive plans. Three of the more important points are as follows:

1. Incentive systems are effective only when managers are willing to grant incentives based on differences in individual, team, or organizational performance. Allowing incentive payments to become pay guarantees defeats the motivational intent of the incentive. The primary purpose of an incentive compensation plan is not to pay off under almost all circumstances but rather to motivate performance. Thus, if the plan is to succeed, poor performance must go unrewarded.
2. Annual salary budgets must be large enough to reward and reinforce exceptional performance. When compensation budgets are set to ensure that pay increases do not exceed certain limits (often established as a percentage of payroll or sales), these constraints may prohibit rewarding outstanding individual or group performance.
3. The overhead costs associated with plan implementation and administration must be determined. These may include the cost of establishing performance standards and the added cost of record keeping. The time consumed in communicating the plan to employees, answering questions, and resolving any complaints about it must also be included in these costs.

INDIVIDUAL INCENTIVE PLANS

LEARNING OUTCOME 2

If Google paid its programmers based on how many programs they wrote per day, what would happen?

In today's competitive world, one word, *flexibility*, describes the design of individual incentive plans.[13] For example, technology, job tasks and duties, and/or organizational goals (such as being a low-cost producer) impact the organization's choice of incentive pay programs. Incentive payments may be determined by the number of units produced, achievement of specific performance goals, or productivity improvements in the organization as a whole. In addition, in highly competitive industries such as food and retailing, low profit margins will affect the availability of monies for incentive payouts. All of these considerations suggest that tradition and philosophy, as well as economics and technology, help govern the design of individual incentive systems.

PIECEWORK

One of the oldest incentive plans is based on piecework. Under **straight piecework**, employees receive a certain rate for each unit produced. Their compensation is determined by the number of units they produce during a pay period. At Steelcase, an office furniture maker in Markham, Ontario, employees can earn more than their base pay, often as much as 35 percent more, through piecework for each slab of metal they cut or chair they upholster. Under a **differential piece rate**, employees whose production exceeds the standard output receive a higher rate for all of their work than the rate paid to those who do not exceed the standard.

Employers include piecework in their compensation strategy for several reasons. The wage payment for each employee is simple to compute, and the plan permits an organization to predict its labour costs with considerable accuracy because these costs are the same for each unit of output. The piecework system is more likely to succeed when units of output can be measured readily, the quality of the product is less critical, the job is fairly standardized, and a constant flow of work can be maintained.

Employees in manufacturing plants often work under individual incentive plans such as piecework.

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Computing the Piece Rate

Although time standards establish the time required to perform a given amount of work, they do not by themselves determine what the incentive rate should be. The incentive rates must be based on hourly wage rates that would otherwise be paid for the type of work being performed. For example, the standard time for producing one unit of work in a job paying $15.00 per hour was set at 12 minutes. The piece rate would be $3.00 per unit, computed as follows:

$$\frac{60 \ (\text{minutes per hour})}{12 \ (\text{standard time per hour})} = 5 \ \text{units per hour}$$

$$\frac{\$15.00 \ (\text{hourly rate})}{5 \ (\text{units hour})} = 3.00 \ \text{per unit}$$

Piecework: The Drawbacks

Despite their obvious advantages—including their direct tie to a pay-for-performance philosophy—piecework systems have a number of disadvantages that offset their usefulness. One of the most significant weaknesses of piecework, as well as of other incentive plans based on individual effort, is that it may not always be an effective motivator. If employees believe that an increase in their output will provoke disapproval from fellow workers (often referred to as "rate busting"), they may avoid exerting maximum effort because their desire for peer approval outweighs their desire for more money. Also, jobs in which individual contributions are difficult to distinguish or measure or in which the work is mechanized to the point that the employee exercises very little control over output may be unsuited to piecework. Piecework may also be inappropriate in the following situations:

- when quality is more important than quantity
- when technology changes are frequent
- when productivity standards on which piecework must be based are difficult to develop

Importantly, piecework incentive systems can work against an organizational culture promoting workforce cooperation, creativity, or problem solving because each of these goals can infringe on an employee's time and productivity and, therefore, total incentive earned.

STANDARD HOUR PLAN

Another common incentive technique is the **standard hour plan**, which sets incentive rates on the basis of a predetermined "standard time" for completing a job. If employees finish the work in less than the expected time, their pay is still based on the standard time for the job multiplied by their hourly rate. Standard hour plans are popular in service departments in automobile dealerships. For example, if the standard time to install an engine in a truck is five hours and the mechanic completes the job in four and a half hours, the payment would be the mechanic's hourly rate times five hours. Standard hour plans are particularly suited to long-cycle operations or jobs or tasks that are nonrepetitive and require a variety of skills. However, although standard hour plans can motivate employees to produce more, employers must ensure that equipment maintenance and product quality do not suffer as employees strive to do their work faster to earn additional income.

BONUSES

A **bonus** is an incentive payment that is given to an employee beyond his or her normal base wage. It is frequently given at the end of the year and does not become part of base pay. Bonuses have the advantage of providing employees

with more pay for exerting greater effort, while at the same time the employees still have the security of a basic wage. Bonus payments are common among managerial and executive employees, but recent trends show that they are increasingly given to employees throughout the organization.[14] The recent economic downturn, however, has resulted in fewer bonuses being awarded to all employee groups.[15]

Depending on who is to receive the bonus, the incentive payment may be determined on the basis of cost reduction, quality improvement, or performance criteria established by the organization. At the executive level, for example, performance criteria might include earnings growth or enterprise-specific agreed-on objectives.

When some special employee contribution is to be rewarded, a **spot bonus** is used. A spot bonus, as the name implies, is given "on the spot," normally for some employee effort not directly tied to an established performance standard. For example, a customer service representative might receive a spot bonus for working long hours to fill a new customer's large order. Spot bonuses are championed as useful retention and motivational tools for overburdened employees, especially during lean financial times.

MERIT PAY

A merit pay program (merit raise) links an increase in base pay to how successfully an employee performs his or her job. The merit increase is normally given on the basis of an employee having achieved some objective performance standard—although a superior's subjective evaluation of subordinate performance may play a large role in the increase given. Merit raises can serve to motivate if employees perceive the raise to be related to the performance required to earn it.[16]

Theories of motivation, in addition to behavioural science research, provide justification for merit pay plans as well as other pay-for-performance programs.[17] However, research shows that a merit increase in the range of 7 to 9 percent is necessary to serve as a pay motivator.[18]

Employees may welcome lower percentage amounts, but low salary increases may not lead to significantly greater effort on the part of employees to drive business results. Consequently, with low salary budgets, organizations wishing to reward top performers will be required to distribute a large portion of the compensation budget to these individuals.[19] A meaningful merit increase will catch the attention of top performers while sending a signal to poor-performing employees. A strategic compensation policy *must differentiate* between outstanding and good or average performance. Furthermore, increases granted on the basis of merit should be distinguishable from cost-of-living or other general increases.

Problems with Merit Raises

Merit raises may not always achieve their intended purpose. Unlike a bonus, a merit raise may be perpetuated year after year even when performance declines. When this happens, employees come to expect the increase and see it as an entitlement, unrelated to their performance. Furthermore, what are referred to as merit raises often turn out to be increases based on seniority or favouritism. A superior's biased evaluation of subordinate performance may play a large role in the increase given. Even when merit raises are determined by performance, the employee's gains may be offset by inflation and higher income taxes. Recent research also suggests a "new" problem: women generally receive less than men in merit pay.[20] Compensation specialists also recognize the following problems with merit pay plans:

1. Money available for merit increases may be inadequate to satisfactorily raise all employees' base pay.
2. Managers may have no guidance in how to define and measure performance; there may be vagueness regarding merit award criteria.

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3. Employees may not believe that their compensation is tied to effort and performance; they may be unable to differentiate between merit pay and other types of pay increases.
4. Employees and their managers may hold different views of the factors that contribute to job success.
5. Merit pay plans may create feelings of pay inequity.[21]

Although there are no easy solutions to these problems, organizations using a true merit pay plan often base the percentage pay raise on **merit guidelines** tied to performance appraisals. For example, a certain pay increase, "3 percent," will be tied to a certain performance evaluation, "above average." The percentages may change each year, depending on various internal or external concerns such as profit levels or national economic conditions, as indicated by changes in the consumer price index. To prevent all employees from being rated outstanding or above average, managers may be required to distribute the performance rating according to some preestablished formula (such as only 10 percent can be rated outstanding). Additionally, when setting merit percentage guidelines, organizations should consider individual performance along with such factors as training, experience, and current earnings.

LUMP-SUM MERIT PAY

To make merit increases more flexible and visible, some organizations have implemented a **lump-sum merit program**. Under this type of plan, employees receive a single lump-sum increase at the time of their review, an increase that is not added to their base salary. Lump-sum merit programs offer several advantages. For employees, an advantage is that receiving a single lump-sum merit payment can provide a clear link between pay and performance. For example, a 5 percent merit increase granted to an industrial engineer earning $72,000 a year translates into a weekly increase of $69.23—a figure that looks small compared to a lump-sum payment of $3,600. For employers, lump-sum payments essentially freeze base salaries, thereby maintaining annual salary and benefit costs, because the level of benefits is normally calculated from salary levels. Organizations using a lump-sum merit program will want to adjust base salaries upward after a certain period of time. These adjustments should keep pace with the rising cost of living and increases in the general market wage.

INCENTIVE AWARDS AND RECOGNITION

Incentive awards and employee recognition are an important part of an employer's pay-for-performance compensation strategy. A recent study found that 43 percent of employees feel they receive inadequate nonmonetary awards and recognition for their contributions at work. In fact, almost a third (32 percent) of employees indicated that they intended to seek employment elsewhere within the next year.[22]

For example, if you have worked in a restaurant as a server you will know that a little recognition goes a long way. For example, a popular app used to recognize servers for upselling is called "IncentivizeMe."

IncentivizeMe gamifies the sometimes daunting task of upselling food. Employees can choose to compete with one another to see who can upsell the most. This app provides performance-based rankings aimed at normalizing sections worked and different shifts, so that employees are judged on their upselling rather than their total sales volume. This app has been especially effective for millennial workers who see fairness in ratings as key to their motivation.[23]

Awards are used to recognize productivity gains, special contributions or achievements, and service to the organization. Popular noncash incentive awards include merchandise, personalized gifts, theatre or sports tickets, vacations, dining out, gift certificates or gift cards, and personalized clothing. Tangible awards presented with the right message and style can make employees feel appreciated while at the same time underscoring a company value. Research clearly shows
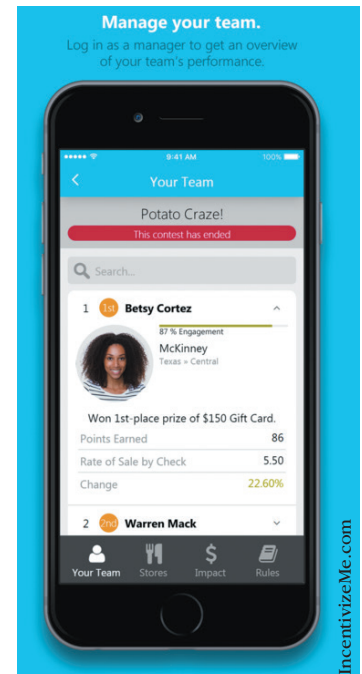
IncentivizeMe app provides performance-based rankings and built-in contents to show how servers are doing at upselling rather than just comparing number of sales they have.

Nonmonetary rewards let employees know they are valued, which is why more and more companies are using incentives such as this to recognize high performance.

that noncash incentive awards are most effective as motivators when the award is combined with a meaningful employee recognition program. Tyler Gentry, employee recognition specialist, notes this about the importance of noncash incentive awards: "Recognition and rewards aren't so much about recognizing someone for going 'above and beyond' and giving gifts as they are about letting employees know that they are *valued* and *appreciated*. Recognition is a conduit that shows employees that the company appreciates their efforts, their unique gifts, and their contributions."[24] Employers should take care to tie awards to performance and deliver awards in a timely, sincere, and specific way. Generally, the more public the recognition, the more powerful the effect.[25]

Importantly, noncash incentive awards should support business goals and objectives. Greg Boswell, a director of performance recognition, notes, "Employers are now thinking of awards and employee recognition more strategically with programs closely aligned to their business goals."[26] For example, if quality improvement is a business goal, then recognition needs to be tied to those behaviours that further the achievement of quality. Additionally, incentive awards work best when awards are appreciated and valued by employees. At one advertising agency, the employee-of-the-month is allowed to drive the president's car for one month—the car is a Maserati. Highlights in HRM 10.2 provides suggestions for noncash incentive awards based on the generational grouping of employees.

SALES INCENTIVES

LEARNING OUTCOME 3

Think about the work of a used car salesperson. How would you design his or her pay system? What factors should be emphasized? What are some potential problems with the pay system you are proposing?

The enthusiasm and drive required in most types of sales work demand that sales employees be highly motivated. This fact, as well as the competitive nature of selling, explains why financial incentives for salespeople are widely used. These incentive plans must provide a source of motivation that will elicit cooperation and trust. Motivation is particularly important for employees away from the office who cannot be supervised closely and who, as a result, must exercise a high degree of self-discipline.

Unique Needs of Sales Incentive Plans

Incentive systems for salespeople are complicated by wide differences in the types of sales jobs. These range from department store clerks who ring up customer purchases to industrial salespeople who provide consultation and other highly

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Highlights in HRM 10.2

Customize Your Noncash Incentive Awards

There is an increased need for compensation specialists to recognize the importance of leveraging noncash incentives to motivate their generationally diverse workforce. The one-size-fits-all approach will not keep their workforce engaged and happy as what appeals to older employees may not be attractive to younger employees.

Traditionalists (*born before 1945*). These employees are extremely loyal to their organization and see their employment as a duty and an obligation. They are big savers, and as a result, they are a wealthy group. Attractive awards include entertainment venues, vacations, and technology items. They also appreciate health and wellness opportunities.

Boomers (*born between 1946 and 1964*). They thrive on personal achievement and recognition. They are very materialistic, placing very high value on working hard and achieving career success. Boomers are an optimistic group that is responsible for several social movements. Boomers favour incentive rewards in the areas of travel, luxury gifts, health and wellness options, and personalized plaques and awards.

Generation X (*born between 1965 and 1981*). These employees grew up with both parents working outside the home. As a result, they value work–life balance and flexible work arrangements. They are more likely to be satisfied by challenges, learning, and development and value being promoted and paid equitably.

Generation Y (*born between 1982 and 1999*). These tech-savvy employees desire easy and quick access to information and immediate performance feedback; they learn quickly and value diversity. Gen Y enjoys freedom at work and places a huge emphasis on social networking/media.

Sources: Jo-Ida C. Hansen and Melanie E. Leuty, "Work Values Across Generations," *Journal of Career Assessment* 20, no. 1 (2012): 34–52; Jean Twenge, Stacy M. Campbell, Brian J. Hoffman, and Charles E. Lance, "Generational Differences in Work Values: Leisure and Extrinsic Values Increasing, Social and Intrinsic Values Decreasing," *Journal of Management* 36, no. 5 (2010): 1117–42; Alison Avalos, "Recognition: A Critical Component of the Total Reward Mix," *Workspan* (July 2007): 33.

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technical services. Salespeople's performances may be measured by the dollar volume of their sales and by their ability to establish new accounts. Other measures are the ability to promote new products or services and to provide various forms of customer service and assistance that do not produce immediate sales revenues.[27]

Performance standards for sales employees are difficult to develop, however, because their performance is often affected by external factors beyond their control. Economic and seasonal fluctuations, sales competition, changes in demand, and the nature of the sales territory can all affect an individual's sales record.[28] Sales volume alone therefore may not be an accurate indicator of the effort salespeople have expended.

In developing incentive plans for salespeople, managers are also confronted with the problem of how to reward extra sales effort and at the same time compensate for activities that do not contribute directly or immediately to sales. Furthermore, sales employees must be able to enjoy some degree of income stability.[29] As mentioned in the introduction to this chapter, many schemes to reward employees for reaching sales goals are threatened by instances of unethical behaviour where the needs of employees are not aligned with the needs of the customers.

> **straight salary plan**
> A compensation plan that permits salespeople to be paid for performing various duties that are not reflected immediately in their sales volume

Types of Sales Incentive Plans

Compensation plans for sales employees may consist of a straight salary plan, a straight commission plan, a combination salary and commission plan, or a sales plus bonus plan.[30] A **straight salary plan** permits salespeople to be paid for performing various duties not reflected immediately in their sales volume. It enables them to devote more time to providing services and building up the goodwill

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straight commission plan
A compensation plan based on a percentage of sales

combined salary and commission plan
A compensation plan that includes a straight salary and a commission

salary plus bonus plan
A compensation plan that pays a salary plus a bonus achieved by reaching targeted sales goals

of customers without jeopardizing their income. The principal limitation of the straight salary plan is that it may not motivate salespeople to exert sufficient effort in maximizing their sales volume.

On the other hand, the **straight commission plan**, based on a percentage of sales, provides maximum incentive and is easy to compute and understand. For example, total cash compensation might equal total sales volume times some percentage of total sales, perhaps 2 percent. Straight commission plans encourage aggressive selling, which might be needed in highly competitive industries. Under a straight commission plan, salespeople may be allowed a salary draw. A *draw* is a cash advance that must be paid back as commissions are earned.

However, the straight commission plan is limited by the following disadvantages:

1. Salespeople will stress high-priced products.
2. Customer service after the sale is likely to be neglected.
3. Earnings tend to fluctuate widely between good and poor periods of business, and turnover of trained sales employees tends to increase in poor periods.
4. Salespeople are tempted to grant price concessions.

The **combined salary and commission plan** is the most widely used sales incentive program. For example, the most common pay mix for salespeople responsible for *new* accounts is 50 percent base pay and 50 percent variable pay. For salespeople servicing *existing* accounts, a pay distribution of 70 percent base pay and 30 percent commission is typical.[31] The ratio of base salary to commission can be set to fit organizational objectives. The following advantages indicate why the combination salary and commission plan is so widely used:

1. The right kind of incentive compensation, if linked to salary in the right proportion, has most of the advantages of both the straight salary and the straight commission forms of compensation.
2. A salary-plus-incentive compensation plan offers greater design flexibility and can therefore be more readily set up to help maximize company profits.
3. The plan can develop the most favourable ratio of selling expense to sales.
4. The field sales force can be motivated to achieve specific company marketing objectives in addition to sales volume.

Some companies pay their sales representatives on a salary plus bonus program. Under **salary plus bonus plans**, the payout can be paid on a monthly, quarterly, or yearly schedule contingent upon the salesperson achieving targeted sales goals, such as the number of sales calls made, account servicing, or the quality of sales.

INCENTIVES FOR PROFESSIONAL EMPLOYEES

Like other salaried workers, professional employees—engineers, scientists, and attorneys, for example—may be motivated through bonuses and merit increases. In some organizations, unfortunately, professional employees cannot advance beyond a certain point in the salary structure unless they are willing to take an administrative assignment. When they are promoted, their professional talents are no longer fully utilized. In the process, the organization may lose a good professional employee and gain a poor administrator. To avoid this situation, some organizations have extended the salary range for professional positions to equal or nearly equal that for administrative positions. The extension of this range provides a double-track wage system, whereby professionals who do not aspire to become administrators still have an opportunity to earn comparable salaries. Professional employees can receive compensation beyond base pay. For example, scientists and engineers employed by high-tech firms are included in performance-based incentive programs such as profit sharing or stock ownership. These plans encourage greater levels of individual performance. Cash bonuses can

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Today's HR managers need to be creative in finding ways to motivate and retain their professional employees.

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be awarded to those who complete projects on or before deadline dates. Payments may also be given to individuals elected to professional societies, granted patents, or meeting professional licensing standards.

THE EXECUTIVE PAY PACKAGE

Executive compensation plans consist of five basic components: (1) base salary, (2) short-term incentives or bonuses, (3) long-term incentives or stock plans, (4) benefits, and (5) perquisites.[32] Each of these elements may receive different emphasis in the executive's compensation package depending on various organizational goals and executive needs.

Executive Base Salaries

Executive base salaries represent between 30 and 40 percent of total annual compensation.[33] An analysis of executive salaries shows that the largest portion of executive pay is received in long-term incentive rewards and bonuses. Regardless, executives of *Fortune* 500 firms routinely earn an annual base salary in excess of $500,000, with executives in very large corporations earning considerably more. The levels of competitive salaries in the job market exert perhaps the greatest influence on executive base salaries. An organization's compensation committee— normally members of the board of directors—will order a salary survey to find out what executives earn in comparable enterprises.[34] For example, by one estimate, 96 percent of companies in Standard & Poor's 500 Index use a technique called *competitive benchmarking* when setting executive pay or to remain competitive for executive talent. CEOs who do not earn as much as their peers are likely to "take a hike." Comparisons may be based on organization size, sales volume, or industry groupings. Thus, by analyzing the data from published studies, along with self-generated salary surveys, the compensation committee can determine the equity of the compensation package outside the organization.

Executive Short-Term Incentives

Annual bonuses represent the main element of executive short-term incentives.[35] A bonus payment may take the form of cash or stock and may be paid immediately (which is frequently the case), deferred for a short time, or deferred until

retirement. Most organizations pay their short-term incentive bonuses in cash (in the form of a supplemental cheque), in keeping with their pay-for-performance strategy. By providing a reward soon after the performance and thus linking it to the effort on which it is based, they can use cash bonuses as a significant motivator. Deferred bonuses are used to provide a source of retirement benefits or to supplement a regular pension plan.

Incentive bonuses for executives should be based on the contribution the individual makes to the organization. A variety of formulas have been developed for this purpose. Incentive bonuses may be based on a percentage of a company's total profits or a percentage of profits in excess of a specific return on stockholders' investments. In other instances, the payments may be tied to an annual profit plan whereby the amount is determined by the extent to which an agreed-on profit level is exceeded. Payments may also be based on performance ratings or the achievement of specific objectives established with the agreement of executives and the board of directors.

In a continuing effort to monitor the pulse of the marketplace, more organizations are tying operational yardsticks to traditional financial gauges when computing executive pay. Called *balanced scorecards*, these yardsticks may measure things such as customer satisfaction, the ability to innovate, or product or service leadership.[36] Mobil Oil uses a balanced scorecard that better indicates exactly where the company is successful and where improvement is needed.

Executive Long-Term Incentives

Stock options are the primary long-term incentive offered to executives.[37] The principal reason driving executive stock ownership is the desire of both the company and outside investors for senior managers to have a significant stake in the success of the business—to have their fortunes rise and fall with the value they create for shareholders. Stock options can also be extremely lavish for executives. Not surprisingly, the creativity in designing a stock option program seems almost limitless. Figure 10.4 highlights several common forms of long-term incentives.

Short-term incentive bonuses are criticized for causing top executives to focus on quarterly profit goals to the detriment of long-term survival and growth objectives. Therefore, corporations such as Manulife have adopted compensation strategies that tie executive pay to long-term performance measures. These organizations recognize that compensation strategies must also take into account the performance of the organization as a whole. Important to stockholders are such performance results as growth in earnings per share, return on stockholders' equity, and, ultimately, stock price appreciation.

A variety of incentive plans, therefore, have been developed to tie rewards to these performance results, particularly over the long term. Additionally, stock options can serve to retain key executive personnel when exercising the options is linked to a specified vesting period, perhaps two to four years (this type of incentive is called "golden handcuffs").

Stock options have been under attack for a while.[38] The Canadian Coalition for Good Governance, which represents Canada's largest institutional shareholders, had meetings with large organizations to change their compensation packages and tie them more closely to long-term goals. Many object to the sheer magnitude of these incentive rewards. The link between pay and performance that options are championed to provide can also be undermined when compensation committees grant additional options to executives even when company stock prices fall or performance indexes decline. Peter Clapman, chief counsel for TIAA-CREF, the world's largest pension system, notes, "It's sort of heads you win, tails let's flip again." Even worse for shareholders is the dilution problem. Every option granted to executives makes the shares of other stockholders less valuable.

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FIGURE 10.4

TYPES OF LONG-TERM INCENTIVE PLANS

Stock options	Rights granted to executives to purchase shares of their organization's stock at an established price for a fixed period of time. Stock price is usually set at the market value at the time the option is granted.
Stock appreciation rights (SARs)	Cash or stock award determined by an increase in stock price during any time chosen by the executive in the option period; does not require executive financing.
Stock purchase	Opportunities for executives to purchase shares of their organization's stock valued at full market or a discount price, often with the organization providing financial assistance.
Phantom stock	Grant of units equal in value to the fair market value or book value of a share of stock; on a specified date, the executive will be paid the appreciation in the value of the units up to that time.
Restricted stock	Grant of stock or stock units at a reduced price with the condition that the stock not be transferred or sold (by risk of forfeiture) before a specified employment date.
Performance units	Grants analogous to annual bonuses except that the measurement period exceeds one year. The value of the grant can be expressed as a flat dollar amount or converted to a number of "units" of equivalent aggregate value.
Performance shares	Grants of actual stock or phantom stock units. Value is contingent on both predetermined performance objectives over a specified period of time and the stock market.

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Executive Benefits

The benefits package offered to executives may parallel one offered to other groups of employees. Various programs for extended health insurance, life insurance, retirement plans, and vacations are common. However, unlike other employee groups, the benefits offered to executives are likely to be broader in coverage and free of charge. Additionally, executives may be given financial assistance in the form of trusts for estate planning, payment of mortgage interest, and legal help.[39]

Executive Perquisites

Perquisites are nonmonetary rewards given to executives. Perquisites, or *perks*, are a means of demonstrating the executive's importance to the organization. The status that comes with perks—both inside and outside the organization—shows a pecking order and conveys authority. Corporate executives may simply consider perks a "badge of merit."

The dark side of perks is that they are viewed as wasteful spending and overly lavish. A recent study, however, shows that perks can facilitate company productivity by saving executive time (e.g., private planes and chauffeur service) or improve or maintain executive health (e.g., spas, health clubs, and company cabins). Therefore, the cost of perks should be weighed against the added efficiency and managerial effectiveness they generate.[40] Highlights in HRM 10.3 shows the more common perks offered to executives.

perquisites
Special nonmonetary benefits given to executives; often referred to as perks

EXECUTIVE COMPENSATION: ETHICS AND ACCOUNTABILITY

In 2017, the average pay for the top 100 CEOs in Canada was $10.4 million, an increase by approximately 13 percent from the average $9.2 million in 2014. The highest paid executives, counting base pay, stocks, bonuses, and so on, in 2017

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Highlights in HRM 10.3

The "Sweetness" of Executive Perks

Compensation consulting firms such as Coopers & Lybrand LLP, WorldatWork, and Hewitt Associates regularly survey companies nationwide to identify the perks they provide for executives and other top managers. The following are popular executive perks:

- company car
- company plane
- executive eating facilities
- financial consulting
- company-paid parking
- personal liability insurance
- estate planning
- first-class air travel
- home computers

- chauffeur service
- children's education
- spouse travel
- cell phones
- large insurance policies
- income tax preparation
- country club membership
- luncheon club membership
- personal home repairs
- loans
- legal counselling
- vacation cabins

were Joseph Papa of Valeant Pharmaceuticals International, with $83,131,152; Donald Walker of Magna International Inc, with $28,614,462; Guy Laurence of Rogers Communications Inc., with $24,602,993; and Daniel Friedmann of Macdonald Dettwiler & Associates Ltd., with $21,427,253.[41] In the United States, the top executive paycheques in 2016 were, as usual, off the chart. Consider the total compensation drawn in 2016 by the following executives, as shown in Figure 10.5.[42]

Interestingly, respected management expert Peter F. Drucker argued in a 1984 essay that CEO pay had rocketed out of control and implored compensation

FIGURE 10.5

CEO PAY
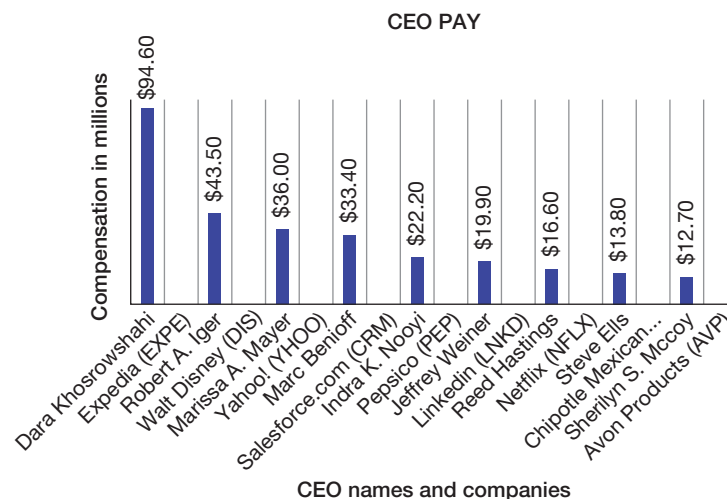
Source: Adapted from "200 Highest-Paid CEOs 2016," *New York Times*, http://www.equilar.com/reports/38-2-new-york-times-200-highest-paid-ceos-2016.html.

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committees to hold CEO compensation to no more than 20 times what rank-and-file employees made. He warned that the growing pay gap between CEOs and employees would threaten the very credibility of leadership, particularly when CEOs fire thousands of their workers and their companies underperform.[43]

Given the large amount of various compensation packages, the question asked by many is, "Are top executives worth the salaries and bonuses they receive?" The answer may depend on whom you ask. Corporate compensation committees justify big bonuses in the following ways:

1. Large financial incentives are a way to reward superior performance.
2. Business competition is pressure filled and demanding.
3. Good executive talent is in great demand.
4. Effective executives create shareholder value.[44]

Others justify high compensation as a fact of business life, reflecting market compensation trends.

Nevertheless, in an era of massive downsizing, low wage increases, and increased workloads for layoff survivors, strong criticism is voiced regarding the high monetary awards given to senior executives (see Ethics in HRM). Furthermore, with the large compensation packages awarded to senior managers and top-level executives, cries for performance accountability and openness abound. In 2007, *Forbes* noted that whereas some high-paid executives do improve performance measures, such as return on equity, earnings per share, and return to shareholders, clearly, many others do not, and their pay far exceeds their performance outcomes.[45] Although not all executive pay is exorbitant and not all executive performance is poor, angry employees, union groups, government officials, and stockholders are arguing for change. Recently, shareholders in firms have begun to increasingly voice their anger and criticism of high executive pay.[46]

Ethics in HRM

Executive Incentives and Perks: BlackBerry

In 2016, the average pay for the top 100 Canadian executives was 10.4 million, or about 200 times the average worker's pay. It is estimated that by noon on January 3, 2018, the average pay for these CEOs would have been more than the average employee pay for all of 2017. In 2017, the top executive in Canada earned $83 million. When one compares these figures to that of the average Canadian worker who makes $47,358 per year, it is no surprise that there is so much criticism of executive pay and the growing income inequality gap in Canada.

This gap is often difficult to explain to the average person, as seen in the case of BlackBerry CEO John Chen.

Recently, Mr. Chen was offered a new contract and a compensation package worth $128 million. Mr. Chen is likely a very competent executive; however, some critics commented negatively on the size of the compensation package. Is the compensation package unethical, especially when you consider that at the same time BlackBerry has cut thousands of jobs? Also, how fair is this to the other executive and non-executive employees who make much less? How ethical are high executive compensation packages, as a whole across Canada (and not just at BlackBerry), when compared to average employee pay?

Sources: Alicia Ritcey, "BlackBerry Extends CEO John Chen's Contract with 5-year, $128-million Deal," *Toronto Star* (March 15, 2018), https://www.thestar.com/business/2018/03/15/blackberry-extends-ceo-john-chens-contract-with-5-year-128-million-deal.html, retrieved June 4, 2018; David Paddon, "Top CEOs Will Earn More by Today Than Average Canadian Does in 2017: Report," *The Globe and Mail* (April 13, 2017), https://www.theglobeandmail.com/report-on-business/top-ceos-will-earn-more-by-today-than-average-canadian-does-in-2017-report/article33470477/, retrieved June 4, 2018; "Canada's Top 100 Highest-Paid CEOs," *Canadian Business* (January 20, 2015), http://www.canadianbusiness.com/lists-and-rankings/richest-people/top-100-highest-paid-ceos-2015; Janet McFarland, Sean Silcoff, and Jacquie McNish, "Experts Question Chen's BlackBerry Pay Package," *The Globe and Mail* (November 8, 2013), http://www.theglobeandmail.com/report-on-business/experts-question-chens-blackberry-pay-package/article15359700; Hugh MacKenzie, "Glory Days: CEO Pay in Canada Soaring to Pre-Recession Highs," *Canadian Centre for Policy Alternatives* (2015), http://www.policyalternatives.ca/ceo2015; Dana Flavelle, "Top 100 CEOs Earned $7.9 Million on Average," *Toronto Star* (January 1, 2014), http://www.thestar.com/business/2014/01/01/top_100_ceos_earned_79_million_on_average_report_says.html.

GROUP INCENTIVE PLANS

The emphasis on cost reduction and total quality management has led many organizations to implement a variety of group incentive plans. Group plans enable employees to share in the benefits of improved efficiency realized by major organizational units or various individual work teams. These plans encourage a cooperative—rather than individualistic—spirit among all employees and reward them for their total contribution to the organization. Such features are particularly desirable when working conditions make individual performance difficult, if not impossible, to measure.

team incentive plan
A compensation plan in which all team members receive an incentive bonus payment when production or service standards are met or exceeded

gainsharing plans
Programs under which both employees and the organization share financial gains according to a predetermined formula that reflects improved productivity and profitability

TEAM COMPENSATION

The **team incentive plan** rewards team members with an incentive when agreed-on performance standards are met or exceeded. Team incentives seek to establish a psychological climate that fosters team member cooperation and a collective desire to fulfill organizational goals and objectives. Although team incentive plans promote a pay-for-performance philosophy, unfortunately, establishing an effective organization-specific incentive team plan is not easy.

One catch with setting team compensation is that not all teams are alike (see Chapter 4). For example, cross-functional teams, self-directed teams, and task force teams make it impossible to develop one consistent type of team incentive plan. With a variety of teams, managers find it difficult to adopt uniform measurement standards or payout formulas for team pay.[47] According to Steven Gross, Hay Group manager, "Each type of team requires a specific pay structure to function at its peak." Highlights in HRM 10.4 lists important considerations when designing a team incentive plan.

When team compensation is decided upon, organizations typically use the three-step approach to establishing team incentive payments. First, they set performance measures on which incentive payments are based. Improvements in efficiency or product quality and a reduction in materials or labour costs are common benchmark criteria. For example, if labour costs for a team represent 30 percent of the organization's sales dollars and the organization pays a bonus for labour cost savings, then whenever team labour costs are less than 30 percent of sales dollars, a portion of those savings is paid as an incentive bonus to team members. Information on the size of the incentive bonus is reported to employees on a weekly or monthly basis, explaining why incentive pay was or was not earned.

Second, the size of the incentive bonus must be determined. At one insurance company, health insurance underwriters can receive team incentive bonuses of up to 10 percent of base salary; however, the exact level of incentive pay depends on overall team performance and the company's performance over one year. Team incentives are paid annually.

Third, a payout formula is established and fully explained to employees. The team bonus may be distributed to employees equally, in proportion to their base pay, or on the basis of their relative contribution to the team. With discretionary formulas, managers or, in some cases, team members themselves agree on the payouts to individual team members.

GAINSHARING INCENTIVE PLANS

Gainsharing plans are organizational programs designed to increase productivity or decrease labour costs and share monetary gains with employees. These plans are based on a mathematical formula that compares a baseline of performance to actual productivity during a given period. When productivity exceeds the baseline, an agreed-on savings is shared with employees. Inherent in gainsharing is the idea that involved employees will improve productivity through more effective use of organizational resources.

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Highlights in HRM 10.4

Lessons Learned: Designing Effective Team Incentives

Will your team incentive program be successful? Although there is no exact science for ensuring the success of team incentives, several authors suggest some best practices for designing and implementing them:

- The organization at all levels must embrace a team-based structure—not just by word of mouth as the right resources to empower employees must be in place. This should be evidenced by a holistic change in the organization's culture (i.e., team-based compensation), values, leadership, and overall work atmosphere.

- To facilitate this paradigm shift, communication and post-completion evaluation are fundamental. Provide employees with the right amount of information at the right time and in an effective manner. Develop mechanisms to measure goal achievement, project completion, and effectiveness. Ensure that employees understand what the "do this" is in order to "get this." Incentive plans must be customized based on each team's project.

- Enlist managerial support at all levels. Although top management is instrumental in terms of the time and resources required to customize the performance measures, objectives, deliverables, and rewards for each team project incentive plan, middle- to lower-level managers are directly involved with the program's implementation.

- Select representatives from management, labour, and employees to champion the team-based project. This inclusiveness serves to build trust among them.

- Establish the legitimacy of the group incentives; use written contracts as they put the onus on individuals as teams to be accountable for the end results. Each team member's role must be clearly stipulated, along with the major deliverables, completion date, and team composition.

- Ensure that the incentive payout is perceived as fair and equitable. It should be easy for employees to calculate their incentives, which can be further achieved by establishing an internal resource centre that stores various documents to promote knowledge sharing.

- Celebrate the team's accomplishments collectively rather than singling out individuals who have made outstanding contributions. Recognition from the upper echelon goes a long way to motivating teams.

Team incentive programs are not without their problems. The following are some noted problems associated with team compensation:

- Individual team members may perceive that "their" efforts contribute little to team success or to the attainment of the incentive reward.

- Team members may be afraid that one individual may make the others look bad or that one individual may put in less effort than others but share equally in team rewards—the "free rider" effect.

- The payout formulas may be complex, or there may be insufficient payout rewards.

Sources: Harshada Patel, Michael Pettitt, and John R. Wilson, "Factors of Collaborative Working: A Framework for a Collaboration Model," *Applied Ergonomics* 43, no. 1 (2012): 1–26; Tom Taylor, "The Challenge of Project Team Incentives," *Compensation and Benefits Review* 42, 5 (2010): 411–19.

Although productivity can be measured in various ways, it is usually calculated as a ratio of outputs to inputs. Sales, pieces produced, pounds, total standard costs, direct labour dollars earned, and customer orders are common output measures. Inputs frequently measured include materials, labour, energy, inventory, purchased goods or services, and total costs. An increase in productivity is normally gained when

- greater output is obtained with less or equal input
- equal production output is obtained with less input

There are many variations of gainsharing plans; however, the Scanlon Plan and Improshare are representative of gainsharing programs. The Scanlon Plan emphasizes participative management and encourages cost reductions by sharing with employees any savings resulting from those reductions. Improshare is based on the number of finished goods that the employee work teams complete in an established period.

ENTERPRISE INCENTIVE PLANS

profit sharing

Any procedure by which an employer pays, or makes available to all regular employees, in addition to base pay, special current or deferred sums based on the profits of the enterprise

Enterprise incentive plans differ from individual and group incentive plans in that all organizational members participate in the plan's compensation payout. Enterprise incentive plans reward employees on the basis of the success of the organization over an extended time period—normally one year, but the period can be longer. Enterprise incentive plans seek to create a "culture of ownership" by fostering a philosophy of cooperation and teamwork among all organizational members. Common enterprise incentive plans include profit sharing, stock options, and employee stock ownership plans (ESOPs).

WestJet Airlines emphasizes its organizational/enterprise incentives—including its profit-sharing and share ownership plans. In fact, these plans constitute the core of its "Owners Care" branding messages. WestJet has an employee share purchase plan (ESPP) available to all employees. Employees become eligible after three months of employment. Plan participants can direct as little as $25 per pay period and up to 20 percent of their salary to the plan. WestJet will match the employee's contribution dollar for dollar. Plan participants can direct their contribution to a registered account, a non-registered account, or a tax-free savings account.

PROFIT-SHARING PLANS

Profit sharing is any procedure by which an employer pays, or makes available to all regular employees, special current or deferred sums based on the organization's profits. As defined here, profit sharing represents cash payments made to eligible employees at designated time periods, as distinct from profit sharing in the form of contributions to employee pension funds.

Profit-sharing plans are intended to give employees the opportunity to increase their earnings by contributing to the growth of their organization's profits. These contributions may be directed toward improving product quality, reducing operating costs, improving work methods, and building goodwill rather than just increasing rates of production. Profit sharing can help stimulate employees to think and feel more like partners in the enterprise and thus concern themselves with the welfare of the organization as a whole. Its purpose therefore is to motivate a total commitment from employees rather than simply to have them contribute in specific areas.

A popular example of a highly successful profit-sharing plan is the one in use at Lincoln Electric Company, a manufacturer of arc welding equipment and supplies. This plan was started in 1934 by J. F. Lincoln, president of the company. Each year, the company distributes a large percentage of its profits to employees in accordance with their salary level and merit ratings. It is not uncommon for employees' annual bonuses to exceed 50 percent of annual wages. The success of Lincoln Electric's incentive system depends on a high level of contribution by each employee. Unquestionably, there is a high degree of respect among employees and management for Lincoln's organizational goals and for the profit-sharing program.

WestJet also has a profit-sharing plan, which pays out twice a year. Profit sharing is available as soon as the company shows any profit. All employees are eligible for profit sharing—part-time, full-time, and casual. WestJet shares from a minimum of 10 percent to a maximum of 20 percent of its profits before tax, depending on profit margin. Over the past 17 years, WestJet employees have received over $250 million in profit share payments.[48]

Variations in Profit-Sharing Plans

Profit-sharing plans differ in the proportion of profits shared with employees and in the distribution and form of payment. The amount shared with employees may range from 5 to 50 percent of the net profit.

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In most plans, however, about 20 to 25 percent of the net profit is shared. Profit distributions may be made to all employees on an equal basis, or they may be based on regular salaries or some formula that takes into account seniority and/or merit. The payments may be disbursed in cash, deferred, or made on the basis of combining the two forms of payments.

Weaknesses of Profit-Sharing Plans

In spite of their potential advantages, profit-sharing plans are also prone to certain weaknesses. The profits shared with employees may be the result of inventory speculation, climatic factors, economic conditions, national emergencies, or other factors over which employees have no control. As one HR manager noted to the authors, "Since there is little linkage between what employees do and their profit bonus, there is an absence of any employee involvement initiatives." Conversely, losses may occur during years when employee contributions have been at a maximum. The fact that profit-sharing payments are often made only once a year or deferred until retirement may reduce their motivational value. If a plan fails to pay off for several years in a row, this can have an adverse effect on productivity and employee morale.

EMPLOYEE STOCK OWNERSHIP PLANS (ESOPS)

Canadian Tire and WestJet have established **employee stock ownership plans (ESOPs)**—stock plans in which employees can acquire shares in the firm that employs them. According to WorldatWork, a compensation association, the use of stock options is a very prevalent method of motivating and compensating hourly employees, as well as salaried and executive personnel. This appears true regardless of the industry surveyed or the organization's size.[49] Stock option programs

LEARNING OUTCOME 6

Can ESOPs influence employee behaviour and, eventually, the culture of the organization? If so, how? If not, why?

Highlights in HRM 10.5

Employee Stock Option Plans

Traditionally, stock option plans have been used as a way to reward company executives or "key" employees and to link their interests with those of the company and their shareholders. Today, companies use employee stock option plans to reward, retain, and attract all levels of employees. Stock options are an effective way to share ownership with employees and to gain commitment to organizational goals.

What Is a Stock Option?

A stock option gives an employee the right to buy a certain number of shares in the company at a fixed price for a certain number of years. The price at which the option is provided is called the "grant" price and is usually the market price at the time the options are granted. Employees who have been granted stock options hope that the share price will go up and that they will be able to "cash in" by exercising (purchasing) the stock at the lower grant price and then selling the stock at the current market price.

How Stock Option Plans Work

Here is an example of a typical employee stock option plan. An employee is granted the option to purchase 1,000 shares of the company's stock at the current market price of $5 per share. The employee can exercise the option at $5 per share; typically, the exercise price will be equal to the price when the options are granted. Plans allow employees to exercise their options after a certain number of years or when the company's stock reaches a certain price. If the price of the stock increases to $20 per share, for example, the employee may exercise his or her option to buy 1,000 shares at $5 per share and then sell the stock at the current market price of $20 per share.

Source: Adapted from Employee Stock Options Fact Sheet, National Center for Employee Ownership, at http://www.nceo.org/.

are sometimes implemented as part of an employee benefit plan or as part of a corporate culture linking employee effort to stock performance. However, organizations that offer stock option programs to employees do so with the belief that there is some incentive value to the systems. There are three main types of employee stock plans. An employee stock bonus plan is the simplest. An employer provides company shares to employees at no cost to the employee by just granting them or by linking the granting to some kind of performance pay plan. An employee stock purchase plan allows employers to purchase shares but not pay full market price for these shares. Under an employee stock option plan, employees are given the option to purchase shares in the company at some future date, at a set price, which they would exercise if the market price rises to exceed this price. Highlights in HRM 10.5 explains employee stock option plans in greater detail. Reality Check describes stock option and other pay-for-performance plans at Lombard Canada.

Advantages of ESOPs

ESOPs can increase employees' pride of ownership in the organization, providing an incentive for them to increase productivity and help the organization prosper and grow, and thus cause the stock price to rise.[50] Employees may become more interested in how the company is managed and hold managers to higher and different performance standards, such as maximizing share value. Stock plans have the additional advantage of not requiring companies to pay out in cash, so firms can reward employees with shares. For employees, the advantages include a form of saving for retirement, and in some cases, such as at Microsoft, employees could become millionaires. Furthermore, stock option programs have become a popular way to boost the morale of disenfranchised employees caught in budget cuts and downsizing.

Problems with ESOPs

Generally, ESOPs are more likely to serve their intended purposes in publicly held companies than in privately held ones. A major problem with the privately held company is its potential inability to pay back the shares of employees when they retire. These employees do not have the alternative of disposing of their shares on the open market. Thus, when large organizations suffer financial difficulties and the value of the companies' shares falls, so does the value of the employees' retirement plan.

Other problems with ESOPs include the following:

- The more retirement income comes from these plans, the more dependent a pensioner becomes on the price of company shares. Future retirees are vulnerable to stock market fluctuations and to management mistakes.

- Employees may become demotivated and frustrated if the share price falls, even though they have worked productively.

- Finally, although studies show that productivity improves when ESOPs are implemented, these gains are not guaranteed. ESOPs help little unless managers are willing to involve employees in organizational decision making. Unfortunately, ESOPs are sometimes set up in ways that restrict employee decision making and expose the ESOP to risk, although providing investors with large potential gains.

Overall, do incentive plans work? The answer can be found in the Business Case.

The Business Case

Incentive Plan at Royal Bank of Canada (RBC)

Incentive pay is a strategic tool used most often to attract and retain employees and to improve organizational outcomes. Organizations spend an average of 9 percent of total payroll dollars on variable compensation programs. Is this money well spent?

- Four out of five organizations report that incentive compensation is an effective tool for attracting and retaining employees.

- About one-third of employers reported that compensation had a positive effect on operating results. Higher performing companies are more likely to provide stock options and feel strongly that these options influence behaviour among professional ranks.

- The offering of stock options is associated with improved company performance.

- Bonuses seem to be more tightly linked to increased profits than are long-term incentives.

The top five executives at Royal Bank of Canada (RBC) took home total compensation worth $47.6 million in 2013, which represents a 45:1 ratio when compared to average Canadian bank employees. In addition, RBC provides its executives with a significant amount of stock options to ensure that these executives' personal interests are well in line with those of its shareholders. For example, stock option incentives for the top RBC executive amounted to about eight times his annual base salary averaged over a three-year period. These incentive programs take the form of 80 percent deferred shares vested over three years, and the remaining 20 percent are stock options. RBC has made incentive pay an instrumental part of its total compensation package. This appears to be a good idea given the positive link between incentives and overall organization performance.

Sources: "Royal Bank of Canada: Our Approach to Compensation," (2010), http://www.rbc.com/investorrelations/pdf/2010comp.pdf; Tim Kiladze, "RBC's Top Executives Made $47.6-Million Last Year," *The Globe and Mail* (January 31, 2014), http://www.theglobeandmail.com/report-on-business/rbcs-top-executives-saw-pay-climb-7-in-2013/article16628234/; http://business.financialpost.com/2013/05/30/canadian-bankers-rank-among-highest-paid-and-overpaid-ceos-in-north-america/; Business BC, "More Firms Tie Executive Pay to Performance," *Vancouver Sun* (December 1, 2005); D. Scott, "Survey of Compensation Policies and Practices," *WorldatWork* (March 2003), http://www.worldatwork.org/research; D. J. Gherson, "Getting the Pay Thing Right," *Workspan* 43, no. 6 (June 2000): 47–51; K. H. Van Neek and J. E. Smilko, "Variable Pay Plans," *WorldatWork* 11, no. 4 (Fourth Quarter 2002).

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Small Business Application

A number of incentives exist that work particularly well with small businesses: for example, annual bonus plans if targets are met, stock options or membership interest options, and restricted ownership rights. Such incentive plans can be both a blessing and a curse. They provide a great way to align the interests of the employees directly with those of the owner, but managing them can also be time consuming and lead to feelings of inequity. Many small businesses do not possess pay-for-performance plans because they think they are too complicated and potentially more harmful than helpful.

Although the potential pitfalls of incentive systems in small businesses are great, the potential benefits are worth the risk. The key is to understand these risks and then to manage them. Below are some things small businesses can do to help administer incentive plans:

1. *Keep incentive plans simple.* The easier it is for employees to know how they can be rewarded, the more likely it is that they will buy into the incentive system.

2. *Treat the plan as a "work in process."* Small business owners need to be open with their employees by communicating that they are trying to reward them in a fair and equitable manner. Being open to feedback is key to continually improving the plan.

3. *Set a minimum requirement around what constitutes average performance.* Employees need to know that only

after the employee exceeds general expectations will the additional rewards begin to kick in. First, this ensures that employees will feel less concerned about being able to maintain a baseline wage. Second, it shows that general performance only brings profits needed to sustain the company. Above and beyond this subsistence level, the owner can say, "Now we share in the profits." Finally, this also shows that high performance is highly rewarded and that if you do well for the company, then you do well for yourself.

4. *Decide when the rewards will be provided to the employee.* The closer you can tie incentives to performance, the more likely it is that you will be able to sustain that behaviour.

5. *Separate rewards from employees' regular pay.* When employees can see that they are being given something extra based on their performance, they make a clearer distinction between just showing up for work and contributing. It is also important to make sure that these bonuses are known by others in the organization as this helps motivate them.

6. *Refine your measures and make sure employees are happy with them.* Communicating with your employees is key to making sure incentive plans do not end up being scrapped the month after they are administered.

Summary

OUTCOME 1 The success of an incentive pay plan depends on the organizational climate in which it must operate, employee confidence in it, and its suitability to employee and organizational needs. Importantly, employees must view their incentive pay as being equitable and related to their performance. Performance measures should be quantifiable, be easily understood, and bear a demonstrated relationship to organizational performance.

OUTCOME 2 Piecework plans pay employees a given rate for each unit satisfactorily completed. Employers implement these plans when output is easily measured and when the production process is fairly standardized. Bonuses are incentive payments above base wages paid on either an individual or a team basis. A bonus is offered to encourage employees to exert greater effort. Standard hour plans establish a standard time for job completion. An incentive is paid for finishing the job in less than the preestablished time. These plans are popular for jobs with a fixed time for completion.

Merit raises will not serve to motivate employees when they are seen as entitlements, which occurs when these raises are given yearly without regard to changes in employee performance. Merit raises are not motivational when they are given because of seniority or favouritism or when merit budgets are inadequate

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to sufficiently reward employee performance. To be motivational, merit raises must be such that employees see a clear relationship between pay and performance, and the salary increase must be large enough to exceed inflation and higher income taxes.

OUTCOME 3 Salespeople may be compensated by a straight salary, a combination of salary and commission, salary plus bonus, or a commission only. Paying employees a straight salary allows them to focus on tasks other than sales, such as service and customer goodwill. A straight commission plan causes employees to emphasize sales goals. A combination of salary and commission or bonus provides the advantages of both the straight salary and the straight commission form of payments.

OUTCOME 4 There are several types of team and group-level incentive plans, including the Scanlon Plan and Improshare gainsharing plans. These plans encourage employees to maximize their performance and cooperation through suggestions offered to improve organizational performance.

OUTCOME 5 Profit-sharing plans pay employees sums of money based on the organization's profits. Cash payments are made to eligible employees at specified times, normally yearly. The primary purpose of profit sharing is to provide employees with additional income through their participation in organizational achievement. Employee commitment to improved productivity, quality, and customer service will contribute to organizational success and, in turn, to their compensation. Profit-sharing plans may not achieve their stated gains when employee performance is unrelated to organizational success or failure. This may occur because of economic conditions, other competition, or environmental conditions. Profit-sharing plans can have a negative effect on employee morale when plans fail to consistently reward employees.

OUTCOME 6 With an ESOP, each year the organization contributes stock or cash to buy stock, which is then placed in an ESOP trust. The ESOP holds the stock for organizational improvement. Employees, however, may lose their retirement income should the company fail or stock prices fall.

Key Terms

bonus, 361
combined salary and commission plan, 366
differential piece rate, 360
employee stock ownership plans (ESOPs), 375
gainsharing plans, 372

lump-sum merit program, 363
merit guidelines, 363
perquisites, 369
profit sharing, 374
salary plus bonus plan, 366
spot bonus, 362
standard hour plan, 361

straight commission plan, 366
straight piecework, 360
straight salary plan, 365
team incentive plan, 372
variable pay, 357

Discussion Questions

1. Individual-level performance pay systems have been heavily criticized by scholars and other experts. Using merit pay as an example, discuss the pros and cons of individual performance pay systems.
2. Assume that you are a consultant for a small fast-food retail outlet. What would your suggestions be for key steps in designing a successful incentive plan? Discuss a few recommendations you would suggest with respect to incentives for exceptional performance. Why?
3. CEO pay has been heavily criticized in North America, especially in the United States. Discuss both *reasons for* and *reasons against* high executive pay.

4. Many students are attracted to companies that promote themselves as "green" or environmentally friendly. What kinds of incentives could a "green" company offer to its employees?
5. Because of competitive forces within your industry, you have decided to implement a profit-sharing plan for your employees. Discuss the advantages of profit sharing and identify specific characteristics that will ensure success for your plan.
6. What are some of the advantages and disadvantages of ESOPs?

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HRM Experience

Awarding Salary Increases

Because pay for performance is an important factor governing salary increases, managers must be able to defend the compensation recommendations they make for their employees. Merit raises granted under a pay-for-performance policy must be based on objective appraisals if they are to achieve their intended purposes of rewarding outstanding employee performance. As managers know, however, they must deal with other factors that can affect salary recommendations. These may include the opinions of the employee's peers or extenuating circumstances such as illness or family responsibilities. The purpose of this exercise is to provide you with the experience of granting salary increases to employees based on their work performance and other information.

Assignment

Following are the work records of five employees. As their supervisor, you have just completed their annual appraisal reviews, and it is now time to make recommendations for their future salary. Your department budget has $5,780 allocated for salary increases. Distribute the $5,780 among your employees based on the descriptions for each subordinate.

a. Janet Jenkins currently earns $41,000. Her performance appraisal rating was very high. She is respected by her peers and is felt to be an asset to the work group. She is divorced and has three young children to support.

b. Russell Watts earns a salary of $36,000. His annual performance appraisal was average. Several members of the work group have spoken to you about the difficulty involved in Russell's job. They feel that it is a tough and demanding job and that he is doing his best.

c. Jack Perkins earns $31,250. His performance appraisal was below average, and he seems to have difficulty adjusting to his coworkers. Jack has had a difficult time this past year. His wife passed away early in the year, and his father has recently been diagnosed as terminally ill.

d. Rick Jacobson earns $28,000. His performance appraisal was above average. He is respected by his peers and is generally considered to be a "good guy."

e. Paula Merrill earns $28,850. Her performance appraisal was very high. Her peers are upset because they feel that she is working only to provide a second income to her household. Moreover, her peers see her as trying to "show them up."

Share your results with other class members. Be prepared to explain your allocation of money.

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Case Study 1

EXECUTIVE COMPENSATION: THE CASE OF ONTARIO HOSPITAL EXECUTIVES

Ontario hospital executives are being criticized for their relatively high pay and lucrative perks. The perks include car allowances, free parking spots, and up to six weeks of paid vacation; they also receive a hefty annual salary, up to $100,000 per year in pension top-ups, and severance in excess of $1 million. This type of executive compensation is a hot topic being debated nationally, from Queen's Park to union leaders, to activists, to employees, all of whom have, in general, voiced their disapproval of hospital executive pay. Andrea Horwath, leader of the NDP in Ontario, believes it is time to start being more careful with taxpayers' money, suggesting that hospital CEO salaries should be capped at $418,000, which is twice what Ontario's premier makes.

Case in point: In 2014, President and CEO of Hamilton Health Sciences (six hospitals in Hamilton and South Central Ontario) Dr. Robert MacIsaac earned $755,715. This represents a roughly 9 percent increase over his predecessor, Murray Martin, who made $695,065 in 2013. In addition, MacIsaac gets a benefit package including a pension, life insurance, and a spending account.

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He is also entitled to variable compensation to a maximum of 20 percent of his annual base salary with stipulated performance factors.

Right behind Rob MacIsaac is William Reichman, president and CEO of Baycrest Centre for Geriatric Care, who received $748,562 in 2014. In addition, he is entitled to discretionary incentive totalling 26 percent of his base salary for achieving performance objectives as set out by the board of directors. He also gets an annual car allowance of $14,000 and a pension top-up of $50,000.

The Ontario healthcare sector has been reeling under financial pressure, with nurses being let go, emergency wards being closed, and continuing longer wait times in the province's emergency rooms.

Yet executive pay for some hospital executives remains relatively high; apart from CEOs, other hospital executives earn rich compensation packages.

Questions

1. Are CEOs and key executives worth the large pay packages they receive? Explain.
2. Do you agree with Peter Drucker that corporate executives should receive compensation packages no larger than a percentage of the pay of hourly workers? Explain.
3. Do you think that executives in the broader public sector, such as hospital executives, should receive such large pay packages?

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Case Study 2

TEAM-BASED INCENTIVES: NOT YOUR USUAL OFFICE

Done-Deal Paper Inc. operates throughout Western Canada with offices in Calgary, Saskatoon, and Vancouver. Providing paper and paper needs to most of Western Canada, Done-Deal is one of the top two competitors in the area.

In January 2018, Conner Carell, office manager of one of the branch offices for Done-Deal, somehow convinced company President and CEO Bailey Zucker that they needed to change the way their sales representatives were incentivized. He argued, "putting our sales reps into teams will not only increase cooperation, but it will increase sales ... right now there are too many sales being lost that could have been won through a team effort." Most of the time, sales made to clients required multiple interactions by multiple reps anyway. Bailey agreed with Conner and pointed out that teamwork can also improve

morale and synergy. Based on these assessments, Conner organized his 20 sales reps into 4 teams of 5 reps. Sales teams would pool their commissions regardless of who initiated and worked on the sale. After the first year of this team-based incentive program, sales commissions across the four groups varied dramatically. For instance, the highest paid employees in a team made, on average, $50,000 more than the lowest paid team members.

During August 2018, Conner sent to all 20 sales reps a survey requesting feedback on the satisfaction with teams and, specifically, the team-based incentive rewards program. Although the survey results were generally positive, not everyone was happy in the office. Problems could be grouped into the following categories:

1. Some sales representatives believed that various team members did not "buy into" the team concept and were simply "free

riding"—benefitting from the efforts of higher-performing reps.

2. There was a general feeling that some teams were assigned difficult regions that prevented them from achieving higher sales.

3. Teams did not always display the motivation and synergy expected because "bickering" was prevalent between stars and their lesser-performing peers. Average performers complained that star reps made them look bad.

4. At least a third of the sales staff felt the incentive rewards program was unfair and asked for a return to individual sales incentives.

Questions

1. Do results from the survey illustrate typical complaints about teams and specifically about team incentive rewards? Explain.

2. If appropriate, what changes would you recommend to improve the incentive reward program? Be specific.

3. Would management have benefited from employee involvement in the initial design and implementation of the program? Explain.

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Employee Benefits

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Describe key aspects of managing employee benefits and the characteristics of strategic benefits programs that are cost-effective.

LO 2 Identify and explain the employee benefits required by law.

LO 3 Describe benefits that involve payment for time not worked.

LO 4 Discuss recent trends in retirement policies and programs and the major factors involved in managing pension plans.

LO 5 Describe the types of work–life benefits employers may provide.

Canadian firms are becoming increasingly innovative in the types of benefits and work–life balance opportunities they offer to employees. At Loblaw Companies Limited, with operations throughout Canada, and divisions such as Shoppers Drug Mart, Loblaws (market), and Real Canadian Superstore, among others, employees enjoy a number of financial and other benefits. These include maternity and parental top-up leave pay up to 75 percent of salary for 17 weeks for mothers, and 10 weeks for fathers, as well as 75 percent of salary for 10 weeks for adoptions. Employees have academic scholarships of up to $1,500 per child and corporate rates for up to four family members at the fitness centre. These are all on top of the "regular" benefits such as massage therapy, nutrition planning, podiatrist, and so on. At ATB Financial, an Edmonton, Alberta–based financial services company, the benefits include flexible options that allow employees to choose the package that best suits their personal needs depending on their various life stages. They can also "buy and sell" their vacation days for more health benefits; that is, they can swap vacation days for health benefits or benefit credits for vacation. ATB employees also enjoy flexile pension plans, along with wellness accounts that can be used for gym memberships, yoga classes, skiing, and so on. Toronto-based Chubb Insurance Company of Canada provides comprehensive benefits to its employees, including flexible benefits, pensions, doubling their registered retirement savings plan (RRSP) contributions, and in-house programs such as fitness allowance, yoga classes, massage therapy, counselling programs, and social events to encourage and promote work–life balance. Employees of Stewart McKelvey LLP law firm in Atlantic Canada (New Brunswick, Prince Edward Island, and Nova Scotia) enjoy benefit packages that are fully funded by the firm, including medical and dental coverage, matching RRSP contributions, life insurance policies, and health and wellness programs to ensure that employees also have work–life balance.[1] Cool stuff by employers—and great results in employee loyalty and productivity.

Employers have several reasons for offering benefits to employees, including attracting and retaining top talent, as well as improving the firm's bottom line. Great benefits are also helping organizations brand themselves as "best employers" and "great places to work."[2] However, compensation surveys indicate that most employees are unable to name accurately the benefits they receive, and about 50 percent of employees underestimate the value of their benefits.[3] Although benefits are largely undervalued and misidentified, they are still an important issue for both employers and employees. It is clear that benefits are not a "fringe" but rather an integral part of the compensation package. Additionally, because most benefits are provided voluntarily by employers, they become a significant cost and an employment advantage for employers while providing needed psychological and physical assistance to employees. The importance of benefits to both sides cannot be overstated.

Virtually all employers provide a variety of benefits to supplement the wages or salaries they pay their workers. These benefits, some of which are required by law, must be considered part of total compensation.

MANAGING EMPLOYEE BENEFITS PROGRAMS

LEARNING OUTCOME 1

What makes benefits so expensive? Would you rather have the additional cash versus having money deducted for your benefits?

Employee benefits constitute an indirect form of compensation intended to improve the quality of the work lives and personal lives of employees. Benefits constitute a significant percentage of total payroll costs. In Canada, the figures range from 20 to 25 percent of payroll costs; however, they are higher in the United States, about 30 to 35 percent.[4] The difference is largely attributed to the fact that Canadian firms do not have to provide some basic health benefits as these are provided by various governments. In return, employers generally expect employees to be supportive of the organization. Since employees have come to expect an increasing number of benefits, the value of these benefits depends on how the benefits program is designed and communicated. Once viewed as a gift from the employer, benefits are now considered "rights" to which all employees are entitled.

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ELEMENTS OF AN EFFECTIVE BENEFITS PROGRAM

The effectiveness of a benefits program hinges on two factors: (1) selecting benefits that target important employee needs while promoting strategic organizational objectives, and (2) effective administration of benefits programs. Gone are the days of providing a particular benefit because other employers are doing it, because someone in authority believes it is a good idea, or because the benefit is "popular" at the moment. Therefore, benefit specialists recommend paying attention to certain basic considerations.

STRATEGIC BENEFITS PLANNING

Like any other component of the HR program, an employee benefits program should be based on specific objectives. The objectives an organization establishes will depend on many factors, including the size of the firm, its location, its degree of unionization, its profitability, and industry patterns. Most importantly, these aims must be compatible with the organization's strategy and the strategic compensation plan (see Chapter 9), including its philosophy and policies. The chief objectives of most benefits programs are to do the following:

- improve employee work satisfaction
- meet employee health and security requirements
- attract and motivate employees
- retain top-performing employees
- maintain a favourable competitive position

In a 2014 survey of employees, 80 percent stated that benefits were an important factor in their decision to join and stay with a firm.[5] Another survey found that one in three employees believe health benefits are the most important: more specifically, Gen Y, 36 percent; Gen Z, 27 percent; women, 40 percent; and men, 23 percent.[6] Another survey found that 4 out of the 10 employers use wellness programs and subsidized fitness programs as a retention strategy.[7] Furthermore, these objectives must be considered within the framework of cost containment—a major issue in today's programs.

Unless the organization plans to develop a flexible benefits plan (to be discussed later), a uniform package of benefits should be developed. This involves carefully considering the various benefits that can be offered, the relative preference shown for each benefit by management and the employees, the estimated cost of each benefit, and the total amount of money available for the entire benefits package.

Allowing for Employee Involvement

Before a new benefit is introduced, the need for it should first be established. Many organizations create committees composed of managers and employees to administer, interpret, and oversee their benefits policies. Opinion surveys are also used to obtain employee input. Having employees participate in designing benefits programs helps ensure that management is moving in the direction of satisfying employee wants. Monsanto Canada reviews its benefits each year through biannual and quarterly "pulse" surveys of different segments of the workforce; this has helped the firm be ranked as one of Canada's Top Family-Friendly Employers.[8]

To make surveying large workforces less cumbersome, HR professionals can utilize a number of websites that enable employees to fill out the information online. **EmployeeSurveys.com** is one such site. HR managers simply email employees a link to the survey and ask them to complete it. Of course, workers who lack computer access will need to be surveyed via another method.

Benefits for a Diverse Workforce

Employee benefits programs must reflect the social changes that Canada is constantly facing. Particularly significant are changes in the diversity and lifestyles of the workforce; the changes make it necessary to develop new types of benefits to meet shifting needs. Therefore, more employers are tailoring their benefits programs to be family friendly. (Specific family-friendly benefits are discussed later in the chapter.) For example, as we have indicated throughout this book, the number of women in the workforce is continuing to grow. Which benefits are most valuable to them (and to men) will be determined largely by whether they have dependent children and whether they have a spouse who has benefits coverage.

Unfortunately, benefits plans sometimes provide little advantage to employees, limiting the organization's ability to attract and retain quality employees. For example, many employers provide unneeded medical benefits to those who are young and single and without dependants in the form of dependants' coverage. Likewise, a well-designed—and costly—defined-benefits pension program may not serve the needs of employees or the employer of a predominantly younger workforce. Similarly, the employer's contribution to the pension plan for a 30-year-old employee is roughly one-quarter the contribution for a 50-year-old employee for the same amount of pension commencing at age 65. This difference in funds spent on older workers in effect discriminates against younger workers, although in legal terms, it is not regarded as discriminatory.

Flexible Benefits

To serve their intended purpose, employee benefits programs must adapt to the changes that are continually occurring within our society. As you have learned, three generations of employees now occupy the workplace, and each places a different priority on their benefits. Consequently, firms have to think about designing a benefits strategy that appeals to each group. For example, millennial employees are probably less likely to be concerned with having pensions than baby boomers. Likewise, Generation X employees who are raising their families are more likely to want family-friendly benefits and healthcare for their dependents than baby boomers and millennial employees. There are also more single-parent families and two-earner couples in the workplace than there have been in the decades past. As you can see, benefits programs need to take into account a highly diversified workforce to attract highly capable employees.

To make it easier to accommodate the individual needs of employees, many organizations are embracing **flexible benefits plans**, also known as **cafeteria plans**. When Zabeen Hirji, senior vice president of HR for RBC, surveyed 16,000 of the bank's 65,000 employees about their benefits preferences, the number one request was for flexibility.[9] Another survey, this time conducted by Sun Life Financial, found that flexibility is greatly desired by employees, with 72 percent of people surveyed stating that they would prefer a flexible plan that can be adapted as they move through different life stages and 66 percent preferring a flexible benefits plan over a defined-benefits plan.[10]

Flexible benefit plans enable individual employees to choose the benefits that are best suited to their particular needs. They also prevent certain benefits from being wasted on employees who have no need for them. Compensation specialists often see flexible benefits plans as ideal. Employees select the benefits of greatest value to them, while employers manage benefits costs by limiting the dollars employees have to spend.

Typically, employees are offered a basic or core benefits package of life and health insurance, sick leave, and vacation. Requiring a core set of benefits ensures that employees have a minimum level of coverage to protect against unforeseen financial hardships. Employees are then given a specified number of credits that they may use to "buy" whatever other benefits they need. Other benefits options might include prepaid legal services, financial planning, or long-term care insurance.[11]

Honeywell Canada considered three types of flexible benefits programs: cafeteria style, whereby employees could choose any benefits they wanted; a module approach, whereby employees could select among prepackaged sets of benefits; and a core-plus-options plan, whereby employees could choose among options to augment a basic level of protection. Employees were able to select health and dental benefits that suited their life stages and that matched well with the plans their spouses had. Figure 11.1 lists the most commonly cited advantages and disadvantages of flexible benefits programs.

Because cafeteria plans increase the complexity of administering the entire benefits program, organizations may elect to outsource the handling of this function to a professional benefits vendor. About one-third of Canadian firms rely on third parties to perform these types of transactional services for their plans.[12] Paying a service or contract fee to these firms may be particularly cost-effective for the smaller employer. Furthermore, benefits programs must be flexible enough to accommodate the constant flow of new laws and regulations that affect them. A number of consulting firms specializing in benefits can help managers track changes in all phases of the programs they oversee.

COMMUNICATING EMPLOYEE BENEFITS INFORMATION

Many employees do not believe what their employers tell them about soaring benefits' costs, and employees and employers are at loggerheads over how effectively benefits are used. Therefore, it becomes critical that organizations effectively—and frequently—communicate the benefits package to employees. Court cases in Canada have established that it is the employer's responsibility to properly inform and disclose information about benefits. In *Spinks v. Canada*, an employee was not advised of certain pension options when he started with a new employer—specifically, that he was eligible to purchase past service in connection with his previous employment. The Federal Court of Appeal ruled that the employee had been poorly advised. In other cases, such as *Schmidt v. Air Products of Canada*, the courts have ruled that employee brochures, which usually are not considered legal documents, may be legally binding.[13]

Although it is important to communicate information about employee benefits, there is no legislation that mandates how this is to be done. Various provincial pension benefits acts and federal laws regulating pension benefits state that employers operating a pension plan must provide specific information to employees. However, there are differences among provinces about what must be communicated. The sponsor of a registered pension plan (RPP) has a specified period after the end of the plan's fiscal year to provide active plan members with statements of their pension benefits. (Quebec regulations require annual pension statements for retired and deferred vested members.) The employee's name,

FIGURE 11.1

FLEXIBLE BENEFITS PLANS: ADVANTAGES AND DISADVANTAGES

Advantages

- Employees select benefits to match their individual needs.
- Benefit selections adapt to a constantly changing (diversified) workforce.
- Employees gain greater understanding of the benefits offered to them and the costs incurred.
- Employers maximize the psychological value of their benefits program by paying only for the highly desired benefits.
- Employers limit benefit costs by allowing employees to "buy" benefits only up to a maximum (defined) amount.
- Employers gain competitive advantage in the recruiting and retention of employees.

Disadvantages

- Poor employee benefits selection results in unwanted financial costs.
- There are certain added costs to establishing and maintaining the flexible plan.
- Employees may choose benefits of high use to them that might increase employer premium costs.

date of birth, and date of hire must be included in the pension statement, along with the pension plan membership date, vesting date, and normal retirement date. Most provinces also require the name of the employee's spouse and/or pension plan beneficiary.[14]

Employers use a number of methods to communicate benefits to employees, such as the following:

- in-house publications (employee handbooks and organizational newsletters)
- group meeting and training classes
- online modules
- bulletin boards
- payroll inserts/pay stub messages
- specialty brochures

When communicating employee benefits, the best advice is to use multiple media techniques. Different employee groups have different ways of learning and distinct preferences for how they receive information. Also, the level of complexity of the benefit information being communicated is likely to determine media selection. Because about a third of IKEA's employees are members of Generation Y, the company was worried that if it only mailed out benefit information to these employees, many of them would not bother to open the packages. So in addition to mailing information, the company used Twitter to send a weblink to its benefits site and remind employees about the firm's benefit enrollment deadline. "We wanted to talk to our co-workers in a way they are talking," says Beth Gleba, corporate information manager for IKEA, North America.[15]

Also, the topic is usually covered in new-hire orientation programs. Managers who are conducting orientations should be allowed plenty of time to inform new employees of the benefits program and to answer any questions. The Alberta Health Services solved the problem of communicating benefits to thousands of workers in 115 locations who did not have ready access to computers by providing free-standing interactive information kiosks in more than 100 high-traffic areas. Using a touch-screen display, employees can access email, websites, and personal information.[16] Highlights in HRM 11.1 provides a list of recommendations for communicating benefits.

Employee self-service systems have made it possible for employees to gather information about their benefits plans, enroll in their plans of choice, change their benefits coverage, or simply inquire about the status of their various benefits accounts without ever contacting an HR representative. PricewaterhouseCoopers uses a benefits information line to provide its employees with instant access to a wide variety of HR and benefits information by telephone. Employees can access their individual account information by entering a personal identification number (PIN). Other organizations use networked PCs or multimedia kiosks for the same purpose. These latter approaches enable employees to click on icons to access different benefits and to type in new information to update their records. Once an update or change has been made, the new information is permanently entered into the organization's human resources information system (HRIS) without the need for paperwork.

Samsung is a company using its own technology to build employee engagement to help recruit and retain talent. In 2012, Samsung switched to an online, flexible benefits portal called Highlights, but still struggled to get the staff to take advantage of the choices and flexibility of the benefits plan. So to communicate the benefits package of Highlights, Samsung rebranded the package and its communication strategy. Not only was the Highlights interface easier to access and use, but Samsung passed out gifts to the staff like a piggy bank or a pedometer with the Highlights logo to highlight the new wealth and lifestyle benefits categories. They also used online materials, text messages, and physical posters and infographics to get employees to think more seriously about the

benefits offered alongside salary. Samsung, once struggling to engage staff about their benefits, now has reached the stage where 95 percent of its employees have used Highlights.[17]

Some general pointers for designing benefits information regardless of the medium include the following:

- Avoid complex language when describing benefits. Clear, concise, and understandable language is a must.

- Explain the purpose behind a benefit and the value it offers employees. Be upfront about the pros and cons of different benefit plans.

- Use graphics whenever possible to make the information understandable at a glance.

- Provide numerous examples to illustrate how a benefit choice might affect different types of employees, depending upon their personal circumstances.

Even if employees can access their benefits information online, most firms periodically mail out printed benefit statements that detail the status of an employee's benefits.

It is also important for each employee to have a current statement of the status of her or his benefits. The usual means is a personalized computer-generated statement, as illustrated in Figure 11.2.

As the field of benefits becomes increasingly complex, and as employees become more sophisticated about financial planning, the need to hire and train benefits experts also grows. For those interested in specializing in this field, a good career move would be to become a certified employee benefit specialist (CEBS).

Many employers offer incentives for employees who take care of their health, such as discounts on health club memberships.

Highlights in HRM 11.1

Crafting an Effective Benefits Communication Program

A well-designed benefits communication program will greatly enhance employees' appreciation of their benefits while ensuring that employers receive the intended value of these offerings. An effective program provides information to employees frequently and in a timely and cost-effective manner. Compensation specialists recommend the following when administering a benefits communication program.

In Building an Identity:

- Design materials that are eye catching and of high interest to employees.
- Develop a graphic logo for all material.
- Identify a theme for the benefits program.

In Writing Benefits Materials:

- Avoid complex language when describing benefits. Clear, concise, and understandable language is a must.

- Provide numerous examples to illustrate benefits specifics.
- Explain all benefits in an open and honest manner. Do not attempt to conceal unpleasant news.
- Explain the purpose behind the benefit and the value of the benefit to employees.

In Publicizing Benefits Information:

- Use all popular employee communication techniques.
- Maintain employee self-service (ESS) technology to disseminate benefits information and to update employee benefits selections.
- Use voicemail to send benefits information.
- Employ presentation software to present information to groups of employees.
- Maintain a benefits hotline to answer employee questions.

HRIS AND EMPLOYEE BENEFITS

The benefits of an HRIS are reduced costs, increased efficiencies, and accuracy.[18] Online benefits programs create a form of self-service administration. One intent of online programs is to eliminate the annual open enrollment period for various benefits, thereby providing greater flexibility in benefits selection. An important advantage to an interactive benefits program is the significant savings in administration costs. Once an online system is operational, it is easy and inexpensive to adapt to employer and employee demands. However, although the Internet can be used effectively in benefits administration, security must always be a concern when transmitting benefits information.[19]

Perhaps no part of the HR function is more technologically advanced than benefits administration. A wide variety of commercially developed software packages have

FIGURE 11.2

COMMUNICATING BENEFITS AS PART OF TOTAL REWARDS

This statement summarizes the scope and value of your total rewards package at ABC. It was prepared with data current as of December 31, 2018, and it includes your 2019 benefit elections. We encourage you to review this statement carefully and to share it with your family.

Your 2018 Total Rewards

	81%	Base Compensation
	3%	Variable Compensation
	5%	Benefits
	5%	Retirement
	6%	Government Benefits
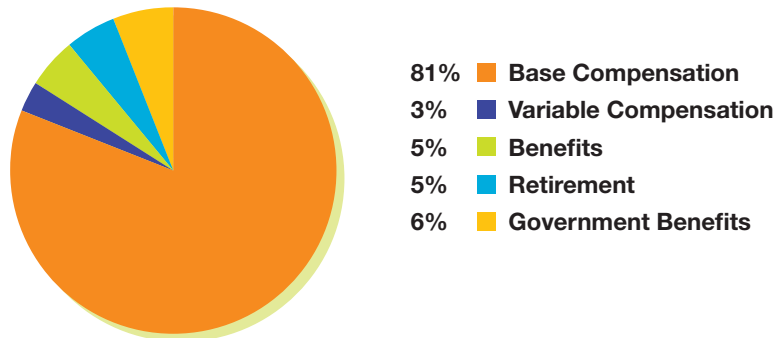
	ABC Pays	You Pay
Base compensation	$49,000	—
Variable compensation	$ 1,500	—
• Long-term incentive plan	$ 0	—
• Other bonus/incentive plan	$ 1,500	—
Benefits	$ 2,954	$ 1,412
• Health and dental plans	$ 1,797	$ 576
• Flexible spending account	—	$ 500
• Long-term disability plan	$ 346	—
• Basic life/AD&D insurance	$ 201	—
• Optional life/AD&D insurance	—	$ 183
• Optional dependant life insurance	—	$ 153
• Other benefits	$ 610	—
Retirement	$ 2,944	$ 998
• Pension plan	$ 2,495	—
• Savings plan	$ 499	$ 998
Government benefits	$ 3,808	$ 2,620
Your 2018 Total Rewards	$60,256	

Source: Mercer (Canada) Limited, with adaptations. Copyright 2012. (http://www.mercer.ca).

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been developed that serve to facilitate benefits administration in areas such as pensions, variable pay, workers' compensation, health benefits, and time-off programs. Descriptions of and advertisements for a variety of benefits software programs are regularly found in HR journals such as *Canadian HR Reporter* and *Human Resource Professional*. Software programs represent a cost-effective way to manage employee benefits programs when employers lack the resources or expertise.

The Business Case

Managing the Costs of Benefits

The rising costs of benefits continue to pose a problem for organizations big and small. These costs reportedly range anywhere from 14 to 50 percent of payroll when voluntary benefits are accounted for. Hewitt Associates reports that flexible benefit plans are gaining momentum in Canada as not only do they help contain the costs of benefits, but they are also instrumental in meeting the needs of Canada's diverse employee population and move benefits away from the one-size-fits-all paradigm. Moreover, companies that have used flex plans to date have reported much success in managing benefits costs in their organizations.

A Vancouver-based international engineering and environmental group, Klohn Crippen Berger (KCB), revamped its traditional benefits program to offer flexible benefits to its 350-plus employees. Director of HR at KCB Sharon Batchelor believes that this flex program is instrumental not only in capturing talented employees but also in retaining them. KCB has ensured that the plan is as close as possible to traditional benefits, with a massive change in the cost sharing from 60 to 35 percent employee paid. KCB educated employees at all levels about the benefits of this program and put in place "flex champions" and "benefits 101" to promote the program and secure employee buy-in. To ease the administrative burden for both HR staff and employees, plan enrollment was conducted online. KCB offered a free pizza lunch to the first division that achieved 100 percent enrollment and put countdown clocks on the company's intranet. These initiatives helped raise awareness of the new flex plan and led to a full enrollment when the program went live. A recent company survey revealed a 70 percent employee satisfaction rate with the flex plan.

Flex arrangements can benefit rapidly growing organizations as they can be easily adapted to organizational changes. And as the KCB example shows, clear focus and ongoing communication with employees can make the shift to flexible benefit plans nearly seamless. Other organizations are adapting flexible benefits, as you will see below.

At Sobeys, benefit plans are intended to aid both full- and part-time workers as they move through various life stages. Sobeys rolled out its YouFlex Group Benefits program as the company recognized that one size does not fit all and did not serve the growing needs of its diverse workforce. These benefits are extended to all eligible full- and part-time employees and their dependants over 65 years of age. Under the YouFlex plan, employees have access to core benefits such as health-care and dental care, an employee assistance program, basic life and critical illness insurance, accidental death and dismemberment, short- and long-term disability (full-time employees only), and parental "top-up" plans. Employees have the flexibility to upgrade their healthcare and dental care plans to whatever best suits their family's needs. They also have Flex Dollars, which can be used on expenses not covered under their plans. In addition, employees have flexible work hours, competitive vacation allotments, matched defined pension plans, competitive wages, and an employee purchase program where they can save finances on computers, motor vehicles, and more.

Yet another firm, British Columbia Automobile Association (BCAA), strives to ensure that work–life balance is at the forefront of its benefits to employees. The firm has some interesting programs, such as job sharing, as well as flexible and part-time hours. BCAA also has a well-rounded flexible benefits plan (Flexfits) that enables employees to tailor their benefits to their individual and family's needs. Employees have access to three weeks' vacation in the first year of employment, health and dental insurance, pension plans, and wellness programs, including lifestyle seminars that encourage work–life balance. BCAA employees also have access to free membership plus discounts when they travel.

Sources: Gloria Gonzalez, "Canadian Firms Seek to Stem Rising Costs of Benefits," *Business Insurance* (March 22, 2004): 3; D. Brown, "Runaway Drug Costs Make Benefit Upgrades Impractical," *Canadian HR Reporter* 16, no. 12 (June 16, 2003): 2; S. Felix, "Gimme Gimme," *Benefits Canada* 24, no. 7 (July 2000): 20–21; http://corporate.sobeys.com/careers/, accessed March 2015; http://www.sobeyscareers.com/why-work-for-sobeys/benefits.aspx, accessed March 2015; http://www.bcaa.com/company/careers/training-and-benefits, accessed March 2015.

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CONCERNS OF MANAGEMENT

Managing an employee benefits program requires close attention to the many forces that must be kept in balance if the program is to succeed. Management must consider union demands, the benefits other employers are offering, tax consequences, and rising costs, which are discussed in the Business Case.

The escalating cost of healthcare benefits is a concern to employers, who must strike an appropriate balance between offering quality benefits and keeping costs under control. The shift in benefits planning from entitlement to self-responsibility is discussed in Reality Check.

Reality Check

Benefits Planning: From Entitlement to Self-Responsibility

In recent years, we have witnessed major upheavals in the area of benefits. Never before have there been such large increases in the cost of providing benefits as senior executives in companies throughout Canada try to change the "entitlement mindset" so prevalent in employees. HR professionals and senior executives can no longer make decisions regarding benefits plans without the assistance of benefits consultants. Daphne Woolf is a consultant with considerable experience in this field. Among other HR areas, Woolf has expertise in the design and implementation of flexible benefits plans, strategic planning as it relates to compensation and benefits, and the design and monitoring of programs for promoting workplace health. She discusses the trends in benefits coverage:

> First of all, we need to look at the drivers of change. We see five things happening: our demographics are changing as people age; we have double-income families; the workplace is becoming increasingly diverse; benefits are being taxed to greater extents; and human rights legislation is changing with respect to who should be covered. Due to the high costs of providing benefit coverage, we are seeing a shift in responsibility from the provinces to third parties and individuals. The provinces are covering less, and this trend will continue to grow. The final, most important, underlying issue is increased sensitivity to the magnitude of these trends and the resulting benefit cost impacts.
>
> The entitlement mindset stems from the fact that, 15 years ago, benefits were considered fringe. Now they are viewed as part of total compensation, which is a change in mentality. Employers are starting to move away from this entitlement mindset to self-responsibility. Employees are not used to making their own healthcare decisions, and it is a challenge for employers to educate their employees sufficiently and sway them to a different way of thinking. As the population ages, employees' needs for benefits are increasing; at the same time, the quality of their benefits must decrease in response to the high costs.
>
> In the future, flexible benefit plans will be the plan of choice so that educating the employee will be paramount if we are to move from an entitlement mindset to self-responsibility. Your plan should be devised considering an overall philosophy with particular attention to the strategic plan of your organization. Benefits can no longer be taken for granted as the costs of providing this commodity are at a premium. What constitutes benefits must be expanded beyond the basic dental, life insurance, and drug plans. Benefits strategies cannot be short term but rather must be long range, and in this regard, benefit consultants can provide value-added advice.

About 20 percent of employers are choosing at least one of these methods to control costs. Lafarge Canada is one of those employers trying to contain the costs of benefits for its 6,000 employees, which have been rising at 6 to 10 percent per year. The organization's goal is to keep the escalation in costs at the annual rate of inflation. Air Canada is requiring its employees to pay 30 percent of the costs of the benefits.* All employers should try to uncover instances of fraudulent claims, as discussed in Ethics in HRM.

*Sources: J. MacBride-King, *Managing Corporate Health Care*, Conference Board of Canada, Report 158–95, October 1995, 10; https://www.lafarge.ca/en/lafarge-canada.

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Ethics in HRM

Benefits Fraud

Benefits fraud has been crippling organizations across North America in both the private and public spheres. The U.S. National Health Care Anti-Fraud Association (NHCAA) reports that between 2 and 10 percent of annual healthcare cost, representing between $3.2 and $16 billion (US), is lost to fraudulent activities each year, and this amount is increasing at an alarming rate. In the same vein, Service Canada reports that "[employment insurance (EI)] fraud threatens the effective operation of one of Canada's most important social programs. Our investigations reveal that fraudulent claims result in approximately $142 million in EI overpayments each year." Although only a few employees submit falsified benefit claims, given the magnitude of health and dental claims ($15 billion) paid out by group providers, even a 1 percent falsification amounts to considerable cost to plan sponsors and can be quite damaging. According to this antifraud association, the most common types of fraud are malingering (exaggerating illnesses or injuries to collect additional disability benefits, doctor shopping), collecting multiple prescriptions, misrepresenting dependants (making claims for children who are no longer dependent or not coordinating spousal plans), and submitting false claims.

Other examples of fraudulent activity:

- Plan members asked providers to split receipts to circumvent per-visit maximums.
- Pharmacies and chiropractors issued receipts for compression hose/socks falsely claimed but not given to patients/employees, then giving the employees store credits instead.
- Dental offices used codes to claim for services not offered.
- Paramedical service providers issued receipts for services not offered.

Cases in Point

Reports indicate that six ramp workers at Pearson International Airport were arrested for a series of fraudulent benefits claims against Air Canada, which were successfully paid out to employees. Corporate security at Air Canada alerted the police, and investigation into the case revealed $126,000 in counterfeit benefits claims. In another case, a Windsor, Ontario, woman was accused of claiming pension for her husband for 14 years after his death. Stories like this are commonly reported in the press. And in a recent case at the Toronto Transit Commission, more than 200 employees were dismissed, resigned, or took early retirement to avoid dismissal in fraudulent activity. The charges were that a service provider issued receipts to employees for services that were inflated or not done. The employees would then file the fraudulent receipts and split the payment with the service provider.

To combat fraud, organizations should consider implementing whistle-blowing policies, continue to educate their employees about the costs of fraudulent activities, establish a code of ethical conduct for employees, and work with providers to ensure that fraud detection mechanisms are in place.

Sources: "Peer to Peer: Challenges for Trustees—Identity Theft and Fraud," *Benefits & Compensation Digest* 47, no. 5 (May 2010): 24–25; http://www.servicecanada.gc.ca/eng/ei/fraud/fraud_serious.shtml; Robert M. Nicholas, "Health and Dental Benefits Fraud: The Bottom Line," *Benefits & Compensation Digest* 42, no. 12 (2005): 18–21; S. Maxwell, "Fraud Squad," *Benefits Canada* 32, No. 10 (2008): 25; Bob Mitchell, "Air Canada Workers Charged with Benefits Fraud," *Thestar.com* (February 3, 2011); "Windsor Woman Defrauds Government of $150k in Benefits Claims for Dead Husband," *Global News* (July 30, 2013), http://globalnews.ca/news/750424/windsor-woman-defrauds-govt-of-150k-in-benefit-claims-for-dead-husband/, accessed March 2015; Michelle McQuigge, "More Than 200 People Dismissed Amid Benefits Fraud Investigation, TTC Says," *The Globe and Mail* (March 15, 2018), https://www.theglobeandmail.com/canada/article-more-than-200-people-dismissed-amid-benefits-fraud-investigation-ttc/, retrieved June 23, 2018; Kanupriya Vashisht, "Four Tips to Help Employers Cut Benefits Fraud," Benefits Canada (October 13, 2017), https://www.benefitscanada.com/benefits/health-benefits/four-tips-to-help-employers-curb-benefits-fraud-104789, retrieved June 23, 2018.

The Conference Board of Canada has published a list of cost-containment strategies, which include the following:

- contribution changes, such as increasing deductibles
- dollar limits, such as a dollar cap on specific benefits, such as eyeglasses
- coverage changes (e.g., limits on hospital upgrades)
- benefit caps (e.g., on dispensing fees)
- use of preferred providers and flexible benefits[20]

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EMPLOYEE BENEFITS REQUIRED BY LAW

Legally required employee benefits amount to approximately 12 percent of the benefits packages that Canadian employers provide.[21] These benefits include employer contributions to the Canada and Quebec pension plans, employment insurance, workers' compensation insurance, and, in some provinces, provincial medicare.

CANADA AND QUEBEC PENSION PLANS (CPP/QPP)

The Canada and Quebec pension plans cover almost all Canadian employees between the ages of 18 and 70. (Certain migratory and casual workers who earn less than the specified amount may be excluded.) To receive a retirement benefit, an individual must apply to Employment and Social Development Canada at least six months in advance of retirement.

Although similar in concept, CPP and QPP differ in how much they pay out to participants. Both plans require employers to match the contributions made by employees. The revenues generated by these contributions are used to pay three main types of benefits: retirement pensions, disability benefits, and survivors' benefits. Governments do not subsidize these plans; all contributions come from employers and employees. Self-employed individuals can also contribute to the plan. With Canada's population aging, the funds from CPP will not be able to meet the needs of retirees unless those currently working, and their employers, significantly increase their contributions.

Canada has cross-border agreements with several countries to protect the acquired social security rights of people who have worked and lived in both countries and who meet the minimum qualifications for benefits from either country. A contributor's rights to benefits under CPP or QPP are not affected or impaired in any way by a change in employment or residence in Canada. All Canadian workers have "universal portability," that is, the right to claim benefit credits wherever they are employed in Canada.

CPP was implemented by former prime minister Lester Pearson, with the aim that all working Canadians should have an opportunity to retire with dignity and security. The plan sought to ensure a fair and efficient system that would enhance social justice for all working Canadians once they retire. Today, that plan is in trouble and needs to be overhauled if Canadians are to enjoy any of the benefits it was designed to realize.[22]

The Canadian pension plan is often thought of as a three-legged stool consisting of public pensions (CPP, Old Age Security), workplace pensions (employer/employee), and RRSP contributions, with RRSPs being the weakest leg given that employees can access them prior to retirement. Pension funds have been dwindling, leaving both the federal and provincial governments concerned about the fate of CPP. Many argue that the 2008 financial crisis contributed to the potential demise of a pension plan that was already bleeding.

EMPLOYMENT INSURANCE (EI)

Employment insurance (EI) benefits are payable to claimants who are unemployed and are actively seeking employment. A person who becomes unemployed is usually entitled to what most Canadians still call "unemployment insurance" (or UI), the former name of this program. The new name reflects a change in focus from basic income support to active employment measures.[23]

The amount of benefit paid is determined by the number of hours of employment in the past year and the regional unemployment rate. Individuals are entitled to EI after they have contributed enough for a qualifying period and after a waiting period. The waiting period may vary with the individual's situation. Also, employees who resign from their jobs or who are terminated for cause may be ineligible for benefits unless they can prove there was no reasonable alternative to leaving their jobs. Just causes include sexual harassment, health concerns, and moving to another town or city because of a spouse's reassignment.

Additional benefits may be extended for situations involving illness, injury, or quarantine or for maternity, parental, or adoption leave. If an organization does not offer sick leave benefits, the employee may have to apply to EI for sick benefits. The benefit amount, which is calculated on the same basis as the regular benefit, varies across jurisdictions. Sickness or disability benefits are available for up to 15 weeks. A combination of maternity, parental, or adoptive benefits may be available up to a cumulative maximum of one year in some provinces.

Employees and employers both contribute to the EI fund, and there are numerous types of EI plans. For details on these, see https://www.canada.ca/en/services/benefits/ei.html.

WORKERS' COMPENSATION INSURANCE

Workers' compensation insurance is based on the theory that compensation for work-related accidents and illnesses should be considered one of the costs of doing business. Individual employees should not be required to bear the cost of their treatment or loss of income, nor should they be subjected to complicated, delaying, and expensive legal procedures.

Workers' compensation is a form of insurance. It was created by an act of Parliament to help workers injured on the job return to the workplace. Each provincial and territorial board is empowered by the relevant legislation to amend and collect assessments (i.e., insurance premiums), to determine the right to compensation, and to pay the amount due to the injured worker. This system of collective liability is compulsory. Employers' contributions are assessed as a percentage of their payroll. The percentage varies with the nature of the industry. For example, in a high-risk industry such as mining, the assessment rates are higher than in knowledge-based industries.

Workers' compensation is based on the following principles:

- Employers share collective liability, although contributions may vary among employers in the same industry (e.g., some provinces punish employers who do not maintain a safe and healthy work environment by levying additional fines).
- This compensation is based on loss of earnings.
- The system is no fault and nonadversarial and thus offers no recourse to the courts.

Benefits are paid out of an employer-financed fund and include medical expenses stemming from work-related injuries, survivors' benefits (including burial expenses and pensions), and wage loss payments for temporary, total, or partial disability. Permanent disability benefits may be disbursed as a lump-sum payment or as a permanent disability pension with rehabilitation services. The amount paid depends on the employee's earnings and provincial legislation.

Employees cannot be required either to make contributions toward a workers' compensation fund or to waive their right to receive compensation benefits. Payments made to claimants are effectively nontaxable. Premiums paid for by the employer may be deducted as expenses and are not deemed a taxable benefit for employees.

Figure 11.3 lists the steps that an HR department can take to control workers' compensation costs.

PROVINCIAL HOSPITAL AND MEDICAL SERVICES

People who have been resident in a Canadian province for three months are eligible to receive healthcare benefits. Applications must be made and approval given before coverage starts. Benefits include services provided by physicians, surgeons, and other qualified health professionals; hospital services such as standard ward accommodation and laboratory and diagnostic procedures; and hospital-administered drugs. Many employers offer third-party benefit coverage, which

Walk while you work? Companies such as GlaxoSmithKline and Best Buy have been utilizing treadmill desks such as the one shown here. The treadmills move at a slow speed so that employees do not get hot, sweaty, and out of breath.

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FIGURE 11.3

REDUCING WORKERS' COMPENSATION COSTS: KEY AREAS

1. Perform an audit to assess high-risk areas in the workplace.

2. Prevent injuries by proper ergonomic design of the workplace and effective assessment of job candidates.

3. Provide quality medical care to injured employees from physicians with experience and preferably with training in occupational health.

4. Reduce litigation by ensuring effective communication between the employer and the injured worker.

5. Manage the care of the injured worker from the time of the injury until the return to work.

6. Keep a partially recovered employee at the worksite.

7. Provide extensive worker training in all related health and safety areas.

entitles their employees to additional benefits such as semiprivate or private accommodation, prescription drugs, private nursing, ambulance services, out-of-country medical expenses that exceed provincial limits, vision and dental care, and paramedic services. Depending on the employer, all or just a portion of the services may be covered.

DISCRETIONARY MAJOR EMPLOYEE BENEFITS

LEARNING OUTCOME 3

What additional benefits would be most attractive to you?

Besides the mandated benefits, most employers offer other benefits, such as healthcare, a dental plan, payment for time not worked, life insurance, retirement programs, and pension plans.

HEALTHCARE BENEFITS

The benefits receiving the most attention from employers today, owing to sharply rising costs and employee concerns, are healthcare benefits. In the past, health insurance plans covered only medical, surgical, and hospital expenses. Today, employers are under pressure to include prescription drugs as well as dental, optical, and mental healthcare benefits in the packages they offer their workers. Drugs now represent the second largest health expenditures, second only to hospital costs.

Cost Containment

The growth in healthcare costs can be attributed to a number of factors, including the greater need for healthcare by an aging population, the costs associated with technological advances in medicine, the growing costs of healthcare labour, and the overuse of costly healthcare services.

With the significant rise in healthcare costs, it is understandable that employers seek relief from these expenses. The approaches used to contain the costs of healthcare benefits include reductions in coverage, increased deductibles or copayments, and increased coordination of benefits to ensure that the same expense is not paid by more than one insurance reimbursement. A list of cost containment strategies is provided in Figure 11.4.

Employee assistance programs and wellness programs can help organizations cut the costs of healthcare benefits. Highlights in HRM 11.2 focuses on a team approach to cost reduction.

Other Health Benefits

In the past two decades, more and more employees have been receiving dental care insurance as a benefit. Besides their obvious purpose, dental plans encourage employees to receive regular dental attention. Typically, the insurance pays a

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FIGURE 11.4

COST CONTAINMENT STRATEGIES

Employers can reduce the cost of benefits in the following ways:

1. Education and motivation
   - Communicate the costs of benefits.
   - Provide incentives to employees to reduce costs.
   - Teach employees how to live healthy lifestyles and how to plan for retirement.
2. Change coverage
   - Introduce dollar limits on benefits.
   - Eliminate duplicate coverage for spouses.
   - Remove upgrades.
   - Introduce minimum fees to be paid by employees.
3. Change the system
   - Form partnerships with pharmacies to provide discounts.
   - Move to defined-contribution plans.
   - Move to a claims management approach and audit claims.

Highlights in HRM 11.2

Team Approach to Cost Containment at The Economical Insurance Group (TEIG)

TEIG is one of Canada's largest casualty and property insurance groups, providing coverage for customers all across the country. TEIG offers its employees a range of rewards and benefits, such as competitive base and incentive pay, flexible benefits, training and development (e.g., Economical Learning Institute for Training—ELITE program, tuition reimbursement, e-learning), and a variety of perks (e.g., rewarding employee performance, on-site fitness or reimbursements for outside programs, concession tickets to various attractions). TEIG also values work–life balance, promoting diversity and a culture of inclusiveness in the workplace.

TEIG realized that with the growing cost of employee benefits, a fixed plan could not offer limited forms of cost containment as the company normally absorbs the increase or recoups it from employees through salary deduction. This was not a good way to attract and retain top candidates or contain the cost of benefits. A flexible approach was brought on board that allowed employees to pick and choose what works for them (e.g., trade-off with their spouse), thus reducing duplication of benefits and lowering the coverage cost to the employee and employer. Employees who opt to maintain a high level of coverage will have to pay the difference through payroll deductions.

With this shared approach, the initial cost is covered by TEIG with flex dollars; once those are exhausted, the second set of funds is deducted from employee payroll. Depending on the level of coverage that the employees opt for, the flex dollars might cover the total cost while enhanced coverage is paid for through payroll deductions. If money is left over from the flex dollars, employees can choose to funnel those funds into their healthcare expense accounts or group RRSP contributions, take time off work, or receive credit of up to $300 in their wellness accounts. This team-based approach to cost containment not only saves the employer a lot of money, but 86 percent of employees surveyed also said that they have a good understanding of their benefits.

Sources: Jennifer Hubbard and Parbudyal Singh, "The Evolution of Employee Benefits at The Economical Insurance Group," *Compensation and Benefits Review* 41, no. 6 (2009): 27–35; TEIG Website, http://talentegg.ca/employer/the-economical-insurance-group/highlights; Brooke Smith, "TEIG Shares Wellness program Success," *Benefits Canada*, April 18, 2011, https://www.benefitscanada.com/benefits/health-wellness/teig-shares-wellness-program-success-16035, retrieved June 23, 2018.

portion of the charges and the subscriber pays the remainder. Its popularity has increased in part because dental care is not provided by provincial healthcare and some services, such as orthodontics, are expensive.

Another fairly new benefit that many employers are offering is optical care. Typically, the coverage includes visual examinations and a percentage of the costs of lenses and frames.

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Employers are increasingly using healthcare spending accounts to cover employee benefits. With this plan, employers allocate some money (healthcare spending credits) into accounts for individual employees. Employees can spend this money on services not covered by other plans, including non-prescription drugs. These funds/benefits are not currently taxable, so this is a big advantage. Employers also like the fact that fixed amounts are set aside for health coverage, rather than fluctuation in expenses as health insurance costs increase. Employees also learn more about their benefits as they are forced to budget their spending in line with their accounts.

PAYMENT FOR TIME NOT WORKED

The "payment for time not worked" category of benefits includes the following: statutory holiday pay and vacation pay; time off for bereavement, jury duty, and military duty; rest periods and coffee breaks; and maternity/paternity benefits (which usually involve some form of salary continuance).

Vacations with Pay

It is generally agreed that vacation time is essential to the well-being of employees. Eligibility for vacations varies by industry, locale, and size of the organization. To qualify for longer vacations of 3, 4, or 5 weeks, one may expect to work for 5, 10, or 15 years. The average annual number of vacation days in Canada is 19, but about 1 in 4 employees does not take all of his or her vacation allotment, and a surprising 10 percent never take their vacation time allotment. The reasons? They did not schedule in advance, prefer cash in lieu of time, and are too busy at work.[24] However, some companies are now forcing employees to take time off as an internal control to avoid fraud. For example, Deutsche Bank has a global policy to force traders to take 10 consecutive days of work off a year so that any concealed positions (secret trading) become evident in their absence. This was a result of the $79 million that a trader placed in undetected gambling bets, and he only took four vacation days a year.[25]

Paid Holidays

Both hourly and salaried workers can expect to be paid for statutory holidays as designated by each province. The standard statutory holidays are New Year's Day, Good Friday, Canada Day (Memorial Day in Newfoundland), Labour Day, and Christmas Day. Other holidays commonly recognized by the various provinces are Victoria Day and Thanksgiving Day. Some provinces have their own special statutory holidays, such as Family Day in BC, Alberta, Saskatchewan, Ontario, and New Brunswick; Louis Riel Day in Manitoba, and Nova Scotia Heritage Day in Nova Scotia. Many employers give workers an additional one to three personal days off (i.e., personal use days).

Sick Leave

Employees who cannot work because of illness or injury are compensated in various ways. Most employers offer short- and long-term disability plans. Short-term disability plans include salary continuance programs, sick leave credits, and weekly indemnity plans. Most public employees and many in private firms—especially in white-collar jobs—receive a set number of sick leave days each year to cover such absences. Sometimes employees are permitted to accumulate the sick leave they do not use to cover prolonged absences. Accumulated vacation leave is sometimes treated as a source of income when sick leave benefits have been exhausted. Group insurance that provides income protection during a long-term disability is also becoming more common. Long-term disability plans

normally provide an employee with a disability with 50–70 percent of predisability income. Yet another alternative, depending on the situation, is workers' compensation insurance, which was discussed earlier in the chapter.

Severance Pay

An employee who is being terminated is sometimes given a one-time payment. Known as **severance pay**, it can amount to anywhere from a few days' wages to several months', with the exact payment depending on the length of service. There are no strict rules for severance pay, but the following are guidelines based on court decisions:

- two weeks per year of service for those working as labourers, production workers, and administrative support staff
- three weeks per year of service for those employed in technical, professional, supervisor, and managerial jobs
- four weeks per year of service for those employed as senior managers[26]

Employers that are downsizing often use severance pay to soften the impact of unexpected termination on employees. An employee is not entitled to severance pay if a reasonable offer of alternative employment is refused.

LIFE INSURANCE

Group life insurance is the benefit most commonly provided by an employer. The purpose is to provide financial security to the dependants of the employee in case of his or her death.

RETIREMENT PROGRAMS

Retirement is an important part of life and requires careful preparation. When convincing job applicants to work for them, employers usually emphasize the retirement benefits that can be expected after a certain number of years of employment. As we noted earlier, it is common for each employee, once a year, to receive a personalized statement of benefits that contains information about projected retirement income from pensions and employee investment plans.

Retirement Policies

With the federal government repealing legislation forcing retirement at age 65 for federal employees, and with similar measures in all jurisdictions, mandatory retirement in Canada has being abolished.[27] Statistics Canada reported that in 2017, 64 was the average age at retirement, with women leaving work at 63 and men at 65. The higher the household income, the lower the age at retirement.[28] Many are retiring because they have lost their jobs and cannot find other work. However, as we have seen, there is a growing trend for individuals in their 60s to take on part-time employment as a means of supplementing their income.

To avoid making layoffs and to reduce salary and benefits costs, employers often encourage early retirement. This encouragement often takes the form of increased pension benefits or cash bonuses, sometimes referred to as the **silver handshake**. Some companies, including IBM Canada, have given generously to encourage the early retirement of workers. Ontario Hydro presented its employees with various options to retire early; these included an early retirement allowance, a voluntary separation allowance, a special retirement program, and a voluntary retirement program. The incentives succeeded; most employees with 25 years of service opted for the special retirement program.[29] An employer can offset the cost of retirement incentives by paying lower compensation to replacements and/or by reducing its workforce.

severance pay
A lump-sum payment given to terminated employees by an employer at the time of an employer-initiated termination

silver handshake
An early retirement incentive in the form of increased pension benefits for several years or a cash bonus

LEARNING OUTCOME 4
Are companies today offering sufficient retirement benefits?

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For employees, the main factors in a decision to retire early are health, personal finances, and job satisfaction. Lesser factors include an attractive pension and the possibility of future layoffs.

Preretirement Programs

Most people are eager to retire; some are bitterly disappointed once they do. In an attempt to lessen the disappointment, some employers offer programs to help employees prepare for retirement. These programs typically include seminars and workshops, where lectures, videos, and printed materials are offered. Usually, they cover topics such as how to live on a reduced, fixed income and how to cope with lost prestige, family conflict, and idleness. Also discussed are more concrete topics such as pension plans, health insurance coverage, retirement benefits and provincial healthcare, and personal financial planning.

PENSION PLANS

Originally, pensions were based on a *reward philosophy*; in other words, employers viewed pensions mainly as a reward to employees who stayed with them until retirement. Employees who quit or were terminated before retirement were not seen as deserving retirement benefits. Since then, most unions have negotiated vesting requirements into their contracts, and vesting has become required by law. Put another way, pensions are now based on an *earnings philosophy*: they are seen as deferred income that employees accumulate during their working lives. In other words, the pension belongs to the employee after a specified number of years of service whether or not she or he remains with the employer until retirement.

Since the CPP/QPP legislation was enacted in 1966, pension plans have been used to supplement the protection provided by government-sponsored programs. Most private pension plans and a significant number of public plans now integrate their benefits with CPP/QPP benefits.

It is up to the employer whether to offer a pension plan. Because these plans are so expensive, companies are always looking for the least expensive ways to provide them to their employees.

Types of Pension Plans

Pensions can be categorized in two basic ways: according to contributions made by the employer and according to the amount of pension benefits to be paid. In a **contributory plan**, contributions to a pension plan are made jointly by employees and employers. In a **non-contributory plan**, the contributions are made solely by the employer. Most plans in privately held organizations are contributory.

When pension plans are classified by the amount of pension benefits to be paid, there are two basic types: the defined-benefit plan and the defined-contribution plan. Under a **defined-benefit plan**, the retirement benefit is determined according to a predefined formula. This amount is usually based on the employee's years of service, average earnings during a specific period of time, and age at the time of retirement. A variety of formulas exist for determining pension benefits; the one used most often is based on the employee's average earnings (usually over a three- to five-year period immediately preceding retirement) multiplied by the number of years of service with the organization. A deduction is then made for each year the retiree is under 65. As noted earlier, pension benefits are usually integrated with CPP/QPP. Very few employers introduce this type of plan because it places them under the legal obligation to pay benefits regardless of the performance of the pension plan.

A **defined-contribution plan** establishes the basis on which an employer will contribute to the pension fund. These plans come in a variety of forms: some involve profit sharing; others involve employers matching employee contributions; still others are employer-sponsored RRSPs. The size of the pension the employee

will get is determined by the funds in his or her account at the time of retirement and what retirement benefits (usually in the form of an annuity) these funds will purchase. These plans are not as predictable (i.e., secure) as defined-benefit plans. However, even under defined-benefit plans, retirees may not receive the benefits promised them if the plan is not adequately funded.

Defined-benefit plans, with their fixed payouts, are falling out of use and have dropped to less than 40 percent of companies.[30] More companies are using defined-contribution or hybrid plans (combination of the two plans). There are several reasons for this trend. They are less popular with employers nowadays because they cost more and because they require compliance with complicated government rules. Furthermore, poor market returns on pension investments during the 2008–2009 financial crisis led to many pension plans being underfunded. Increased life expectancy rates, evident in Canada, are also resulting in increased costs as liabilities increase. With more people retiring than joining the workforce, this trend to more defined-contribution plans will increase. Many new pension plans in Canada, such as those introduced by MacMillan Bloedel and Molson Breweries, are defined-contribution plans. But the recent concessions by the trade union Unifor on defined-benefit plans brought this issue to the fore in Canada. The pension concessions for autoworkers started with General Motors (GM) of Canada. In the new contract, the union agreed that all new employees will have defined-contribution plans, a reality that seemed unthinkable two decades earlier. The union stated that GM insisted on this clause and did not hire a single employee in the life of the previous contract because of the costs of the pension program. Defined-contribution plans were also negotiated for new employees in other automakers following the GM agreement, with senior employees keeping their defined-benefit plans.[31]

RRSPs have experienced tremendous growth in recent years because the funds in these plans are allowed to accumulate tax free until they are withdrawn. RRSPs have annual contribution limits; also, if withdrawals are made from them before retirement, tax must be paid on them. Some employers offer group RRSPs, which have some advantages over individual RRSPs: they are deducted from payroll and have mass-purchasing power.

Federal Regulation of Pension Plans

Registered pension plans (RPPs) are subject to federal and provincial regulations. The federal *Income Tax Act* prescribes limits and standards that affect the amount of contributions that can be deducted from income; it also mandates how pension benefits can be taxed. In the federal jurisdiction and most provincial ones, there are laws that state how pension plans must be operated. For example, the actuarial assumptions on which the funding is based must be certified by an actuary at specified intervals.

An important issue to employees is vesting. **Vesting** is a guarantee of accrued benefits to participants at retirement age, regardless of their employment status at that time. Vested benefits that have been earned by the employee cannot be revoked by the employer. Employees with two years of service in an organization are considered, with regard to their pension plans, fully vested and locked in.

Pension Portability

For a long time, most pension plans lacked portability; in other words, employees who changed jobs were unable to maintain equity in a single pension. Unions addressed this concern by encouraging multiple-employer plans. These plans cover the employees of two or more unrelated organizations in accordance with a collective agreement. They are governed by boards of trustees on which both the employers and the union are represented. Multiple-employer plans tend to be found in industries in which few companies have enough employees to justify an individual plan. They are also often found in industries in which employment tends to be either seasonal or irregular. These plans are found in the following

manufacturing sectors: apparel, printing, furniture, leather, and metalworking. They are also found in nonmanufacturing industries such as mining, construction, transport, entertainment, and private higher education.

Employees who leave an organization can leave their locked-in funds in their current pension plan, or they can transfer those funds into a locked-in RRSP or into their new employer's pension plan (if one exists).

Pension Funds

A pension fund can be administered through a trusted plan or through an insured one. In a *trusted plan*, the pension contributions are placed in a trust fund. The fund is then invested and administered by trustees. The trustees are appointed by the employer, but if there is a union, the union sometimes appoints them. Contributions to an *insured* pension plan are used to purchase insurance annuities. These funds are administered by the insurance company that is providing the annuities.

Government benefits such as CPP/QPP and Old Age Security will be stretched thin as baby boomers grow older, and some private pensions may be vulnerable to poorly performing investments. It should also be noted that the pension funds of some organizations are not adequate to cover their obligations. Here is another interesting question: "Whose money is it?" When a pension fund has generated a surplus over plan (and many of them have), management tends to see this surplus as part of the organization's portfolio of assets; not surprisingly, employees tend to view it as their own money. Highlights in HRM 11.3 describes this debate.

Highlights in HRM 11.3

Whose Money Is It?

Ray Bekeris worked 12-hour shifts as a steelworker for 30 years for Cold Metal Products, a steel-manufacturing plant based in Hamilton, Ontario. Cold Metal Products went bankrupt, and Ray discovered that his pension plan was gone too. After the banks and other secured creditors got their money, almost none was left for the employees. Canadian bankruptcy laws favour secured creditors, and employees are at the bottom of the list. Actuaries view this as reasonable because creditors would not risk their investment if they were not at the top of the list to be repaid. This is not heartless because banks are investing people's money and want some expectation of a return. But this means that employees become unwitting investors. To illustrate, a company is in trouble, and the employer stops making its contributions to the pension plan. It uses this money to finance the company, perhaps prolonging the bankruptcy. The employees, who are likely unaware of this, become unintentional investors, but with no rights and no voice.

And it is not just private companies using pension plan funds as if the funds were their own money. A recent case before the court was deemed the most important pension court case in history. Legal firms representing 670,000 public service employees and retirees sued the federal government because it appropriated the pension surplus (of $28 billion in 1999). Employees believed that they were paying into a pension plan where the money would be held safely and then distributed to them, not to the general coffers of the government. In 2012, the Supreme Court of Canada ruled that the government had the right to appropriate the surplus in the pension account as it saw fit and that it did not have to pay back the $28 billion that had accumulated in the pension funds.

Bankruptcies and appropriation of pension surpluses are not the only threats to pension plans. Most pension plans can cover only 80 percent of their obligations. These facts should stimulate employees to not rely on organizational pension plans but to save wisely for their own retirements.

Sources: Diana Swain, "How Safe Is Your Pension?" *CBC News* (November 15, 2014), http://www.cbc.ca/news/background/pension; "Public Service Pension Plan: Pension Grab Court Case Begins," www.pipsc.ca/english/newsletteres c-dec05/6.html; MacCharles Tonda, "Public Service Unions Not Entitled to $28B Pension Surplus, Says Supreme Court," *Toronto Star* (December 19, 2012), http://www.thestar.com/news/canada/2012/12/19/public_service_unions_not_entitled_to_28b_pension_surplus_says_supreme_court.html; "Public Service Pension Plan: Pension Grab Court Case Begins," The Professional Institute of the Public Service of Canada, http://www.pipsc.ca/portal/page/portal/website/news/magazine/winter05/1282F121F54C1F9AE0440003BA0B1A4B?_template5/website/t_printerfriendly.

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EMPLOYEE SERVICES: CREATING A WORK–LIFE SETTING

Employee services, like other benefits, represent a cost to the employer. But they are often well worth the cost. More and more different services are being offered by employers to make life at work more rewarding and to enhance the well-being of employees. "Wellness is good for business," says Ann Coll of Husky Injection Molding Systems. The employees at Husky's plant in Bolton, Ontario, enjoy a subsidized cafeteria with organic vegetarian meals, a $500 stipend for vitamins, and a fitness centre that is open around the clock.

CREATING A FAMILY-FRIENDLY SETTING

ISM Canada, a division of IBM, which operates mostly in Western Canada, offers maternity and parental leave top-up payments of up to 50 weeks, flexible work hours, and telecommuting programs to its employees. Eddie Bauer, an outdoor clothing and equipment supplier, offers its employees takeout dinners and one paid "balance day" off a year. AltaGas, based in Calgary, offers many benefits: a share-purchasing plan, extra vacation days, quarterly corporate events such as cross-country skiing, emergency short-term childcare, and discounts on home computers.[32] These organizations, and many others, are seeking to create a family-friendly organizational environment that allows employees to balance work and personal needs. Programs such as these help employees manage their time; employers benefit by attracting good workers and by reducing the various interruptions that affect workplace productivity.[33] Figure 11.5 lists some of the more popular employer-sponsored work–life benefits.

EMPLOYEE ASSISTANCE PROGRAMS

To help workers cope with a wide variety of problems that interfere with their work performance, organizations have developed **employee assistance programs (EAPs)**. Typically, an EAP provides diagnosis, counselling, and referral services for alcohol or drug problems, emotional problems, and financial or family crises. (EAPs are discussed in more detail in Chapter 12.) It has been estimated that employees' stress adds as much as 8 percent to payroll costs. The point of EAPs is to help employees solve their personal problems or at least to prevent those problems from turning into crises that affect their ability to work productively. To handle crises, many EAPs offer 24-hour hotlines. Between 7 and 10 percent of employees use EAPs.[34] There was also a 19 percent spike in EAP use in January 2014.[35] The Public Service Commission of the Yukon Government provides a

employee assistance programs (EAPs)
Services provided by employers to help workers cope with a wide variety of problems that interfere with the way they perform their jobs

FIGURE 11.5

FAMILY-FRIENDLY BENEFITS: BALANCING WORK AND HOME NEEDS

- childcare/eldercare referral services
- time off for children's school activities
- employer-paid on-site or near-site childcare facilities
- flexible work hours scheduling
- employee-accumulated leave days for dependant care
- subsidized temporary or emergency dependant care
- extended leave policies for childcare/eldercare
- sick child programs (caregiver on call)
- work-at-home arrangements/telecommuting
- partial funding of childcare costs
- customized career paths

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summary of employee and employer responsibilities when using the EAP to deal with the personal problems of employees that affect their work performance (see Highlights in HRM 11.4).

COUNSELLING SERVICES

An important part of an EAP is the counselling services it provides to employees. Although most organizations expect managers to counsel subordinates on work-related issues, some employees will have problems that require professional counselling. Most organizations refer these employees to outside services such as family counselling services, marriage counsellors, and mental health clinics. Some organizations have a clinical psychologist, counsellor, or comparable specialist on staff to whom employees may be referred.

CHILDCARE AND ELDERCARE

Consider these statistics:

- About 32 percent of Canadians have eldercare responsibilities.
- Employees spend an average of 23 hours each month on eldercare.[36]

Those responsible for caregiving are more likely to miss work because of the emotional and physical fatigue associated with caregiving.[37] Great-West Life Assurance Company, based in Winnipeg, has hired a family services coordinator to help its employees with family issues. The coordinator recommends products, such as personal alarm systems, or services, such as adult daycare in the community.[38] In the past, working parents had to make their own arrangements with sitters or nursery schools for preschool children. Today, benefits may include

Highlights in HRM 11.4

Yukon Government's Public Service Commission

Employee Assistance Program

To assist employees to deal with personal problems that are affecting or have the potential to affect their work performance.

Employee Rights and Responsibilities

- To maintain work performance at an acceptable level.
- To voluntarily seek or accept confidential assistance or advice when deteriorating or impaired work performance is being caused by a personal, health, or behavioural problem.
- To cooperate in any treatment program that is established and continue the program to completion.
- An employee who accepts the referral, counselling, and rehabilitation available under EAP does so without prejudice to job security.

Supervisory Responsibilities

- Recognize that a problem exists.
- Document the facts.
- Confront the employee with the facts.
- Try to find a solution within the work situation without diagnosing the underlying personal/behavioural problem.
- Refer the employee to the EAP if the problem cannot be resolved in the workplace.
- Follow up with the EAP adviser on the employee's progress.
- Work with the EAP adviser in establishing a course of action to reintegrate the employee into the work environment.
- Monitor the work performance of the employee against clearly established objectives and support the employee in the integration process.

Source: Government of Yukon, Public Service Commission.

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financial assistance, alternative work schedules, and family leave. For many employees, on-site or near-site childcare centres are the most visible, prestigious, and desired solutions.

Ontario Hydro has provided the space and is paying the occupancy costs for a program it calls Hydro Kids. This program encompasses three on-site daycare centres, which are open to company employees. These nonprofit centres are operated by the parents themselves, who hire the childcare staff and manage day-to-day operations. Parents pay market rates for the childcare services.[39] Trican Well Service Ltd. offers maternity and parental leave top-up payments for new mothers and adoptive parents to 100 percent of salary for a full year, as well as parental top-up for fathers to 100 percent for new fathers for 37 weeks.[40]

A growing benefit offered to employees with children experiencing a short illness is called "mildly ill childcare." Medical supervision is the primary difference between these facilities and traditional daycare arrangements. Mildly ill care facilities serve children recovering from colds, flu, ear infections, chickenpox, or other mild illnesses that temporarily prevent them from attending regular school or daycare. See Highlights in HRM 11.5 for examples of childcare benefits at Statistics Canada.

Responsibility for the care of aging parents and other relatives is another fact of life for more and more employees. The term **eldercare**, as used in the context of employment, refers to situations in which an employee provides care to an elderly relative while remaining actively at work. Most caregivers are women.

There is no doubt that eldercare responsibilities detract from work efficiency: from time lost to take a parent to the doctor to loss of concentration due to worry, work time being spent making care arrangements, never knowing when

eldercare
Care provided to an elderly relative by an employee who remains actively at work

Highlights in HRM 11.5

Simon Fraser University Makes Childcare a Priority

The Conference Board of Canada reports that employees who have a great deal of stress maintaining work–life balance are more prone to absenteeism (7.2 days per year) as opposed to those who have less stress balancing their work life (3.6 days). It is no wonder that Simon Fraser University, of Burnaby, British Columbia, decided to make work–life balance a key component of its organization. The university, employer of some 2,930 employees, ranked among the top 20 of Canada's Top Family-Friendly Employers in 2018. Although Simon Fraser University's overall ranking in each component was way above average/excellent, when it comes to health and family-friendly benefits, Simon Fraser not only makes the top 20 best employers in Canada, it also gets top scores in benefit packages. Among

some of the benefits offered are full family healthcare (i.e., alternative and traditional medicine coverage); maternity, paternity, and adoptive parents leave, topped up to 100 percent for 35 weeks; 4 weeks' vacation; 12 weeks' sick leave after 1 year; and 5 compassionate and 2 personal days.

The childcare programs available to employees are particularly noteworthy. The university offers 11 programs at its Burnaby campus, including infant and toddler (ages 3 to 36 months), preschool (ages 3 to 5 years), and school-age programs (ages 5 to 8 and 8 to 12). The daycare serves some 300 children and their families and is staffed with early childhood educators who enjoy not only flexible work arrangements but competitive wages and vacation time as well.

Sources: Richard Yerema and Kristina Leung, "Top 100 Employers in Canada," *The Globe and Mail/National* (November 6, 2017), https://content.eluta.ca/top-employer-simon-fraser, retrieved June 23, 2018; http://www.hrs.ualberta.ca/HPaWS/CMHA-employer_Brochure.pdf; Jermyn, Diane, "List of Canada's Top Family-Friendly Firms for 2013," *The Globe and Mail* (December 10, 2012), http://www.theglobeandmail.com/report-on-business/careers/top-employers/list-of-canadas-top-family-friendly-firms-for-2013/article6097119/; http://www.sfu.ca/archive-university-communications/sfu_facts.html; Allison Dunfiel, "Family Support Generous Maternity Pay Makes Trican Stand Out," *The Globe and Mail* (October 9, 2012), http://www.theglobeandmail.com/report-on-business/careers/top-employers/generous-maternity-pay-makes-trican-stand-out/article4598557/; http://www.sfuchildcare.ca/about-us/our-programs/; http://www.sfu.ca/policies/gazette/administrative/10-8.html; http://www.hrs.ualberta.ca/HPaWS/CMHA-Employer_Brochure.pdf.

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an emergency will occur, and calls from neighbours and relatives disrupting the workday. When combined, these responsibilities lead to a situation where neither the caregiver nor the employee role is filled adequately. Lost productivity due to absenteeism of those caring for elders can cost a 1,000-employee company without an eldercare program as much as $400,000 per year. Transamerica Corporation, an insurance and financial services organization, reported that 1,600 missed work-days per year were attributed to 22 percent of its employees who were caring for an elderly relative, for an annual loss to the corporation of $250,000. For larger companies, these costs can run into the millions.[41]

To reduce the negative effects of caregiving on productivity, organizations can offer eldercare counselling, educational fairs and seminars, printed resources, support groups, and special flexible schedules and leaves of absence. Schering-Plough, a pharmaceuticals manufacturer, uses an 800-line for eldercare referrals. IBM has established a nationwide telephone network of more than 200 community-based referral agencies. Some employers band together to come up with better solutions to the challenge of eldercare.

AT&T has given grants to community organizations to recruit, train, and manage eldercare volunteers where its employees live and work. Travellers Corporation, a financial services company, is part of a consortium of employers that trains family care workers; it also shares with employees the cost of three days' in-home care for family emergencies.[42] Interest in and demand for eldercare programs will increase dramatically as baby boomers age and find themselves managing organizations and experiencing eldercare problems with their own parents.

OTHER SERVICES

The variety of benefits and services that employers offer today could not have been imagined a few years ago. Some are fairly standard, such as legal services, financial planning, housing and moving expenses, transportation pooling, credit unions, and recreational and social services. Others are unique and obviously grew out of specific concerns, needs, and interests. Some of the more creative and unusual benefits are group insurance for employee pets, free baseball tickets for families and friends, on-site barbers and car washers, and drop-offs for dry cleaning. Highlights in HRM 11.6 illustrates examples of various types of flexible benefits.

Caring for one's aging parents and relatives is a growing concern for employees.

Henglein and Steets/Getty Images

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Highlights in HRM 11.6

Business Development Bank of Canada (BDC)

BDC, employer of some 2,250 employees across Canada, has been highly ranked on the list of Canada's best employers for pension and benefits since 2007. Among the various benefits offered by BDC, employees are given the opportunity to buy and sell vacation time as part of their benefits package. This began in 2003 as part of the corporation's total rewards plan. The corporation is charged with delivering financial investment and consulting services to Canadian small businesses, with emphasis on the technology and export sector of the Canadian economy.

Due to comprehensive communication efforts, the company has gained buy-in from all provinces. This flexibility is being touted as improving things "a whole lot" given that employees are empowered to make choices about their vacation days. BDC places in the top 30 employers with the best benefits; however, the term "best benefits" makes Maryse Corbella, total rewards director, uncomfortable. "Saying it that way bothers me. What we have done is maximized flexibility and leveraged people's understanding and ability to make things work for them, and that's what they really, really appreciate." On an annual basis, between 30 and 35 percent of their employees have the ability to release funds to buy one to five vacation days each year, and "they love it," says Corbella.

Other ways employees can distribute their excess flex dollars include receiving them in cash, allocating them to their health spending account, putting them into an employee savings plan where the funds are matched by BDC, or earmarking them to pay a portion of their pension contribution. Corbella says that her biggest challenge with respect to benefits is ensuring that service providers really deliver. Plan members are savvy consumers and expect high-quality service. "You could have the best design and the best enrollment, then if it all falls apart when employees go to use it, you lose credibility," she says. The decision to move to flexible benefits was prompted by demographic pressures and the realization that benefits can be an important attraction and retention tool. "We need this edge to hold on to people and retain people," says Corbella. "I don't think benefits are a 'gimme' anymore. They're not a throwaway. People do pay attention to them a lot more than they used to."

Source: Richard Yerema and Kristina Leung, "Top 100 Employers in Canada," *The Globe and Mail/National* (November 6, 2017), https://content.eluta.ca/top-employer-bdc, retrieved June 23, 2018; Andrea Davis, "Canada's Best Pension and Benefits Plans: The People's Choice," *Benefits Canada* 31, 6 (2007): 44–57.

Small Business Application

Small business aims to address three issues with the prevalence of benefit programs in Canada. First, such programs help employees remain healthy, reducing the cost of absenteeism. Second, such programs help keep small businesses competitive with other employers. Third, these programs provide a tax advantage as contributions to such programs may be tax exempt, whereas compensation is taxable.

So what options are available to small business? From the standpoint of benefits programs, many insurance providers have benefits programs available for as few as one or two employees. Such programs can be employer paid, employee paid, or cost shared. Coverage can be 100 percent, 80 percent, or any other level. Plans may cover full-time employees, part-time employees, or both. It is critical to identify the plan that best meets the objectives and budget of the organization. Regarding retirement plans, assuming that the set-up and management of pension plans is cost prohibitive and administratively burdensome, small employers may wish to provide an incentive to employees to contribute to an RSP managed by the employee. Simple programs where a company matches employee contributions to an RSP up to a certain maximum can have the same positive effect of a company pension, with much lower cost and program administration challenges.

In conclusion, not all small companies have benefit or retirement programs. However, recognizing the benefit of such programs and that many can be implemented with relative ease and low cost, small companies certainly should consider them.

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Summary

OUTCOME 1 Benefits are an established and integral part of the total compensation package. To have an effective benefits program, there are certain basic considerations. It is essential that a program be based on specific objectives that are compatible with the organization's philosophy and policies, as well as affordable. Through committees and surveys, a benefits package can be developed to meet employees' needs. Through the use of flexible benefits plans, employees are able to choose those benefits that are best suited to their individual needs. An important factor in how employees view the program is the full communication of benefits information through meetings, printed materials, and annual personalized statements of benefits.

Since many benefits represent a fixed cost, management must pay close attention to assuming more benefit expense. Increasingly, employers are requiring employees to pay part of the costs of certain benefits. Employers also shop for benefits services that are competitively priced.

OUTCOME 2 Nearly one-quarter of the benefits packages provided by employers are legally required. These benefits include employer contributions to retirement plans, employment insurance, and workers' compensation insurance.

The cost of healthcare programs has become the major concern in the area of employee benefits. Several approaches can be used to contain healthcare costs, including reduction in coverage, increased coordination of benefits, and increased deductibles. EAPs and wellness programs can also help cut the costs of healthcare benefits.

OUTCOME 3 Included in the category of benefits that involve payments for time not worked are vacations with pay, paid holidays, sick leave, and severance pay. Most Canadian workers receive 10–15 days' vacation leave plus statutory holidays. In addition to vacation time, most employees—especially in white-collar jobs—receive a set number of sick leave days. A one-time payment of severance pay may be given to employees who are being terminated.

OUTCOME 4 Many provinces have abolished mandatory retirement, and now employees can choose when to retire. However, many employers provide incentives for early retirement in the form of increased pension benefits or cash bonuses. Some organizations now offer preretirement programs, which typically include seminars, workshops, and informational materials.

Once a pension plan has been established, it is subject to federal and provincial regulation to ensure that benefits will be available when the employee retires. Although two types of plans are available—defined benefit and defined contribution—most employers now opt for the latter. The amount an employee receives on retirement is based on years of service, average earnings, and age at the time of retirement. Usually, pension benefits are integrated with CPP/QPP. Pension funds are administered through either a trustee or an insurance plan.

OUTCOME 5 The types of service benefits that employers typically provide include EAPs, counselling services, childcare, and eldercare. Other benefits are prepaid legal services, financial planning, housing and moving, transportation pooling, credit unions, and social and recreational opportunities.

Key Terms

contributory plan, 402
defined-benefit plan, 402
defined-contribution
    plan, 402
eldercare, 407

employee assistance programs
    (EAPs), 405
flexible benefits plans (cafeteria
    plans), 388
non-contributory plan, 402

severance pay, 401
silver handshake, 401
vesting, 403
workers' compensation
    insurance, 397

Discussion Questions

1. Assume that you have been hired as the HR manager of a small computer software firm with 180 employees. The CEO has asked you to design a strategic benefits plan for the firm. Using the knowledge gained in this chapter and book, discuss the key steps you would suggest in such a plan.

2. Many organizations are concerned about the rising cost of employee benefits and question their value to the organization and to the employees.

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a. In your opinion, what benefits are of greatest value to employees? To the organization? Why?

b. What can management do to increase the value to the organization of the benefits provided to employees?

3. Benefits account for a significant percentage of payroll costs for organizations. Name three ways in which you, as an employer, would try to reduce the costs of benefits.

4. Do you agree with the argument that the benefits for time not worked are the ones most readily available to reduce employer costs? Explain.

5. As was mentioned in the opening of this chapter, many employees do not know the details of the benefits they receive. Discuss how you would go about designing and implementing a communications plan to address this issue.

6. Many organizations are introducing flexible benefit plans. Why? What are the advantages and disadvantages?

7. Given the costs of employee benefits, should cash-strapped organizations provide discretionary benefits? Why or why not? Support your answer with reference to examples.

8. Assume that your team has been hired as a benefits consultant by a small business with 50–60 employees. What benefits do you believe this employer should offer given its limited resources? Explain why you would offer these benefits.

HRM Experience

Understanding Employer Benefit Programs

Compensation surveys indicate that a majority of employees are unable to accurately name the benefits they receive, and employees vastly underestimate the cost of benefits paid by their employers.

This exercise will help you more fully understand the benefits discussed in this chapter. Additionally, you will explore, in detail, the benefits and services offered by your employer and other employers in your area.

Assignment

Working in teams of four to six, obtain information on the benefits package offered by your employer or other employers in your area. Once the information is gathered, be able to identify (1) each benefit offered, (2) what the benefit provides the employee, (3) employee eligibility (if required), and (4) how the benefit is paid for (employer, employee, or a combination of both). Compare benefit packages. Be prepared to discuss your findings with the class.

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Case Study 1

EVALUATE THE WORK–LIFE CLIMATE IN YOUR COMPANY

What is the quality of the work–life environment in your company? The following survey provided by the Work and Family Connection will help provide a "case analysis" of the climate in your organization. Answers to the 20 questions will provide clear insights about your company's position in the work–life area.

Agree or disagree with the following statements:

1. My manager/supervisor treats my work–life needs with sensitivity.
2. It is usually easy for me to manage the demands of both work and home life.
3. My career path at this company is limited because of the pressure of home life demands.

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4. My job at this company keeps me from maintaining the quality of life I want.
5. My manager/supervisor is supportive when home life issues interfere with work.
6. My manager/supervisor focuses on results rather than the time I am at my desk.
7. My manager/supervisor has a good understanding of flexible work-hour practices.
8. If I requested a flexible work arrangement, my manager/supervisor would support me.
9. My manager/supervisor is often inflexible or insensitive about my personal needs.
10. I believe my manager/supervisor treats me with respect.
11. My manager/supervisor allows me informal flexibility as long as I get the job done.
12. My manager/supervisor tends to treat us like children.
13. My manager/supervisor seldom gives me praise or recognition for the work I do.
14. My manager/supervisor seems to care about me as a person.
15. I would recommend this company to others.
16. The work I do is not all that important to this company's success.
17. If I could find another job with better pay, I would leave this organization.
18. If I could find another job where I would be treated with respect, I would take it.
19. If I could find another job where I could have more flexibility, I would take it.
20. I am totally committed to this company.

For a perfect score, you should answer "Disagree" to questions 3, 4, 9, 12, 13, 16, 17, 18, and 19 and "Agree" to all the rest (questions 1, 2, 5, 6, 7, 8, 10, 11, 14, 15, and 20).

To score, begin by giving yourself 20 points. Then deduct one point for every "wrong" response from the total score.

If your score is 18 to 20: Congratulations! Your organization is leading the nation in flexibility and supportiveness.

If your score is 14 to 17: Your organization is probably more supportive and flexible than most, but you have room to grow.

If your score is 11 to 13: You could be open to other job offers in the race for talent among employees.

If your score is 10 or less: Your managers will need help to manage the 21st century workforce.

Case Study 2

MAPLE LEAFS' FAMILY-FRIENDLY BENEFITS: AN UNEXPECTED BACKLASH

Maple Leafs Computing Services (MLCS), a provider of HR software application systems, prides itself on the variety of benefits it offers employees. In addition to healthcare, pension, and vacation benefits, the company also offers an attractive family-friendly benefits package including flexible schedules, childcare and eldercare assistance, counselling services, adoption assistance, and extended parental leave. Unfortunately, the company's progressive work–life policy has experienced a backlash from several employees, as the following case illustrates.

In March 2014, Mala Wifey was hired by MLCS as a software accounts manager. With excellent administrative and technical skills, plus four years of experience at Adaptable Software, MLCS's main competitor, Mala became a valued addition to the company's marketing team. As a mother with two grade-school children, Mala received permission to take Fridays off. She was also allowed to leave work early or come in late to meet the demands of her children. Mala is one of 11 software account managers at MLCS.

The problem for MLCS, and particularly Janis Blancero, HR manager, began in the fall of 2013. On September 15, Lana Bajana, citing "personal reasons"—which she refused to discuss—requested a 4-day workweek for which she was willing to take a 20 percent cut in pay. When Lana asked for the reduced work schedule, she sarcastically quipped, "I hope I don't have to have kids to get this time off." On October 3, Lilman Cutee, a world-class marathon runner, requested a flexible work-hours arrangement to accommodate his morning and afternoon training schedule. Lilman is registered to run the London, England, marathon. Just prior to Lilman's request, Amelia Neymie asked for, and was granted, an extended leave for her university examinations in December. If these unexpected requests were not enough, Janis has heard comments from senior account managers about how some employees seem to get "special

privileges," whereas the managers work long hours that often require them to meet around-the-clock customer demands. Janis has adequate reason to believe that there is hidden tension over the company's flexible work-hours program. Currently, MLCS has no formal policy on flexible schedules. Furthermore, with the company's growth in business combined with the increasing workload of software account managers and the constant service demands of some customers, Janis realizes that she simply cannot grant all the time-off requests of her employees.

Questions

1. Do managers such as Janis Blancero face a more complicated decision when evaluating the personal requests of employees versus evaluating employees' individual work performance? Explain.
   a. Should MLCS establish a policy for granting flexible work schedules? Explain.
   b. If you answered yes, what might that policy contain?
2. If you were Janis Blancero, how would you resolve this dilemma? Explain.

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Promoting Safety and Health

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Summarize the common elements of federal and provincial occupational health and safety legislation.

LO 2 Describe the measures managers and employees can take to create a safe work environment.

LO 3 Identify ways to control and eliminate various on-the-job health hazards.

LO 4 Describe the programs organizations utilize to build better health among their workforces.

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Good health and safety practices are indicative of top-notch organizations. Annually, surveys done to judge the "best employers" in Canada and the United States, such as the Great Place to Work (GPTW) Institute surveys, are used to compile lists of the best places to work. Very often, healthy and safe workplaces are keys to top rankings on this list.[1]

Occupational safety and health accidents are both numerous and costly to employers. To prevent losses such as these, employers are concerned with having working conditions, in all areas of employment, that provide for the safety and health of their employees.

Although the laws safeguarding employees' physical and emotional well-being are certainly an incentive, many employers are motivated to provide desirable working conditions by virtue of their sensitivity to human needs and rights. The more cost-oriented employer recognizes the importance of avoiding accidents and illnesses wherever possible. Based on recent statistics, 1 in every 70 workers can expect to be injured at work each year in Canada. And there were over 900 workplace deaths in Canada in 2016.[2] Costs associated with sick leave, disability payments, replacement of employees who are injured or killed, and workers' compensation far exceed the costs of maintaining a safety and health program. One study found that employers saved between $1.81 and $6.15 for each $1 invested in workplace health and safety.[3] Accidents and illnesses attributable to the workplace may also have pronounced effects on employee morale and on the goodwill that the organization enjoys in the community and in the business world.

Employers are motivated by more than costs and their reputations to keep their workers safe and healthy, however. Most organizations provide their employees with good working conditions (1) because it is the right thing to do, and (2) because firms realize that people are the most strategic asset they have.

Most companies in Canada use some form of health and safety program. Safety programs are plans of action to prevent accidents or occupational diseases. Health programs are plans of action to encourage the health and wellness of employees. Health and safety programs ensure that employees stay safe and healthy so they can continue to work. This lowers costs for the company. However, current research shows that health programs not only save the company money through fewer sick days, workers' compensation, disability payments, and replacing employees who are injured or killed, but these programs also increase employee productivity.[4]

Truly proactive companies can use total quality management (TQM) in enhancing their programs. TQM is a set of principles and practices whose core ideas include understanding customer needs, doing things right the first time, and striving for continuous improvement. Interestingly, a study that looked at companies that had won awards for TQM concluded that these firms not only had maintained above-average earnings, productivity, and growth rates but also had improved worker safety by a remarkable amount. Perhaps part of the reason why this is so is that programs such as TQM result in greater employee engagement. We will talk more about employee engagement and safety later in the chapter.

After discussing the legal requirements for safety and health, the rest of the chapter will focus on the creation of a safe and healthy work environment and on the management of stress.

SAFETY AND HEALTH: IT'S THE LAW

Consider these facts and those in Figure 12.1:

- According to the Association of Workers' Compensation Boards of Canada, in 2016, there were 904 workplace-related deaths, which means that, on average, between three and four Canadian workers die every working day (using a 5-day work week).
- There are over 1 million work-related injuries each year.
- In 2016, there were 240,682 injuries serious enough to cause a worker to miss at least one day of work.
- Roughly $11 billion is paid out to injured workers and their families annually.[5]

<aside>
LEARNING OUTCOME 1

Why do you think so many safety and health laws have been enacted?
</aside>

FIGURE 12.1

FATALITIES AND INJURIES ACROSS CANADA, 2016

Province	Fatalities	Injuries/Lost Time Claims
NL	13	3,589
PE	x	1,010
NS	24	6,087
NB	20	4,516
QC	217	6,8537
ON	289	57,368
MB	16	14,272
SK	31	8,589
AB	144	24,380
BC	144	51,004
NT/NU	x	826
YT	x	464
Total	904	240,682

Source: "National Work Injury, Disease and Fatality Statistics, 2014–2016." Association of Workers Compensation Boards of Canada, http://awcbc.org/wp-content/uploads/2018/03/National-Work-Injury-Disease-and-Fatality-Statistics-Publication-2014-2016-May.pdf, retrieved June 23, 2018.

occupational injury
Any cut, fracture, sprain, or amputation resulting from a workplace accident or from an exposure involving an accident in the work environment

occupational illness
Any abnormal condition or disorder, other than one resulting from an occupational injury, caused by exposure to environmental factors associated with employment

The burden on Canada's commerce as a result of lost productivity and wages, medical expenses, and disability compensation is staggering. And there is no way to calculate the human suffering involved.

Occupational health and safety is regulated by the federal, provincial, and territorial governments. Statutes and standards vary slightly from jurisdiction to jurisdiction, although attempts have been made to harmonize the various acts and regulations. An **occupational injury** is any cut, fracture, sprain, or amputation resulting from a workplace accident. The worker's involvement in the accident can be direct, or the worker can simply be near enough to the accident to be injured as a result of it. An **occupational illness** is any condition or disorder (other than one resulting from an occupational injury) caused by the work environment. An occupational illness can be acute or chronic; it can result from inhaling, absorbing, ingesting, or directly contacting an illness-causing agent. Those working in the field agree that occupational illnesses are underreported because few diseases are caused solely by work-related factors, and cause and effect can be difficult to determine. Consider, for example, the case of a mine worker who has contracted a lung disease but who also smokes heavily.

ACTS AND REGULATIONS

All HR managers should become familiar with the occupational health and safety laws that apply to their organization. Acts are laws passed by various legislatures/parliaments across Canada; regulations and guidelines specify how the laws should be applied. The various acts and government departments that enforce the legislation are listed in Figure 12.2. Provinces continue to make changes to the legislation to health and safety in the workplace. In early 2016, the Ontario government made statutory amendments, brought under Bill 132, to investigate and address sexual harassment in the workplace. The law now requires employers to have workplace harassment policies and procedures in place; it is an employer's

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FIGURE 12.2

OCCUPATIONAL HEALTH AND SAFETY IN CANADA

Jurisdiction	Legislation	Enforcement
Canada	*Canada Labour Code*	Ministry of Labour
Alberta	*Occupational Health and Safety Act*	Occupational Health and Safety Council (OHSC)
British Columbia	*Workers Compensation Act*	WorkSafeBC
Manitoba	*Manitoba Workplace Safety and Health Act and Regulation*	Workplace Safety and Health Division (WSHD)
New Brunswick	*Occupational Health and Safety Act*	WorkSafeNB
Newfoundland and Labrador	*Occupational Health and Safety Act*	Occupational Health and Safety Branch
Nova Scotia	*Occupational Health and Safety Act*	Department of Labour and Workforce Development
Ontario	*Occupational Health and Safety Act*	Ministry of Labour
Prince Edward Island	*Occupational Health and Safety Act*	Workers Compensation Board of PEI
Quebec	*An Act Respecting Occupational Health and Safety* (*AOHS*)	Commission de la santé et de la sécurité du travail (CSST)
Saskatchewan	*Occupational Health and Safety Act*	Saskatchewan Labour
Northwest Territories	*Safety Act*	Workers' Safety and Compensation Commission
Nunavut	*Safety Act*	For information only; not an official act
Yukon	*Occupational Health and Safety Act*	Workers' Compensation, Health and Safety Board

duty to provide employees with a safe workplace.[6] The amended legislation lays out reporting issues, how allegations will be investigated, how confidential information will be treated, and the communication of corrective action, among other areas. In British Columbia, there have been changes in how accidents are investigated and reported. In summary, employers must complete an initial report within 48 hours after the incident. The employer needs to identify any unsafe practices and conditions that may have caused the accident. Interim corrective action is required, and a full investigation follows.[7]

DUTIES AND RESPONSIBILITIES

The fundamental duty of every employer is to take every reasonable precaution to ensure employee safety. The motivating forces behind workplace legislation were effectively articulated in the landmark case *Cory v. Wholesale Travel Group*, in which Judge Cory stated: "From cradle to grave, we are protected by regulations; they apply to the doctors attending our entry into this world and to the morticians present at our departure. Every day, from waking to sleeping, we profit from regulatory measures which we often take for granted."[8]

Regulatory legislation is essential to the operation of our complex industrial society; it plays a legitimate and vital role in protecting those who are most vulnerable and least able to protect themselves. The extent and importance of that role have increased continuously since the onset of the Industrial Revolution. Before effective workplace legislation was enacted, labourers—including children—worked unconscionably long hours in dangerous and unhealthy surroundings that evoke visions of Dante's Inferno. Regulatory legislation, with its enforcement provisions, brought an end to the shameful situations that existed in mines, factories, and workshops in the nineteenth century. The differential treatment of regulatory offences is justified by their common goal of protecting the vulnerable.

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Duties of Employers

Besides providing a hazard-free workplace and complying with the applicable statutes and regulations, employers must inform their employees about safety and health requirements. Employers are also required to keep certain records, to compile an annual summary of work-related injuries and illnesses, and to ensure that supervisors are familiar with the work and its associated hazards (the supervisor, in turn, must ensure that workers are aware of those hazards). An organization with many employees may have a full-time health and safety officer.

In all jurisdictions, employers are required to report to the Workers' Compensation Board all accidents that cause injuries and diseases. Accidents resulting in death or critical injuries must be reported immediately; the accident must then be investigated and a written report submitted. In addition, employers must provide safety training and be prepared to discipline employees for failing to comply with safety rules. Employers are increasingly being required to prove *due diligence*. This includes establishing a comprehensive occupational health and safety management system; providing competent supervision, training, and instruction; and taking every reasonable precaution in the workplace for the health and safety of workers. Highlights in HRM 12.1 provides a list of health and safety procedures for new employees.

Duties of Workers

Employees are required to comply with all applicable acts and regulations, to report hazardous conditions or defective equipment, and to follow all employer safety and health rules and regulations, including those prescribing the use of protective equipment.

Workers have many rights that pertain to requesting and receiving information about safety and health conditions. They also have the right to refuse unsafe work without fear of reprisal. (Some professionals, such as police, firefighters, teachers, and healthcare workers, have only a limited right of refusal, the logic being that their work is inherently dangerous.) An employee who suspects that work conditions are hazardous can report this concern to his or her supervisor; this will trigger an investigation by the supervisor and a worker representative.

A work refusal investigation can result in either the employee's return to work or his or her continued refusal. In the latter case, the appropriate ministry is notified and an investigator is dispatched to the job site to provide a written decision. If a replacement worker is used, he or she must be notified of the previous employee's refusal to work.

Duties of Supervisors

A supervisor is generally defined as a person (with or without a title) who has charge of a workplace and authority over a worker. Occupational health and safety acts require supervisors to do the following: advise employees of potential workplace hazards; ensure that workers use or wear safety equipment, devices, or clothing; provide written instructions where applicable; and take every reasonable precaution to guarantee the safety of workers.

Duties of Joint Health and Safety Committees

Most jurisdictions require that health and safety committees be set up, with both union and management representation. The point of these joint committees is to establish a nonadversarial climate for creating safe and healthy workplaces. In Ontario, at least one management representative and one worker representative must be certified. The certification program provides training in the following subjects: safety laws, sanitation, general safety, rights and duties, and indoor air quality. Read about how a world leader in health and safety structures committees to produce award-winning safety environments in Highlights in HRM 12.2.

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Highlights in HRM 12.1

Health and Safety Checklist for New Employees

Employee Orientation Checklist

Areas to Be Covered	Description	Completed	
		Yes	No
Company Safety Rules	Explain safety rules that are specific to your company.		
Company Policies	Explain the health, safety, and wellness policies of your company.		
Previous Training	Ask the employee if she/he has taken any safety training.		
Training	Provide any necessary safety, environmental, compliance, or policy/procedural training.		
Health and Safety	Inform the health and safety specialist that a new employee has joined the company who may need safety training. Arrange for this training and education to occur.		
Potential Hazards	Tour your work areas and facility and discuss associated work area hazards and safe work practices.		
Emergency Procedures	Show and explain how to use emergency eyewashes and showers, first aid kits, fire blankets, fire extinguishers, fire exits, and fire alarm pull boxes, as applicable. Demonstrate the evacuation procedures.		
Toxic Products	Identify workspaces where hazardous materials are used, stored, or disposed. Provide training as necessary.		
Food and Beverages	Explain that food and beverages are only permitted to be stored in refrigerators clearly labelled "FOOD ONLY."		
Emergency Notification Form	Have the employee complete the Emergency Notification form. Keep a copy for your files and send a copy to your emergency coordinator.		
WHMIS	Identify the location of the Material Safety Data Sheets (MSDSs). Review the MSDSs for all hazardous materials to be used by the employee. Explain hazardous material labelling requirements. Conduct job-specific training.		
Emergency Evacuation	Review the company's emergency evacuation plan and explain the evacuation signals and procedures; point out proper exit routes and the designated assembly area for your branch.		
Personal Protective Equipment (PPE)	Review the PPE program if the employee will be required to wear protective equipment. Issue appropriate PPE that must be worn as required by the work being performed.		
In Case of Injury or Illness	Review the reporting procedures in the event of an injury and/or accident.		
Health and Safety Committee	Supply a copy of the facility telephone list with the names of safety committee members highlighted. Identify the location of the safety bulletin board. Explain how the employee can participate in the health and safety process (e.g., report hazards).		
General Rights and Responsibilities	Explain worker rights and responsibilities as granted by legislation. (See the section on our OSH Answers on Legislation for more details.)		
Emergency Contact	Provide a list of names, addresses, phone numbers, and fax numbers of the persons who must be contacted in case of emergency.		
Document	Maintain a record of the orientation.		

Employee Name:

Date:

Supervisor's Signature:

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Highlights in HRM 12.2

A World Leader in Health and Safety

When Novopharm merged with Teva Pharmaceuticals to become the world's largest producer of generic drugs, the company decided to pursue an aggressive growth strategy. Part of the strategy as the leader in the manufacture of pharmaceuticals was also to become the leader in environmental health and safety (EHS). The objectives were to develop a safety culture and a safety management system, improve occupational safety compliance with internal standards, reduce the number of accidents, and improve Novopharm's management rating. According to Roberto Ocon, Novopharm's former corporate director of environmental health, safety, and security, a series of high-level initiatives, processes, and procedures were developed to achieve this goal.

At Novopharm, the EHS department was transitioned into the operations department. This move ensured that EHS would become part of the culture at Novopharm and part of the day-to-day operations. Also, the EHS manager position was elevated to a director position reporting directly to the executive vice president of operations. The new position sits on the senior operations leadership management team. This increased the visibility of EHS resources.

Health and safety coordinators became managers positioned directly at the sites of each of the three manufacturing facilities in Ontario. In addition to having health and safety experience, these managers were also specialized in other disciplines (industrial hygiene, ergonomics, and training).

Being on-site and "walking" the floor on a regular basis allowed these new EHS managers to become an integral part of daily operations and encouraged an open dialogue with employees, who were able to openly express their concerns regarding health and safety.

As a further measure to support health and safety, the occupational health nurse visited each site at least one day each week to address and promote employee wellness programs.

Moving forward, three hierarchical levels of EHS committees were established to promote this culture throughout Novopharm. At the highest level, an EHS council is the champion of new initiatives and to set strategy. The next level is the steering committee. At this level, a work plan is established and targets are set. Furthermore, to ingrain the new initiatives across Novopharm, health and safety targets are included in each director's project management plan, where they are accountable for their performance in attaining health and safety mandates. At the third level, the employee committee meets monthly and explores methods in which to execute the directives. At this level, employees, the site manager, the site director, and the health and safety committee explore creative ideas and behaviour-based changes to promote health and safety.

As a result of implementing this new infrastructure into the culture of Novopharm, health and safety initiatives in its Ontario locations reached new levels of excellence. In a period of two years, Novopharm went from a reactive culture with poor involvement in safety activities to a very proactive culture with employee involvement in safety activities at all levels of the organization: a 40 percent compliance improvement and a 90 percent reduction in accidents.

Where health and safety has often been seen as an outside "policing" group, it has now become an integral part of operations and culture at Novopharm. Furthermore, instead of HR being used as a reference group in this process, it is now a contributing partner to the health and safety of the organization's employees. To demonstrate the level of commitment across the organization to its new programs, when a site director posted his commitment to health and safety on a large white board, every employee signed it. When the global CEO visited Canada, he signed it too and, in doing so, demonstrated the level of commitment, buy-in, and dedication to the health and safety of employees at Novopharm.

Source: Interview with Robert Ocon.

PENALTIES FOR EMPLOYER NONCOMPLIANCE

The penalties for violating occupational health and safety regulations vary across provinces and territories. Most health and safety acts provide for fines up to $500,000, and offenders can be sent to jail. A Nova Scotia wind farm was fined $95,000 when two workers died of carbon monoxide poisoning while working in

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Supervisors are required to advise employees of potential workplace hazards and ensure that workers wear safety equipment.

a shed with an improperly installed generator. General Motors Canada was fined $325,000 for a violation that resulted in an employee's death.[9] And the government of the Northwest Territories was fined $75,000 in relation to a workplace accident when two of its employees were injured on a ferry it operated; the government admitted that the employees were not properly trained, nor were they wearing appropriate safety gear.[10] Bill C-45, also known as the corporate killing law, makes it possible for criminal charges to be brought against coworkers, supervisors, and executives when a worker is killed or injured on the job.

industrial disease
A disease resulting from exposure to a substance relating to a particular process, trade, or occupation in industry

WORKERS' COMPENSATION

Under workers' compensation, injured workers can receive benefits in the form of a cash payout (if the disability is permanent) or wage loss payments (if the worker can no longer earn the same amount of money). Unlimited medical aid is also provided, along with vocational rehabilitation, which includes physical, social, and psychological services. The goal is to return the employee to his or her job (or some modification thereof) as soon as possible. Sun Life Assurance Company of Canada has a return-to-work awards program that gives premium credits to employers that allow injured workers to change jobs or duties to enable these employees to return to work. A person who has been off work for six months has a 50 percent chance of returning; after twelve months, a 20 percent chance; and after two years, a 10 percent chance. In Vancouver, Weyerhaeuser Company Ltd.'s coordinated back-to-work program resulted in a 47 percent reduction in the duration of claims and a 39 percent reduction in the costs of the claims.

Compensation has become a complex issue. The definitions of accidents and injuries have recently been expanded to include industrial diseases and stress. An **industrial disease** is a disease resulting from exposure to a substance relating to a particular process, trade, or occupation in industry.

Equally problematic is compensation for stress, which is discussed in more detail later in the chapter. Stress-related disabilities are usually divided into three groups: physical injuries leading to mental disabilities (e.g., clinical depression after a serious accident); mental stress resulting in a physical disability (ulcers or migraines); and mental stress resulting in a mental condition (anxiety over workload or downsizing, leading to depression). Most claims, it should be pointed out, result from accidents or injuries.

The emphasis in workers' compensation has been shifting away from simply making assessments and payments toward creating safety-conscious environments

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where there will be fewer work-related accidents, disabilities, and diseases. In some industrial sectors, employers are working together to establish rules and training programs to further the cause of accident prevention.

PROMOTING A SAFE WORK ENVIRONMENT

We have seen that employers are required by law to provide safe working conditions for their employees. To achieve this objective, the majority of employers have a formal safety program. Typically, the HR department or the industrial relations department is responsible for the safety program. Although the success of a safety program depends largely on managers and supervisors of operating departments, the HR department typically coordinates the safety communication and training programs, maintains safety records required by legislation, and works closely with managers and supervisors in a cooperative effort to make the program a success. As Dennis Locking, HR manager for Calgary-based Volker Stevin, a growing road-building company with more than 1,000 employees, states, "Safety is all about the way that you run your business. Wherever you see poor safety, there is always a poorly run company. If a company has a poor attitude toward safety, then it makes us wonder if that attitude is indicative of other aspects of their business."[11]

Organizations with formal safety programs generally have an employee–management safety committee that includes representatives from management, each department or manufacturing/service unit, and employee representatives. Committees are typically involved in investigating accidents and helping to publicize the importance of safety rules and their enforcement.

CREATING A CULTURE OF SAFETY

Probably the most important role of a safety awareness program is motivating managers, supervisors, and subordinates to be champions of safety considerations. In one study, "survey results showed a direct correlation between an increase in management's commitment to safety in the workplace and a decrease in accidents."[12]

Firms today try to create a "culture" of safety within their organizations that goes beyond managing operational processes and reducing accidents. A culture of safety exists when everyone within an organization consciously works to improve its safety and health conditions. HR managers play a key role in this effort. Furthermore, experts are advocating for a culture of safety that focuses specifically on *process safety metrics*. For example, instead of counting injuries, managers should set goals on how many unit safety meetings should be held quarterly and measure goal attainment.

Interviewing for Safety

One of the ways HR managers can help create a culture of safety within an organization is to encourage supervisors to incorporate safety into their interviews with job candidates. Have you ever known someone who seemed accident prone? What about someone who rarely experienced a scratch? Several researchers have reported finding a correlation between different employees and their propensity for safety. Although asking job candidates about the injuries they have experienced is off-limits, interviewers can ask candidates other behavioural-type questions designed to elicit their propensity for safety. For example, interviewers might ask candidates a question about an unsafe incident they witnessed and how they handled it.

If managers and supervisors fail to demonstrate awareness, their subordinates can hardly be expected to do so. Unfortunately, many managers and supervisors wear their "safety hats" far less often than their "production, quality control, and methods of improvement hats."

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Most organizations have a safety awareness program that entails the use of several different media. Safety lectures, commercially produced films, specially developed videos, and other media, such as pamphlets, are useful for teaching and motivating employees to follow safe work procedures.

The Key Role of the Supervisor

One of a supervisor's major responsibilities is to communicate to an employee the need to work safely. Beginning with new-employee orientation, safety should be emphasized continually. Proper work procedures, the use of protective clothing and devices, and potential hazards should be explained thoroughly. Furthermore, employees' understanding of all of these considerations should be verified during training sessions, and employees should be encouraged to take some initiative in maintaining a concern for safety. Since training by itself does not ensure continual adherence to safe work practices, supervisors must observe employees at work and reinforce safe practices. Where unsafe acts are detected, supervisors should take immediate action to find the cause. Supervisors should also foster a team spirit of safety among the work group.

Proactive Safety Training Program

Safety training is not only good business; in certain occupational areas, safety and health training is legally required. When training is mandated, employers must keep accurate records of all employee education. Violations can incur criminal penalties.

In companies that voluntarily undertake safety and health training, one study found the most frequent topics to be (1) first aid, (2) defensive driving, (3) accident prevention techniques, (4) hazardous materials, and (5) emergency procedures.[13] Most programs emphasize the use of emergency first aid equipment and personal safety equipment.

Most organizations have a safety awareness program that entails the use of several different media. Safety lectures and courses and printed and audiovisual material are common. The use of games has also become an interactive way to provide employees with safety training. Costco and Amazon.com, for example, have successfully used a product called Safety Bingo to motivate employees on a daily basis to create a safety-conscious atmosphere and remind them of their safety goals.[14]

HR professionals, and safety directors in particular, advocate employee involvement when designing and implementing safety programs.[15] Employees can offer valuable ideas regarding specific safety and health topics to cover, instructional methods, and proper teaching techniques.[16] Furthermore, acceptance for safety training is heightened when employees feel a sense of ownership in the instructional program.

Many associations, such as the Canadian Centre for Occupational Health and Safety and Workplace Safety & Prevention Services, which promote occupational health and safety, offer services and products to assist employers. Of course, the Web has become a popular way to disseminate safety training materials as well. Several reasons are advanced for the use of the Internet and information technology in safety and health training. First, enhanced delivery modes facilitate the development of both managers and employees.[17] Videos, PowerPoint presentations, and training apps are ideal methods for standardized safety, environmental, and health instruction. Second, information technology allows organizations to customize their safety and health training needs.[18] Third, information technology is ideally suited to regulatory instruction.[19]

Safety begins with proper instruction, as these firefighters demonstrate in this training exercise.

ENFORCING SAFETY RULES

Specific rules and regulations concerning safety are communicated through supervisors, bulletin board notices, employee handbooks, and signs attached to equipment. Safety rules are also emphasized in regular safety meetings, at new-employee orientations, and in manuals of standard operating procedures.[20]

Penalties for violation of safety rules are usually stated in the employee handbook. In a large percentage of organizations, the penalties imposed on violators are the same as those for violations of other rules. They include an oral or written warning for the first violation, suspension for repeated violations, and, as a last resort, dismissal. However, for serious violations—such as smoking around volatile substances—even the first offence may be cause for termination.

Although discipline may force employees to work safely, safety managers understand that the most effective enforcement of safety rules occurs when employees willingly obey and "champion" safety rules and procedures. This can be achieved when management actively encourages employees to participate in all aspects of the organization's safety program. For example, opportunities for employee involvement include (1) jointly setting safety standards with management, (2) participation in safety training, (3) involvement in designing and implementing special safety training programs, (4) involvement in establishing safety incentives and rewards, and (5) inclusion in accident investigations. Other ways to engage employees is to solicit their ideas and opinions when assessing the risk of jobs during the job analysis process. The idea behind this is to help identify potential hazards and develop protective measures before accidents occur. Establishing an employee safety suggestion program and asking employees to formally participate in the process of observing the safety behaviour of their coworkers are two other ways. Soliciting employees' opinions about the safety of the tools a company is considering purchasing is another way. At one railway company, not only do employees offer suggestions on the tools the company is considering buying, it is also not uncommon for the company's mechanical group to create new tools or retrofit them so they are safer for employees to use.

Safety rewards are another popular way to encourage workplace health and safety. There are many workable incentives—for example, gift certificates, cash awards, trips, dinners, and gifts such as clothing or jewellery. Economy Carriers, a transportation company based in Edmonton, offers an employee points program. It audits 18 operational areas for safety; on the basis of that audit, employees accumulate safety points, which they can use for purchases. Two researchers looked at 24 studies in which positive reinforcement and feedback were used to enhance safe behaviour. In all studies, incentives were found to improve safety conditions or reduce accidents.[21]

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The Procter & Gamble (P&G) plant in Belleville, Ontario, won an award for its novel approach to incentives. The plant manager calculated that P&G would receive a refund from workers' compensation of about $200,000 a year if injuries were eliminated at the plant. He then set up a plan that would allow this refund to go to the local hospital if the target of zero injuries was achieved. With this community-based incentive, P&G employees met the target, and the hospital received a large donation.[22]

A word of caution should be noted with regard to rewards programs, however: they can provide an incentive for employees not to report safety accidents, as highlighted in Ethics in HRM. Rather than awards, many companies prominently display in their workplaces the number of consecutive days they have operated without an injury. The idea is to motivate employees to keep the injury-free "streak" going and possibly set new records for injury-free performance.

Figure 12.3 provides the steps recommended for launching a successful safety incentive program.

Ethics in HRM

Bury the Record

A supervisor was instructing a group of new recruits in the cleaning of metal parts in an assembly plant. She was attempting to demonstrate the cleaning technique to two employees at one workstation, while at another workstation, another new employee was trying to clean the parts himself. The cleaning liquid was highly toxic. The employee felt restricted by his safety gloves and so removed them. His eyes started to water, and instinctively he rubbed them with his solution-soaked hands. The pain was overwhelming, and no water was immediately available with which he could rinse his eyes. The employee suffered some temporary vision loss.

Who is to blame? The worker who started to clean without receiving full instructions and without using the issued gloves? The supervisor who could have forbidden the worker to start work until she explained the safety aspects? Or the company that failed to post warning signs about the hazardous nature of the cleaning solvent and did not have an eye-washing facility available?

Because workplace accidents increase workers' compensation premiums and the number of inspections, the company had an interest in not reporting the accident. Furthermore, because the company had instituted a reward program that provided incentives to employees for accident-free days, even the employees did not want to report the accident. Thus, the supervisor and the employees agreed to "bury the record." According to one survey of Canadian workers, 30 percent are afraid to report accidents, 29 percent know someone who reports false claims, and 27 percent know their employers are not reporting accidents. This is illegal. Another company was fined $600,000 for misleading the Workplace Safety Insurance Board (WSIB) after it deliberately chose not to report that injured workers had missed time at work. In a highly publicized case in 2003, a young worker fell five storeys to his death, landing just one metre from the supervisor, who was his uncle. The first thing the supervisor did was call 911, and he was overheard telling workers, "Workers' Comp will be here right away, so you get that railing up right now." In 2008, another company was fined $125,000 for misleading the WSIB after it deliberately made false claims to the WSIB regarding a worker's claim for benefit entitlement. In a highly publicized case in 2012, a worker fell five metres to the main floor and died a week later in hospital. This untimely death was due to the organization's failure to ensure proper safety standards. For example, the roofing structure did not support the worker's weight and no guardrails were installed to provide protection. And in another recent case, a worker died in an industrial accident after her head scarf got tangled in a machine and strangled her. Initial reports by the company suggested that she was alone; however, investigations revealed that a coworker was present but he did not know how to use the emergency stop buttons.

Sources: Adapted from Ipsos Reid, July 2003, as described in *Canadian HR Reporter* (April 19, 2004): 17; Ministry of Labour, "Court Bulletin," (August 1, 2014); "Symtech Innovations Ltd. Fined $90,000 After Worker Dies," http://news.ontario.ca/mol/en/2014/08/symtech-innovations-ltd-fined-90000-after-worker-dies.html, accessed April 2015; WSIB New Releases, "Company Fined for Offenses under Workplace Safety and Insurance Act, Aecon Group Inc. fined 125,000," (May 16, 2008); Michael Sherrard, "Employer Fined $5 Million for Workplace Safety Violations," *Daily Commercial News* (May 7, 2004), http://www.sherrardkuzz.com/pdf/MGS_dcn_2004-05-07.pdf; Sara Mojtehedzadeh and Brendan Kennedy, "This Temp Worker Was Being Strangled by a Machine. Her Co-worker Didn't Know How to Help," *Toronto Star* (April 6, 2018), https://www.thestar.com/news/gta/2018/04/02/what-happened-the-day-amina-diaby-died.html, retrieved June 14, 2018.

FIGURE 12.3

STEPS IN A SUCCESSFUL SAFETY INCENTIVE PROGRAM

- Obtain the full support and involvement of management by providing cost benefits.
- Review current injury and health statistics to determine where change is needed.
- Decide on a program of action and set an appropriate budget.
- Select a realistic safety goal such as reducing accidents by a set percentage, improving safety suggestions, or achieving a length of time without a lost-time injury. Communicate your objectives to everyone involved.
- Select incentive rewards on the basis of their attractiveness to employees and their fit with your budget.
- Develop a program that is both interesting and fun. Use kickoff meetings, posters, banners, quizzes, and/or games to spark employee interest. Give all employees a chance to win.
- Communicate continually the success of your program. Provide specific examples of positive changes in behaviour.
- Reward safety gains immediately. Providing rewards shortly after improvements reinforces changed behaviour and encourages additional support for the safety program.

INVESTIGATING AND RECORDING ACCIDENTS

Every accident, even those considered minor, should be investigated by the supervisor and a member of the safety committee. Such an investigation may determine the factors contributing to the accident and reveal what corrections are needed to prevent it from happening again. Correction may require rearranging workstations, installing safety guards or controls, or, more often, giving employees additional safety training and reassessing their motivation for safety.[23]

Employers are required to keep certain records and to compile and post annual summaries of work-related injuries and illnesses. From these records, organizations can compute their incidence rates (i.e., the number of injuries and illnesses per 100 full-time employees during a given year). The standard equation for computing the incidence rate is shown below; 200,000 constitutes the base for 100 full-time workers who work 40 hours a week, 50 weeks a year.

$$\text{incidence rate} = \frac{\text{number of injuries and illnesses} \times 200{,}000}{\text{total hours worked by all employees during period covered}}$$

The same formula can be used to compute incidence rates for (1) the number of workdays lost because of injuries and illnesses, (2) the number of nonfatal injuries and illnesses without lost workdays, and (3) cases involving only injuries or only illnesses.

Incidence rates are useful for making comparisons between work groups, between departments, and between similar units in the same organization. They also provide a basis for making comparisons with other organizations doing similar work. The occupational health and safety departments in each province and Human Resources and Social Development Canada compile data that employers can use to measure their safety records against those of other organizations. As noted in Ethics in HRM, organizations that report and investigate their own accidents often face more inspections, higher insurance premiums, and possible lawsuits.

CONTROLLING AND ELIMINATING HEALTH HAZARDS

LEARNING OUTCOME 3

How are health and safety related? If your workplace is safe, does that mean that it is also healthy? Why or why not?

From the title alone, occupational health and safety legislation was clearly designed to protect the health and safety of employees. Because of the dramatic impact of workplace accidents, however, managers and employees alike may pay more attention to these kinds of immediate safety concerns than to job conditions that are dangerous to their health. It is essential, therefore, that health hazards also be identified and controlled.[24] Furthermore, pressure from the federal government and unions, as well as increased public concern, has given employers a definite incentive to provide the safest and healthiest work environment possible.

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SAFETY HAZARDS AND ISSUES

Workers face many different safety hazards on the job, which differ depending on their occupations. It is impossible to discuss all of them in this chapter. However, we will discuss a number of hazards that have been getting a great deal of attention from HR managers and firms lately.

Fatigue

Few safety issues have been in the news more recently than employee fatigue. You have probably heard about air traffic controllers who have fallen asleep on the job and could not be awakened by pilots trying to contact them. Fatigue is more of a problem in organizations that operate around the clock or have night shifts. Studies show that 30 to 50 percent of night-shift workers report falling asleep at least once a week while on the job, according to one expert.[25]

Fatigue may not result in "life or death" consequences for most jobs. Nonetheless, managers, employees, and the public are concerned about how it affects workplace safety and performance. The regulations in certain industries limit the number of hours employees can work per shift. The airline industry is one such industry. However, even with the limits, workers are finding themselves fatigued. Some experts say downsizing may be a factor as fewer workers are being asked to cover more shifts.

Distracted Driving

Do you know what the leading cause of worker fatalities each year is? Motor vehicle crashes. Moreover, according to a U.S. National Highway Traffic Safety Administration study, people who send text messages while driving are three times more likely to crash than other drivers, and distracted driving accounts for 80 percent of all accidents. Distracted driving is also on the increase in Canada, despite and increase in penalties and fines.[26] When it comes to mass transit, the consequences of distracted driving can be catastrophic. For example, in 2008, a Los Angeles commuter train collided head on with another train. Twenty-five people died, including the operator of the train. Another 135 others were injured. A subsequent investigation of the accident found that the operator had sent or received 57 text messages while on the job that day, including one sent 22 seconds before the crash.[27]

To help prevent distracted driving accidents, a growing number of employers are adopting mandatory cell phone policies for their employees. Highlights in HRM 12.3 shows a template of such a policy developed by AT&T that companies

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Highlights in HRM 12.3

Texting While Driving: A Sample HR Policy

A survey of more than 2,000 employers conducted by the National Safety Council found that 58 percent had some type of cell phone use policy in place, and roughly one-quarter of those surveyed prohibit both handheld and hands-free devices while driving for some or all employees. Here is an example of AT&T's policy:

Employees are required to be familiar with and comply with local laws before using a wireless device while operating a motor vehicle for business purposes. Safe operation of any vehicle in the performance of company business is the responsibility of the driver and must be given appropriate attention at all times. In every situation, do not use a wireless device while the vehicle is in motion if doing so distracts attention from driving. Additionally, all employees are prohibited from using data services on their wireless devices, such as texting or accessing the Web or other distracting activities, while driving.

Sources: "Texting While Driving Toolkit Sample Company Policy," AT&T, http://www.att.com, accessed May 20, 2011; J. Ferguson, "Distracted Driving and Employers Policies," *HR Web Café* (November 1, 2009), http://www.hrwebcafe.com.

can utilize. Other businesses are doing more than establishing policies. They are outfitting their phones with apps such as Phone Guard, which prevents drivers from texting, browsing the Web, or checking email when they are travelling 10 miles per hour (16 km/h) or faster. Mobile phones are not the only electronic safety culprit, however. Workers who stop hearing the world around them because they are wired up to MP3 players also create risks.

Workplace Violence

Many people think of workplace violence as a physical assault. But there are many forms, including

- threatening behaviour, such as shaking fists or throwing objects
- verbal or written threats
- harassment—any behaviour that demeans, embarrasses, or humiliates
- verbal abuse, including swearing, insults, or condescending language
- physical attacks, including hitting, shoving, pushing, or kicking[28]

Manon Blanc at Queen's University and Kevin Kelloway, director of the CN Centre for Occupational Health and Safety at Saint Mary's University, have identified the job characteristics that put workers at risk for aggression and violence in the workplace:

- interacting with the public
- making decisions that influence other people's lives (e.g., terminating an employee or assigning a failing grade) or denying the public a service or request
- supervising and/or disciplining others
- working nights or working alone
- handling cash, handling or guarding valuables, or collecting or delivering items of value
- caring for the physical or emotional needs of others or going to clients' homes
- serving or selling alcohol or dealing with individuals under the influence of mind-altering substances[29]

Exposure to workplace violence results in employees fearing more incidents of violence, leading to personal (such as stress) and organizational (reduced commitment, neglect of job duties) strains. One recent study found that exposure to psychological aggression at work was associated with reduced work performance because of reduced job satisfaction and organizational commitment, and the erosion of physical and psychological health.[30]

The Canadian Centre for Occupational Health and Safety suggests that preventive measures should include the following:

- *Workplace design:* Areas should be designed with security features such as locks or physical barriers (pass-through windows or bulletproof enclosures), lighting, and electronic surveillance.
- *Administrative practices:* Preventative measures might include keeping cash register funds to a minimum, varying the time of day that cash is emptied, and using a security firm to deliver cash.
- *Work practices:* Considerations should be made particularly for those working alone away from an office, such as homecare workers and real estate agents; this might include having a designated contact kept informed of the employee's schedule and checking the credentials of clients.[31]

Employers in all Canadian jurisdictions are bound to take all reasonable precautions to protect the safety and health of their workers. British Columbia, Saskatchewan, and Ontario have specific laws requiring employers to protect their workers from violence. Ontario's Bill 168 added new provisions to the province's occupational health and safety act to cover situations of workplace violence and

harassment. Under this legislation, workplace harassment is defined as *engaging in a course of vexatious comment or conduct against a worker in a workplace that is known or ought reasonably to be known to be unwelcome.*

However, under common law, an employer may be held liable for the actions of employees. Nurses are victims of violence at a rate that is 16 times higher than that of other service workers; almost 70 percent of nurses have been physically assaulted.[32] Managers and supervisors can be trained to recognize violence indicators, such as those given in Figure 12.4. Awareness of these threatening behaviours can provide an opportunity to intervene and prevent disruptive, abusive, or violent acts. Managers must effectively communicate a zero-tolerance policy for violence and encourage employees to report any possible or observed incidents of workplace violence. A meaningful reporting procedure with clear lines of responsibility can ensure that management is promptly notified of potential security risks to take immediate steps to resolve the issues. Finally, organizations have formalized workplace violence prevention policies, informing employees that aggressive employee behaviour will not be tolerated.

Workplace Bullying

Bullying in Canadian (and international) workplaces continues to be a problem for employers and employees alike.[33] Bullying is defined as *the unwanted and ongoing negative actions of one or more persons against another within the workplace.* Even though most provinces in Canada have legislation to deal with aspects of workplace violence and bullying (e.g., Ontario has Bill 168 in place to protect employees from this type of behaviour), this behaviour continues to be a serious. Although bullying may be committed by almost anyone in the workplace, reports indicate that more often than not, bullying is perpetrated by authority figures—that is, people abusing their positions of power. One study found that up to 47 percent of employees suffer from some sort of ridicule and bullying from their peers and superiors and 42 percent of them encounter these negative behaviours quite frequently.[34]

FIGURE 12.4

VIOLENCE INDICATORS: KNOW THE WARNING SIGNS

Most people leave a trail of indicators before they become violent. Similarly, disgruntled former employees who commit acts of violence leave warning signs of their intent before and after termination. The following behaviours should be taken seriously when assessing situations of potential violence:

- direct or veiled threatening statements
- recent performance declines, including concentration problems and excessive excuses
- prominent mood or behaviour changes; despondence
- preoccupation with guns, knives, or other weapons
- deliberate destruction of workplace equipment; sabotage
- fascination with stories of violence
- reckless or antisocial behaviour; evidence of previous assaultive behaviour
- aggressive behaviour or intimidating statements
- written messages of violent intent; exaggerated perceptions of injustice
- serious stress in personal life
- obsessive desire to harm a specific group or person
- violence against a family member
- substance abuse

Sources: Adapted from "Violence in the Workplace: Risk Factors and Prevention Strategies," *NIOSH Bulletin* 59; Gillian Flynn, "Employers Can't Look Away from Workplace Violence," *Workforce* 79, no. 7 (July 2000): 68–70; Dannie B. Fogleman, "Minimizing the Risk of Violence in the Workplace," *Employment Relations Today* 87, no. 1 (Spring 2000): 83–98.

Some researchers argue that bullying is linked to incentive plans and is often used as a misguided means to improve productivity and performance at work.[35] This is partially due to the way in which performance increases are sought, especially in competitive environments, where personal goals take precedence over a more team-based approach. As a result, when employees fail to achieve their intended targets, it increases the incidence of bullying behaviours in the workplace. The Hay Group puts forward four approaches to combat bullying in the workplace: (1) creating an atmosphere where employees feel safe to talk about bullying; (2) encouraging employees to keep track of and document these negative behaviours; (3) being proactive by dealing with bullying behaviour displayed by managers, regardless of whether it increases productivity; and (4) encouraging managers, via coaching and training, to utilize various leadership styles as one size does not fit all due to individual differences, while, at the same time, ensuring that employees are accountable for their actions while further managing their performance.[36]

Workplace Emergencies

Because an organization's HR department deals with every employee, it is in an ideal position to spearhead the effort to plan for emergencies, deal with them, and provide assistance to employees afterward. A workplace emergency is an unforeseen situation that threatens employees, customers, or the public; disrupts or shuts down operations; or causes physical or environmental damage. Emergencies can be natural or human-made. In addition to workplace violence, they can include the following:

- floods
- hurricanes
- tornadoes
- fires
- toxic gas releases
- chemical spills
- radiological accidents
- explosions
- civil disturbances and terrorism

Most large organizations have emergency action plans to deal with incidents such as these. An **emergency action plan** must include, among other things, procedures for reporting a fire or other emergency, evacuating a facility, and accounting for employees after an evacuation. The plan must also include procedures for employees who must remain in facilities to ensure that critical plant operations continue, as well as procedures for workers performing rescue and medical duties. A copy of the emergency action plan should either be provided to employees or kept in a convenient location where employees can access it. Highlights in HRM 12.4 shows a readiness assessment checklist organizations can complete to determine how prepared they are for an emergency.

It is also advisable for organizations to have alternative communication centres or backup computer servers they can use if their facilities are destroyed or inaccessible. The off-site physical or Web locations can be used to store originals or duplicate copies of accounting records, legal documents, emergency contact lists, and other essential records. Amazon.com, for example, has a computing service that allows companies to store data on its servers in addition to or in lieu of their own servers. HR managers should also make sure that employees know whom to contact and how during an emergency. A firm's website can also be used to disseminate crisis information to employees, the press, and other entities that need information.

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Highlights in HRM 12.4

Emergency Readiness Checklist

How Prepared Is Your Business for an Emergency?	Yes	No	Unsure
1. Does your business know what kinds of emergencies might affect it, both internally and externally?	❏	❏	❏
2. Does your business have a written, comprehensive emergency plan in place to help ensure your safety and take care of employees until help can arrive?	❏	❏	❏
3. Has your business created and practised procedures to quickly evacuate and find shelter in case of an emergency?	❏	❏	❏
4. Has your business created a communication plan to communicate with employees in an emergency? (Examples include setting up a telephone call tree, a password-protected page on the company website, email alert or call-in voice recording, and a contact list that includes employee emergency contact information.)	❏	❏	❏
5. Has your business talked with utility service providers about potential alternatives and identified back-up options?	❏	❏	❏
6. Has your business determined operations that need to be up and running first after an emergency and how to resume key operations?	❏	❏	❏
7. Has your business created a list of inventory and equipment, including computer hardware, software, and peripherals (such as backed-up/protected records and critical data) for business continuity and insurance purposes?	❏	❏	❏
8. Has your business met with your insurance provider to review current coverage in case of an emergency?	❏	❏	❏
9. Does your business promote family and individual preparedness among coworkers (for example, by providing emergency preparedness information during staff meetings; through newsletters, the company intranet, and periodic employee emails; and via other internal communication tools)?	❏	❏	❏
10. Have emergency shutdown procedures been developed for equipment such as boilers, automatic feeds, or other operations that cannot simply be left running in an emergency evacuation?	❏	❏	❏
11. Has your business worked with your community on emergency planning efforts and helped to plan for community recovery?	❏	❏	❏

Readiness Results

Count your number of "Yes" responses to calculate a score. Your score is a *general reflection* of how much you know about emergency planning efforts at your business and/or how prepared your business may be for an emergency.

❏ If you have 8–11 "Yes" responses, you are well on your way to having a comprehensive and effective plan in place.

❏ If you have 4–7 "Yes" responses, while some aspects of your plan may be in place, you have some work to do to fill gaps.

❏ If you have 1–3 "Yes" responses, get started immediately on developing an emergency plan for your business. This training program is a great first step!

Source: Planning for Emergencies © 2007 National Safety Council.

FIGURE 12.5

CALMING AN ANGRY EMPLOYEE

If you try to defuse a tense situation, remember that anger frequently results from a person's feeling of being wronged, misunderstood, or unheard. Keep the following tips in mind to guide you:

- Strive to save the employee's dignity during an angry confrontation. Do not attack a person's rash statements or continue a muddled line of thinking.
- Hold all conversations in private. Do not allow the employee to create an embarrassing public situation for himself or herself, yourself, or other employees.
- Always remain calm. Anger or aggressiveness on your part will trigger a similar response in the employee.
- Listen to the employee with an open mind and nonjudgmental behaviour. Give the employee the benefit of hearing him or her out.
- Recognize the employee's legitimate concerns or feelings. Agree that the employee has a valid point and that you will work to correct the problem.
- If the employee is very emotional or if the engagement seems out of control, schedule a delayed meeting so that people can calm down.
- Keep the discussion as objective as possible. Focus on the problem at hand, not the personalities of individuals. A cornerstone of conflict resolution is to "attack the problem, not the personality."
- If the employee appears overly aggressive, withdraw immediately and seek professional help before any further discussion with the employee.
- If your efforts fail to calm the employee, report the incident to your manager, security, or HR personnel.

Source: Adapted from professional literature on crisis management and seminars attended by the authors.

Crisis Management Teams

Most large organizations have formal crisis management teams. These teams, composed of both hourly and managerial employees, conduct initial risk assessment surveys, develop action plans to respond to violent situations, and, importantly, perform crisis intervention during violent, or potentially violent, encounters. For example, a crisis management team would investigate a threat reported by an employee. The team's mandate would be to gather facts about the threat, decide whether the organization should intervene, and, if so, determine the most appropriate method of doing so. Occasionally, a member of the team or an individual manager will be called on to intervene and calm an angry employee.[37] When this occurs, the steps given in Figure 12.5 will help defuse a volatile situation. When violent incidents, such as the death of a coworker, happen at work, employees can experience shock, guilt, grief, apathy, resentment, cynicism, and a host of other emotions.[38] Such incidents may require the crisis management team to perform crisis intervention through positive counselling techniques.[39]

CREATING A HEALTHY WORK ENVIRONMENT

Legislation on occupational health and safety is designed to protect the health and safety of employees. These cover accidents and hazards in the workplace. Accidents tend to attract more attention because they can be more dramatic. The effects of health hazards show up only over time. When they do show up, however, they adversely affect workers, their families, and their companies.

ERGONOMICS

One way to help eliminate health hazards in the workplace is via ergonomics. Recall that we discussed ergonomics in Chapter 4 when we looked at job design. Ergonomics focuses on ensuring that jobs are designed for safe and

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efficient work while improving the safety, comfort, and performance of users. Ergonomics can be as simple as rearranging a workstation so that fewer steps are needed to gather items or organizing items so that they are within easier reach. Part of ergonomics involves looking at the design of equipment and the physical abilities of the operators who use it. There is substantial variation in the way people move depending on their physical size, gender, age, and other factors. Designing equipment controls to be compatible with both the physical characteristics and the reaction capabilities of the people who must operate them and the environment in which they work is critically important. Ergonomics also considers the requirements of a diverse workforce, accommodating, for example, persons who may lack the strength to operate equipment requiring intense physical force or lack the stature to reach equipment controls.

Ergonomics has proven cost-effective at organizations such as Compaq Computer, 3M, and Pratt & Whitney, which eliminated, or at least reduced, many repetitive-motion injuries, particularly those related to the back and wrist. The key elements of successful ergonomic programs are shown in Figure 12.6.

> **cumulative trauma disorders**
> Injuries of the muscles, nerves, tendons, ligaments, joints, and spinal discs caused by repeated stresses and strains

Cumulative Trauma Disorders

Meat cutters, fish filleters, cooks, dental hygienists, textile workers, violinists, flight attendants, office workers at computer terminals, and others whose jobs require repetitive motion of the fingers, hands, or arms are reporting injuries in growing percentages. Known as **cumulative trauma disorders** or repetitive strain injuries, these musculoskeletal disorders (MSDs) are injuries of the muscles, nerves, tendons, ligaments, joints, and spinal discs caused by repeated stresses and strains. One of the more common conditions is *carpal tunnel syndrome*, which is characterized by tingling or numbness in the fingers occurring when a space between bones and ligaments in the wrist becomes inflamed and compresses nerves that affect the fingers and the base of the thumb. Without proper treatment, employees with carpal tunnel syndrome can lose complete feeling in their hands. Another cumulative trauma disorder prevalent among computer users (and tennis players) is tennis elbow.

FIGURE 12.6

KEY ELEMENTS FOR A SUCCESSFUL ERGONOMICS PROGRAM

Companies with award-winning ergonomics programs list the following as common elements of success:

- *Provide notice and training for employees.* Implement a well-publicized ergonomics policy or present ergonomic information in safety policies or training programs. Train employees, supervisors, and managers in basic workplace ergonomics.

- *Conduct preinjury hazard assessment.* Survey the workplace and work processes for potential hazards and adopt measures to lessen the exposure to ergonomic risk factors. Answer the question, "Are certain work areas more prone to ergonomic hazards than others?"

- *Involve employees.* Include employees in risk assessment, recognition of musculoskeletal disorder (MSD) symptoms, design of work-specific equipment or tools, and the setting of work performance rules and guidelines.

- *Plan and execute.* Integrate ergonomic responsibilities into the performance plans for all personnel. Demand accountability for program success.

- *File injury reports.* Encourage early reporting of MSD symptoms or injuries. Refer employees to the company's medical facilities or to the employee's personal physician for treatment.

- *Evaluate and assess the ergonomics program.* Periodically review the effectiveness of the ergonomics program. If the program appears to be ineffective, determine the underlying causes for failure and propose corrective changes.

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Computer Workstation Issues

Figure 12.7 provides a checklist of potential repetitive strain problem areas for employees using computers. Video and computer screens are a particular concern. The problems that managers have to confront in this area fall into three major groups:

1. *Visual difficulties*. Screen users frequently complain of blurred vision, sore eyes, burning and itching eyes, and glare.
2. *Muscular aches and pains*. Pains in the back, neck, and shoulders are common complaints of screen users.
3. *Job stress*. Eye strain, postural problems, insufficient training, excessive workloads, and monotonous work are complaints reported by three-quarters of screen users.

To capitalize on the benefits of computer screens while safeguarding employee health, Dr. James Sheedy, a screen and vision expert, offers these tips on how to minimize the negative effects of computer use on the eyes and body:

- Place the computer screen four to nine inches below eye level.
- Keep the monitor directly in front of you.
- Sit in an adjustable-height chair with lower back support and with feet flat on the floor.
- Use shades or blinds to reduce the computer screen glare created by window lighting.
- Keep elbows close to the body and supported.
- Keep wrists and hands in line with forearms.

CHEMICAL HAZARDS

When a boiler maker at Teck Cominco Ltd., a smelter plant in Trail, British Columbia, started to experience symptoms that resembled motion sickness, he never associated it with exposure to poisonous thallium metal. Like many workers,

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FIGURE 12.7

COMPUTER WORKSTATION ERGONOMICS CHECKLIST

Use the following list to identify potential problem areas that should receive further investigation. Any "no" response may point to a problem.

1. Does the workstation ensure proper worker posture, such as
   - thighs in the horizontal position?
   - lower legs in the vertical position?
   - feet flat on the floor or on a footrest?
   - wrists straight and relaxed?

2. Does the chair
   - adjust easily?
   - have a padded seat with a rounded front?
   - have an adjustable backrest?
   - provide lumbar support?
   - have casters?

3. Are the height and tilt of the work surface on which the keyboard is located adjustable?

4. Is the keyboard detachable?

5. Do keying actions require minimal force?

6. Is there an adjustable document holder?

7. Are armrests provided where needed?

8. Are glare and reflections minimized?

9. Does the monitor have brightness and contrast controls?

10. Is there sufficient space for knees and feet?

11. Can the workstation be used for either right- or left-handed activity?

Source: The National Institute for Occupational Safety and Health (NIOSH), *Elements of Ergonomics Programs: A Primer Based on Workplace Evaluations of Musculoskeletal Disorders* (Washington, DC: U.S. Government Printing Office, March 1997).

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he had limited awareness of the chemicals in the workplace. And not only workers in industrial settings are exposed to chemicals. Many teachers work in prefabricated temporary classrooms, which may contain mouldy material, or older buildings with asbestos. It is estimated that more than 65,000 different chemicals are currently in use with which humans may come into contact. Many of these chemicals are harmful, lurking for years in the body with no outward symptoms until the disease they cause is well established. Increasingly, employees are complaining of physiological reactions to low-level chemical exposures in the environment, such as headaches, dry nasal passages, and nausea. These complaints have several labels, such as total allergy symptom, twentieth-century disease, and multiple chemical sensitivity.[40]

In the belief that workers have the right to know about potential workplace hazards, industry, labour, and government have joined forces to develop a common information system for labelling hazardous substances. The Workplace Hazardous Materials Information System (WHMIS) is based on three elements:

1. *Labels*. Labels are designed to alert the worker that the container holds a potentially hazardous substance. The two types of labels (supplier labels and workplace labels) must contain specified and regulated information, including product identifiers and data on safe handling and material safety.

2. *Material Safety Data Sheets* (*MSDSs*). An MSDS identifies the product and its potentially hazardous ingredients and suggests procedures for handling the product safely. The MSDS information must be comprehensive, current, and available in English and French.

3. *Training*. Workers must be trained to check for labels and to follow specific procedures for handling spills. Training workers is part of the due diligence required of employers; it also becomes an important factor in the event of a lawsuit. The Peel Board of Education in Ontario has developed a computer-based program to train workers in WHMIS. This program allows illiterate workers to respond to audio commands by touching the screen.

SMOKING AND TOBACCO SMOKE

Smoking is a heated workplace health issue. In a study published in the *Journal of the American Medical Association*, findings showed that "in businesses that permitted smoking, more than 60 percent of the office air samples contained nicotine levels above the 'significant risk' level of 6.8 micrograms per cubic metre."[41] Because of findings such as these, smokers have been banned from lighting up on airplanes, at work, and in restaurants and hotels. Furthermore, nonsmokers, fuelled by studies linking "passive smoking" (inhaling other people's smoke) with disease and death and irritated by smoke getting in their eyes, noses, and clothes, have demanded a smoke-free environment. Employers will benefit from this ban. Smokers, on average, miss 6.16 days of work per year, nearly double the rate of nonsmokers.[42] A Labour Canada study found that employees who smoke cost companies about $2,500 more per year (than nonsmoking employees) in increased absenteeism, lost productivity, and increased health and life insurance premiums.[43] It has been documented that healthcare costs are higher for smokers; for this reason, some employers are charging smokers more for extended health insurance or are reducing their benefits. Many employers, however, prefer positive reinforcement through wellness programs to encourage employees to stop smoking.

A British Columbia arbitrator has ruled that smoking is as addictive as cocaine and so constitutes a drug dependency.[44] Under human rights legislation, employers may have to allow workers with a substance abuse problem to take a leave of absence to seek treatment. If nicotine addiction is accepted as a disability, companies may have to provide smoking cessation programs and refrain from disciplining addicted employees who smoke.

BUILDING BETTER PHYSICAL AND EMOTIONAL HEALTH AMONG EMPLOYEES

How would you describe the physical and emotional health of the people you work with or have worked with in the past? What role do employers play when it comes to the emotional health of their workers?

Along with improving working conditions that are hazardous to employee health, employers today are cognizant of the physical and emotional health of their employees and thus provide them with programs to maintain and improve both. Firms are doing so not only to lower their health costs but also because they recognize that employees not distracted by health problems are able to operate more safely. Better health can also reduce absenteeism, increase efficiency and creativity on the part of employees, and lead to better morale and teamwork among them. An organization with a healthy, safe, resilient, and creative workforce is certainly in a better position to compete than an organization with unhealthy workers.

Recall that we discussed employee assistance programs (EAPs) in Chapter 11. As we have indicated, EAPs can help employees with a range of problems. EAPs can also help workers with relationship, marital, and family problems; anger, depression, anxiety, and stress; and eldercare demands. Workplace issues, addiction, and self-improvement are other areas in which EAPs provide workers with help. If an employee's situation necessitates it, the EAP refers the worker to in-house counsellors or outside professionals.

Importantly, wellness programs produce measurable cost savings to employers, as described in the Business Case.

The Business Case

Investing in Employee Health

Canadian Western Bank (CWB) is big on promoting health and wellness among its 2,000-plus workforce. The company provides fully funded health, dental, prescription, and vision benefits to its employees. CWB also provides them with a healthcare-spending account where extra money is given to employees to spend on whatever benefits they deem most important. Employees also receive financial assistance toward the cost of yoga lessons, green fees, ski passes, gym membership, and other health and wellness expenses that qualify. Financial assistance is designed for wellness benefits that encourage healthy living, such as purchasing sports equipment or dance lessons. In addition, employees also get three weeks' vacation in their first year of employment plus one CWB Day (i.e., a personal day).

CWB is not the only company seeing returns on investments in workplace well-being. Organizations in Atlantic Canada found that employees who participated in a three-month wellness program reduced the risk of heart disease and stroke, for an estimated return on investment of $1.64 for every dollar spent. In one of the largest studies done on return on investment of healthcare programs, the National Wellness Institute delivered wellness programs consisting of smoking cessation workshops, lifestyle and nutrition counselling, and on-site fitness to 90,000 employees in 30 locations. Those who participated had lower healthcare costs of between $5 and $16 per month. Even a one-time inexpensive program can show returns. TELUS introduced a flu immunization program and saw absences due to respiratory illness drop from 33 to 22 percent. Overall, studies of wellness programs document cost–benefit ratios of between $3 and $8 for every dollar spent. The benefits to organizations include decreased lost workdays, decreased workers' compensation costs, increased employee morale and productivity, reduced overtime costs, and reduced workplace injuries. Yet only 60 percent of Canadian workplaces offer wellness programs. Why aren't more companies doing it?

Sources: Vera N. Held, "Husky's Andrée Brière on Productivity and Stress Free Employees," *HR Professional* (August/September 2005): 19–25; T. Grant, "Husky Woos Workers with Unique Perks," *The Globe and Mail* (August 20, 2001); S. Kee, "The Bottom Line on Wellness," *Canadian Health Care Manager* 9, no. 1 (Fall 2002): 23; G. Lowe, "The Dollars and Sense of Health Promotion," *Canadian HR Reporter* (September 23, 2002): 7–8; Canada's Canadian Business Staff, "Best Employers 2015: The Top 50 Large Companies. The Best Cultures, Perks and Benefits," *Canadian Business* (November 10, 2014), http://www.canadianbusiness.com/lists-and-rankings/best-jobs/2015-best-employers-top-50/; https://www.cwbcareers.com/rewards-and-benefits, accessed March 2015; Canadian Western Bank website: http://www.cwbank.com/, retrieved June 16, 2018.

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Next, we look at some of the issues employees face in terms of their physical and emotional health that EAPs and other workplace programs can address.

Depression in the Workplace

Although personal crises are typically fraught with emotion, most of them are resolved in a reasonable period of time, and the troubled individual's equilibrium is restored. Unfortunately, when personal crises linger, stress and tension may cause or intensify a mood disorder, such as depression. **Depression** is a decrease in functional activity accompanied by symptoms of low spirits, gloominess, and sadness. Highlights in HRM 12.5 lists the symptoms of depression.

About 5 percent of Canadians experience depression. With available treatment, however, 70 percent of these individuals will significantly improve, usually within a matter of weeks.

Since depression lowers individual productivity, causes morale problems, increases absenteeism, and contributes to substance abuse, it is important for managers to identify signs of depression on the job and to learn to deal with depressed employees. The more likely workplace signs of depression are decreased energy, concentration and memory problems, guilt feelings, irritability, and chronic aches and pains that do not respond to treatment. When confronted with depressed employees, managers and supervisors are encouraged to be concerned with the employee's problem, be an active listener, and—should the depression persist—suggest professional help.[45] Under no circumstances should managers attempt to play amateur psychologist and try to diagnose an employee's condition. Mood disorders such as depression are complex in nature and do not lend themselves to quick diagnoses. Furthermore, in reviewing such cases, the organization should pay particular attention to workplace safety factors because there is general agreement that emotional disturbances are primary or secondary factors in a large portion of industrial accidents and violence.

depression
Negative emotional state marked by feelings of low spirits, gloominess, sadness, and loss of pleasure in ordinary activities

Highlights in HRM 12.5

Depression in the Workplace

When a depressed mood persists for a few weeks, deepens, and eventually starts interfering with work and other aspects of everyday life, it has likely become an illness—or a clinical depression. In the workplace, a person with depression will exhibit many of the following signs:

Recognizing Depression
Personal Changes

- irritability, hostility
- hopelessness, despair
- slowness of speech
- chronic fatigue
- withdrawal from or extreme dependency on others
- alcohol or drug abuse

Workplace Changes

- difficulty in making decisions
- decreased productivity
- inability to concentrate
- decline in dependability
- unusual increase in errors in work
- accident proneness
- frequent tardiness, increased "sick" days
- lack of enthusiasm for work

Someone who has been experiencing many of these signs for a few weeks or more should seek help immediately.

Source: Canadian Mental Health Association, National.

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Alcoholism

Alcoholism affects workers in every occupational category—blue collar and white collar. In confronting the problem, employers must recognize that alcoholism is a disease that follows a rather predictable course. Thus, they can take specific actions to deal with employees showing symptoms of the disease at particular stages of its progression. Alcoholism typically begins with social drinking getting out of control. As the disease progresses, the alcoholic loses control over how much to drink and eventually cannot keep from drinking, even at inappropriate times. The person uses denial to avoid facing the problems created by the abuse of alcohol and often blames others for these problems. The first step in helping the alcoholic is to awaken the person to the reality of his or her situation.

To identify alcoholism as early as possible, it is essential that supervisors monitor the performance of all personnel regularly and systematically. A supervisor should carefully document evidence of declining performance on the job and then confront the employee with unequivocal proof that the job is suffering. The employee should be assured that help will be made available without penalty. Since the evaluations are made solely with regard to lagging job performance, a supervisor can avoid any mention of alcoholism and allow such employees to seek aid as they would for any other problem.[46]

Drug Abuse

The abuse of drugs by employees is one of the major employment issues today. Drug abuse is now a national problem and has spread to every industry, occupation, and employee level. Estimates of the costs of substance abuse by employees vary considerably. Besides lost productivity, there are the costs of increased numbers of accidents and injuries and rising rates of employee theft. The costs of substance abuse can have a dramatic impact on the bottom line. In the United States, when random drug testing was introduced, the number of fatal accidents dropped sharply. Drug testing remains a controversial issue. In general, preemployment drug or alcohol testing or random testing of current employees is prohibited by human rights laws. Furthermore, human rights legislation prohibits discrimination on the basis of disability, and drug and alcohol dependency is generally considered to be a disability.

Although attention is usually focused on the abuse of illegal drugs, it should be noted that the abuse of legal drugs can also pose a problem for employees. Employees who abuse legal drugs—those prescribed by physicians—often do not realize they have become addicted or how their behaviour has changed as a result of their addiction. Also, managers should be aware that some employees may be taking legal sedatives or stimulants as part of their medical treatment and that their behaviour at work may be affected by their use of these drugs.

Random drug testing in Canadian workplaces is increasingly becoming a topic of debate. Much of this debate centres around the impact of drug testing and whether the positives touted for employers outweigh the negative effects on employees. Although both sides of the debate have relative merits, drug testing in Canada has led to back-and-forth decisions in several jurisdictions. Employers are using random tests such as blood tests, urinalysis, and swabbing of the mouth, all of which have raised questions regarding the issue of privacy and human rights violations in the workplace.[47]

Some agree that drug testing may be necessary as a post-incidence investigation in order to determine if drug use was a factor or perhaps just to rule out that possibility completely. Given the delicate nature of drug testing, unions may deem this acceptable provided that the guidelines are clearly outlined in collective bargaining agreements and adhered to in the process. But if drug testing results in privacy violations or undue stress on employees, then this can have severe consequences for the employer and employee alike. In 2014, the Alberta Arbitration Board deliberated over a grievance filed by a Suncor Energy employee over the decision concerning drug and alcohol testing in the workplace that took

the form of breathalyzers and urinalysis. The union claimed that the decision to do so caused undue stress to employees and represented a violation of their privacy and dignity. The arbitrators also found that Suncor did not have strong evidence to support its decision to embark on drug testing as it did not prove that there was an ongoing problem within its organization.

JOB STRESS AND BURNOUT

HR professionals are well aware of the negative effects of workplace stress on employees' health and job performance. For example, job stress places both women and men at risk for cardiovascular problems and depression and increases employee susceptibility to infectious diseases. All of these contribute to higher healthcare costs and can lower productivity, job satisfaction, and retention. Importantly, in a study on the magnitude of stress in the workplace, 54 percent of respondents indicated that they "often" or "always" come home from work in a state of fatigue and nearly 50 percent come to work tired.[48] Another study reported that employees were often absent from work due to nonmedical reasons such as work-related stress. In fact, 33 percent of employers surveyed reported that illness was not one of the top three reasons for absenteeism, suggesting that stress was a bigger factor.[49]

Stress is any demand on the individual that requires coping behaviour. Stress comes from two basic sources: physical activity and mental or emotional activity. The physical reaction of the body to both types of stress is the same. Psychologists use two separate terms to distinguish between positive and negative forms of stress, even though reactions to the two forms are the same biochemically. **Eustress** is positive stress that accompanies achievement and exhilaration. Eustress is the stress of meeting challenges such as those found in a managerial, technical, or public-contact job. Eustress is regarded as a beneficial force that helps us forge ahead against obstacles. What is harmful is **distress**. Stress becomes distress when we begin to sense a loss of our feelings of security and adequacy. Helplessness, desperation, and disappointment turn stress into distress.

JOB-RELATED STRESS

Although the body experiences a certain degree of stress (either eustress or distress) in all situations, here we are primarily concerned with stress related to the work setting. In this setting, management can use some preventive approaches.

Sources of Job-Related Stress

The causes of workplace stress are many. However, according to a study by Luminari, a national healthcare company, four factors have a major influence on employee stress:

- *High demand:* having too much to do in too short a time
- *High effort:* having to expend too much mental or physical energy over too long a period
- *Low control:* having too little influence over the way a job is done on a day-to-day basis
- *Low reward:* receiving inadequate feedback on performance and no recognition for a job well done[50]

Other recognized job stressors include layoffs and organizational restructuring; disagreements with managers or fellow employees; prejudice because of age, gender, race, or religion; inability to voice complaints; and poor working conditions. Even minor irritations such as a lack of privacy, unappealing music, and other conditions can be distressful to one person or another.

stress
Any adjustive demand caused by physical, mental, or emotional factors that require coping behaviour

eustress
Positive stress that accompanies achievement and exhilaration

distress
Harmful stress characterized by a loss of feelings of security and adequacy

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Burnout

Burnout is a severe stage of distress. Career burnout generally occurs when a person begins questioning his or her own personal values. Quite simply, the person no longer feels that what he or she is doing is important. Depression, frustration, and a loss of productivity are all symptoms of burnout. Burnout is due primarily to a lack of personal fulfillment in the job or a lack of positive feedback about performance.[51] In organizations that have downsized, the remaining employees can experience burnout because they must perform more work with fewer coworkers. Overachievers can experience burnout when unrealistic work goals are unattainable.[52]

COPING WITH STRESS

Many employers have developed stress management programs to teach employees how to minimize the negative effects of job-related stress. A typical program might include instruction in relaxation techniques, coping skills, listening skills, methods of dealing with difficult people, time management, and assertiveness. All of these techniques are designed to break the pattern of tension that accompanies stress situations and to help participants achieve greater control of their lives. Organizational techniques such as clarifying the employee's work role, redesigning and enriching jobs, correcting physical factors in the environment, and effectively handling interpersonal factors should not be overlooked in the process of teaching employees how to handle stress. An effective means by which organizations can increase productivity is to develop strategies to help employees manage their daily stress at work and home. Several mechanisms have been proven to be effective at helping employees do this, including effective wellness programs, EAPs, workshops on how to manage stress, on-site gyms coupled with fit-for-life programs, and other in-house services designed to save employees time in their daily lives. In addition, some firms use strategies such as telecommuting, flexible schedules and hours, and part-time assignments. A combination of these strategies is believed to lead to work–life balance and the trickle-down effect of less stress or, at least, the ability to manage it more effectively.[53] Stress management counsellors recommend several ways to resolve job-related stress, as described in Figure 12.8. Reality Check provides a perspective on psychosocial issues in the Canadian workplace.

Before concluding this discussion, we should observe that stress that is harmful to some employees may be healthy for others.[54] Most managers learn to handle distress effectively and find that it stimulates better performance. However, there will always be those who are unable to handle stress and need assistance in learning to cope with it. The increased interest of young and old alike in developing habits that will enable them to lead happier and more productive lives will undoubtedly be beneficial to them as individuals, to the organizations where they work, and to a society where people are becoming more and more interdependent.

FIGURE 12.8

TIPS FOR REDUCING JOB-RELATED STRESS

- Build rewarding relationships with coworkers.
- Talk openly with managers or employees about job or personal concerns.
- Prepare for the future by keeping abreast of likely changes in job demands.
- Do not greatly exceed your skills and abilities.
- Set realistic deadlines; negotiate reasonable deadlines with managers.
- Act now on problems or concerns of importance.
- Designate dedicated work periods during which interruptions are avoided.
- When feeling stressed, find time for detachment or relaxation.
- Do not let trivial items take on importance; handle them quickly or assign them to others.
- Take short breaks from your work area as a change of pace.

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Many Canadians report experiencing stress on the job.

Shannon Fagon/Getty Images

Reality Check

CN Centre for Occupational Health and Safety

The CN Centre for Occupational Health and Safety is a research institute founded at Saint Mary's University in Halifax, Nova Scotia, through an endowment from CN. According to its former director, Kevin Kelloway (now its Canada Research Chair in Occupational Health Psychology), the centre's mandate is (1) to coordinate and conduct research in occupational health and safety; (2) to build capacity for occupational health and safety research in Nova Scotia; and (3) to provide mechanisms for training and education in occupational health and safety.

Professor Kelloway, coauthor of the book *Managing Occupational Health and Safety*, 5th Edition (Toronto: Nelson Education Ltd., 2011), says:

The hottest issue in Canadian occupational health and safety is the recognition of psychosocial issues in the workplace. Although we have known about work stress for years, it is now becoming increasingly clear that work stress is an occupational health and safety issue. Court decisions and new harassment legislation put the onus on employers to manage these issues, and the Canadian Standards Agency is developing a new standard for the management of psychosocial issues in the workplace. For many organizations, this is a new area, and

occupational health and safety departments are being tasked to come up with solutions. Best practice in this area is going to start with surveillance of work stress issues—monitoring the workplace to identify emerging problems or issues. Typically, surveillance will consist of regular assessment using standardized instruments (e.g., a companywide annual survey) as well as more immediate indicators (e.g., complaint-driven processes). Beyond surveillance, companies are going to be expected to actually do something to manage psychosocial risks. Let's take the example of workplace harassment—almost every jurisdiction in Canada now has anti-harassment legislation that puts the onus on employers to establish safe environments for employees. In this case, primary intervention deals with removing the stressor, so we implement programs to reduce workplace aggression, harassment, or incivility (for example). In many public venues, such as hospital waiting rooms or airports, it is now common to see statements that violence and aggression are not tolerated—these are part of the primary prevention program. Secondary intervention deals with the immediate consequence of the stressor, so we might teach individuals how to

(Continued)

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respond to or deal with workplace harassment, or we teach individuals stress management skills to reduce their level of anxiety. Finally, tertiary intervention deals with more long-term consequences. So we provide employee and family assistance plans so that individuals can access counselling and therapy in a timely manner. This three-pronged approach is quickly becoming the gold standard for how we deal with a wide variety of workplace stress issues.

Small Business Application

Although small companies may be too small to justify a designated health and safety officer in their organization, they still must ensure that health and safety practices are adhered to. As such, small companies may draw on outside organizations such as consultants or local workplace safety boards for assistance in the establishment and monitoring of safe workplace practices.

Managers frequently say that dealing with people-related issues, such as sickness, problems at home, problems with other workers, or any other issues impacting the success of team members, takes a significant portion of their time. As such, small companies that are able to have managers address the personal issues of employees help foster an organizational climate conducive to success.

Effective management is a balance between employee needs such as fair, respectful treatment of and communication with employees and sensitivity to individual employees' situations and organizational needs, such as providing direction to employees to ensure the accomplishment of organizational needs. So how does a manager accomplish this? To be successful, managers need to (1) genuinely care about their staff; (2) have a close-enough working relationship to have visibility into each employee's work satisfaction and productivity; (3) have effective dialogue with their staff to know what is important to each employee and what is required to support their individual needs; (4) provide fair counsel to employees regarding their specific needs; (5) have the power to meet individual needs when warranted; and (6) maintain the role of providing support while maintaining organizational fairness and success as the primary goal.

In smaller organizations, managers are able to observe employees more frequently and may be able to detect when these employees are experiencing stress. As a first step in the process of employee assistance, a manager may be able to listen to an employee and provide a supportive work environment. In some cases, of course, a manager may have to refer employees for professional help, through local hospitals or social workers.

Summary

OUTCOME 1 Occupational health and safety legislation is designed to ensure, as far as possible, safe and healthful working conditions for every working person. In general, these acts extend to all employers and employees. This legislation sets standards, ensures employer and employee compliance, and provides safety and health consultation and training where needed. Both employers and employees have certain responsibilities and rights under these acts. Employers not only are required to provide a hazard-free work environment but also must keep employees informed about legislative requirements and must require their employees to use protective equipment when necessary. Employers are required to keep employees informed of hazardous substances and instruct them in avoiding the dangers presented. Employees, in turn, are required to comply with safety standards, report hazardous conditions, and follow all employer safety and health regulations.

OUTCOME 2 To provide safe working conditions for their employees, employers typically establish a

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formal program that, in a large percentage of organizations, is under the direction of the HR manager. The program may have many facets, including providing safety knowledge and motivating employees to use it, making employees aware of the need for safety, and rewarding them for safe behaviour. Incentives such as praise, public recognition, and awards are used to involve employees in the safety program. Maintenance of required records from accident investigations provides a basis for information that can be used to create a safer work environment.

OUTCOME 3 Job conditions that are dangerous to the health of employees are now receiving much greater attention than in the past. There is special concern for toxic chemicals that proliferate at a rapid rate and may lurk in the body for years without outward symptoms. Health hazards other than those found in manufacturing operations—such as cumulative trauma disorders—present special problems that many firms are addressing with ergonomic solutions.

OUTCOME 4 Along with providing safer and healthier work environments, many employers establish programs that encourage employees to improve their health habits. Wellness programs that emphasize exercise, nutrition, weight control, and avoidance of harmful substances serve employees at all organizational levels.

An important dimension of health and safety is stress that comes from physical activity and mental or emotional activity. Many sources of stress are job related. Employers can develop stress management programs to help employees learn techniques for coping with stress. In addition, organizations need to redesign and enrich jobs, clarify the employee's work role, correct physical factors in the environment, and take any other actions that will help reduce stress on the job. Unchecked, stress can lead to depression, alcoholism, and drug abuse, which, if severe enough, can be regarded as disabilities. Managers need to be aware of the signs of these diseases and be prepared to help employees via EAPs or counselling and by making reasonable accommodations for the employees' treatment.

Key Terms

burnout, 442
cumulative trauma
  disorders, 435
depression, 439

distress, 441
emergency action plan, 432
eustress, 441
industrial disease, 423

occupational illness, 418
occupational injury, 418
stress, 441

Discussion Questions

1. Ergonomics-related injuries now account for over 40 percent of lost-time injuries in the province of Ontario. Prepare a list of the most common types of ergonomics-related injuries and then make suggestions about how employers can reduce these types of injuries.

2. Learn about the safety programs at your institution. In what ways do you think they might be similar to safety programs in the workplace? In what ways might they be different?

3. An unhealthy work environment can lower productivity, contribute to low morale, and increase medical and workers' compensation costs. Working individually or in teams, list specific ways managers can do the following:
   a. Help individual employees avoid repetitive strain injuries caused by prolonged computer use.
   b. Deal with employee complaints about sick building syndrome.
   c. Address employee fears caused by pandemics.

4. Many students, balancing school, work, and family demands, experience stress. Consult the Canadian Mental Health Association website (https://www.cmha.ca/) to determine your level of stress. What are some coping mechanisms that you use?

5. Both unions and management express concern for the well-being of their employees. However, union reaction to the proposed introduction of wellness initiatives is not always positive. Unions fear that information collected—for example, as part of an EAP—will be kept and used against the employee experiencing performance problems. They also state that the real culprit in any employee health issue is the work context, not employee behaviour or lifestyle. So even if employees exercise and stop smoking, work hazards still remain. Unions also fear reprisals for those employees unwilling to participate in programs, particularly where groups are provided with incentives for achieving program aims. As the HR manager responsible for the introduction of a wellness initiative, how would you deal with these concerns?

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HRM Experience

Reducing Employee Stress

Job stress and its negative effect on both employees and the organization are a growing concern for managers and supervisors. As this text discusses, employee distress costs employers staggering amounts of money in lost productivity, absenteeism, turnover, increased workers' compensation claims, and healthcare costs. The cost of distress on the personal lives of employees is unmeasurable. Not surprisingly, stress management is an important aspect of any manager's job.

Stress management programs typically focus on three things to reduce workplace stress: (1) they identify factors in jobs that create stress; (2) they discuss specific techniques and managerial practices that help elevate workplace stress; and (3) they help individuals identify personal characteristics that serve to increase or decrease stress for them.

Assignment

1. Working in groups of four to six, identify personal experiences that caused workplace stress. Explain exactly why these incidents were stressful. Suggest ways to reduce or eliminate these stressful conditions.

2. Stress management often begins by having individuals identify their skills and abilities and jobs that will help them succeed. Assessing our preferences and skills can help us understand why some tasks or roles are more stressful than others. Identify work-related stress by answering these questions:

   - What skills that I enjoy using am I currently using in my job?
   - What skills that I enjoy using am I currently not using?
   - What specific things about my job do I like?
   - What things about my job do I dislike?
   - Based on my personal skills and abilities, what would my perfect job be?

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Case Study 1

WORKPLACE SAFETY AND YOUNG WORKERS

Every year, about 50 young Canadians are killed on the job and about 60,000 more suffer injuries serious enough to be reported to safety officials. Young workers are six times more likely to be killed or have a workplace injury than any other group. About 95 percent of those affected workers are men. This means that 1 in 11 young men can expect to suffer a workplace injury. Typically, these young men are employed at small manufacturing businesses, fast-food restaurants, convenience stores, and warehouses. The accidents usually happen within the first six months on the job. These young men lose fingers while slicing meat at the deli counter, are crushed by equipment they do not know how to operate, are electrocuted on metal ladders that touch hydro poles, or are burned handling chemicals with no protective equipment. The top five causes of injuries to young workers are slips and falls, overexertion, being struck by an object, exposure to toxic chemicals, and burns. Young workers are more likely to be injured during the first six months on the job because they are not familiar with the work, they are often given tedious and dangerous work that others do not want to do, they may be eager to impress their new supervisors, and they are not aware of their rights.

Fewer than half receive any job training. Only about 30 percent of teenagers receive instruction on first aid and cardiopulmonary resuscitation (CPR) in their safety training, and most learn nothing about the law, their rights, hazards on the

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job, or safety management. Young workers are especially vulnerable because they feel invincible and lack experience. They believe the following myths:

- I can take risks; I won't die.
- I can handle anything; I am young and fit.
- Nothing will happen to me; I am safe at work.
- I must do any job my employer tells me to do.
- I am not responsible for workplace safety; that is my employer's responsibility.

Most will not ask for safety training because they are unaware of risks or are fearful of losing their jobs.

Many provinces, recognizing these risks, have added health and safety training to the high school curriculum. Most such programs discuss workplace hazards, employer rights and responsibilities, health and safety laws, and the workers' right of refusal. Alberta has the most advanced training course for young workers in Canada: Job Safety Skills, which consists of 75 hours of instruction, divided into three modules:

- personal safety management (first aid, back care, safety, and the law)
- workplace safety practices (ergonomics, confined space entry, transportation of dangerous goods, and farm safety)
- safety management systems (loss control, accident investigation, and a mock workshop in which students develop an entire safety program)

Questions

1. Why are there more workplace injuries among those aged 16 to 25?
2. By law, workplace safety is the responsibility of the employer and employee. Why have nearly all provinces created courses in occupational health and safety as part of the high school curriculum? Should these be mandatory courses or electives?
3. Check the website of the Workplace Safety & Prevention Services (http://www.wsps.ca), which has excellent information on occupational health and safety training programs. Design a training program that an employer could provide to young workers.

Sources: Adapted from Peter Cheney, "Focus," *The Globe and Mail* (April 25, 2006): F1, F8; S. Singh, "HR's Role in Health and Safety for Young Workers," *HR Professional* 18, no. 5 (November 2001): 17–18; L. Ramsay, "Work Can Kill You," *National Post* (September 27, 1999): C12; L. Young, "Young Workers: Changing the Face of Safety," *Occupational Health and Safety* 14, no. 4 (June–July 1998): 24–30; "Workplace Safety," *The Globe and Mail* (May 12, 2000); Government of Canada, "Youth Path, Health and Wellness," http://www.youth.gc.ca/healsafe; "National Work Injury, Disease and Fatality Statistics, 2014–2016," Association of Workers Compensation Boards of Canada, http://awcbc.org/wp-content/uploads/2018/03/National-Work-Injury-Disease-and-Fatality-Statistics-Publication-2014-2016-May.pdf; retrieved June 23, 2018.

Case Study 2

TOO MUCH FATIGUE AND JOB STRESS?

Job fatigue and stress are significant problems faced by employees and their managers. Unfortunately, when a case of depression arises as a result, trying to resolve the problem may be difficult—sometimes leading to conflict—as this case illustrates.

Donald Knolls was an air traffic control supervisor for International Gateway Airport (IGA), an airport serving a major metropolitan area. In 2011, Donald began to experience depression-related problems due largely to severe stress and fatigue on the job. A few months later, he requested and was granted a disability leave for treatment of his illness. After eight months, his personal physician, an expert in depression

treatment and a licensed consulting psychologist, agreed that he was sufficiently improved to return to his former position.

IGA then sent Donald to the physician it had used when Donald first requested his disability leave. After an extensive evaluation, the doctor concluded that although Donald had made considerable strides in overcoming his depression, he should not be immediately returned to his former supervisory position because the conditions of the job had not changed and Donald was likely to find the stress too great. Instead, he recommended that Donald be returned to a nonsupervisory position on a six-month trial basis, with the case to be reviewed at the end of that time. IGA followed the advice of its doctor and did not

return Donald to a supervisory position. Donald, angered by management's decision, filed a grievance through IGA's alternative dispute resolution procedure, a procedure that could end in binding arbitration.

During several meetings between Donald and management, the employer maintained that it had the right to rely on the medical opinion of "a fair and impartial" doctor who had determined that Donald should not be returned to the position that was the cause of his original stress-related emotional problems. Additionally, management pointed out to Donald that IGA's disability leave provision states that it "may require appropriate medical documentation if it believes an employee is not fit to return to his or her former position."

Donald responded, through a lawyer he hired to represent his position, that the disability leave provisions were clear but, nevertheless, biased against an employee because they completely disregarded the opinion of his physician and psychologist. According to Donald, "Why bother to get expert medical opinions if they are dismissed?" He further noted, "I have never felt better. I'm really ready to get back to my job." Finally, Donald's lawyer contended that Donald was the victim of discrimination based on his former state of depression: "What happened to Donald would not have happened if his illness had been a more conventional physical injury."

Questions

1. When conflicting medical opinions are presented, should the advice of a medical expert count more heavily than the opinion of a general physician? Explain your answer.
2. Is the charge of discrimination presented by Donald's lawyer relevant to this case? Explain your answer.
3. If you were presented with this case, what decision would you reach? Explain.

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Employee Rights and Discipline

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Explain the different regimes that govern the employment relationship and the rules that apply to employment contracts.

LO 2 Identify and explain the privacy rights of employees.

LO 3 Establish disciplinary policies and differentiate between the two approaches to disciplinary action.

LO 4 Identify the different types of alternative dispute resolution methods and procedures.

In this chapter, we discuss the rights of employees, the privacy they can expect in the workplace, and employee discipline. Companies without clear policies and procedures for dealing with employee rights and discipline can end up losing a lot of money and, worst of all, ruining their reputation. Employee rights and workplace privacy continue to be among the hottest topics with regard to employee rights and discipline, including electronic surveillance of employees and the privacy of employees when they use the Internet and social networking sites.

Without a doubt, the advance of technology and the tools it offers is blurring the lines between the personal freedom and privacy rights of workers and their employers to monitor and control their activities. But despite the confusion, organizations and managers still need to have an idea of where the lines lie so they do not inadvertently cross them. This is where HR managers play a crucial role. To be effective, they must stay abreast of current laws, agency regulations, and court rulings; establish written employment policies based on this information; and educate staff members in their organizations about them.

At a general level, the rights of employees are those described in the employment contract. However, that is a very incomplete description. First, many employment contracts are not written down but are oral contracts, so the precise terms may not be obvious to the employee or the employer. Second, many important aspects of the employment relationship appear in the form of customs or practices rather than as noted contract terms. Third, common law judges have long shaped the scope of the employment contract by "implying" contract terms. "Implied" contract terms may not be known to either party to the contract but are nevertheless treated by the courts as enforceable contract terms. Fourth, employment contracts may be limited, altered, or voided by a range of employment legislation through which the government intervenes in the employment relationship. The true scope of employee rights and employer obligations is therefore influenced by all of these factors.

Furthermore, managers are discovering that the right to discipline and discharge employees—a traditional responsibility of management—is more difficult to exercise in light of the growing attention to employee rights. Disciplining employees is a difficult and unpleasant task for most managers and supervisors; many of them report that taking disciplinary action against an employee is the most stressful duty they perform. Balancing employee rights and employee discipline may not be easy, but it is a universal requirement and a critical aspect of good management.

Because the growth of employee rights issues has led to an increase in the number of lawsuits filed by employees, we include in this chapter a discussion of alternative dispute resolution as a way to foster organizational justice. Given that disciplinary actions are subject to challenge and possible reversal through governmental agencies or the courts, management should make a positive effort to prevent the need for such action. When disciplinary action becomes impossible to avoid, however, that action should be taken in accordance with carefully developed HR policies and practices. Because ethics is an important element of organizational justice, the chapter concludes with a discussion of organizational ethics in employee relations.

THE THREE REGIMES OF EMPLOYMENT LAW

LEARNING OUTCOME 1

Are the rights you have as a legal resident of Canada the same as the rights you have as an employee?

At the outset of our discussion in this chapter, it is important to understand the different sources of employee rights in the law of employment. Three different legal regimes govern the employment relationship: (1) the common law, (2) statutory regulation, and (3) collective bargaining and arbitration law. This chapter deals primarily with the first two, whereas Chapter 14 considers the third regime in greater detail. However, we will consider all three in this chapter, particularly in regard to how they govern the rules of employee discipline and dismissal.

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THE COMMON LAW OF EMPLOYMENT

The rights and obligations of employers and employees are determined first by the terms of the employment contract. However, often there is no written contract, or the terms of the contract are vague or fail to address a particular situation. As such, it is common for disagreements to arise under employment contracts. Whenever a dispute arises about the meaning and application of an employment contract, either party to the contract may file a lawsuit in the courts and ask a judge (and sometimes a jury) to decide what the contract means or how it was intended to apply in a particular circumstance. The judges' decisions are recorded in law books and, more recently, in electronic legal databases and are considered in future disputes involving similar issues. Over time, a huge body of "case law" has been compiled that considers the meaning and application of employment contracts to an endless array of employment scenarios. This body of law is known as the **common law of employment**.

It is crucial for HR managers to understand how the common law of employment influences the terms and conditions of employment and the interpretation of employment contracts. Common law judges have developed a long list of **implied contract terms** that are incorporated into all employment contracts, unless a written term in the contract overrides the implied term. For example, probably the most well-known implied term is the requirement for both the employer and the employee to give reasonable notice that they are terminating the employment contract. If the written contract includes a clause specifying how much notice of termination is required, then the implied term requiring reasonable notice will not apply (provided that the contractual notice clause complies with the notice provisions in employment standards legislation).

Important terms courts have implied into employment contracts include the following:

- obligation of the employer and the employee to provide reasonable notice that they are terminating the contract
- obligation of the employer to maintain a safe workplace
- obligation of the employer to treat employees with decency, civility, respect, and dignity
- obligation of the employee to serve the employer with loyalty and fidelity
- obligation of the employee to perform competently
- obligation of the employee to advance the employer's economic interests
- obligation of the employee to avoid insubordination and insolence

Breach of an implied term has the same effect as breach of a written term. Therefore, it is crucial that HR managers are familiar with the scope of implied terms applied by the courts to employment contracts.

STATUTORY EMPLOYMENT REGULATION

Unhappy with the outcomes of the common law model of employment, governments in Canada have over the past century intervened by passing a large variety of legislation aimed at influencing the employment relationship. As we saw in Chapter 3, employment equity legislation is intended to address systemic discrimination against women, Indigenous people, people with disabilities, and members of visible minorities. Human rights legislation prohibits discrimination in employment on certain designated grounds, including sex, age, religion, and skin colour. Pay equity legislation addresses inequities in how men and women are compensated; employment standards legislation regulates the content of employment contracts by imposing minimum contract standards, such as minimum wage, maximum hours of work, and overtime pay; occupational health and safety legislation attempts to ensure safe working conditions; and labour relations laws give employees the right to form and belong to unions and to bargain for better

common law of employment
The body of case law in which courts interpret employment contracts and the legal principles taken from those cases that guide the interpretation of employment contracts

implied contract terms
Terms judges read into employment contracts when the written contract does not expressly deal with the matter

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working conditions and restricts the right of employers to dismiss or discipline employees for exercising rights protected by the legislation (see Chapter 14). This is only a sampling of the wide range of legislation in Canada that addresses aspects of the employment relationship.

Statutory regulation operates alongside the common law, coexisting with it but also often modifying it. Usually, it is not permissible to contract out of protective employment legislation, with the result that regulation acts as a default minimum amount of protection required. For example, although the common law includes an implied obligation on the parties to provide reasonable notice of termination of the contract, employment standards regulation also imposes an obligation on employers to provide notice of termination. The employment standards' notice requirement is considered a "minimum" that must be provided to an employee, and a contract term providing less notice will be unenforceable (see Highlights in HRM 13.1).

Thus, an employee may be entitled to 12 months' notice of termination according to the implied contractual requirement to pay reasonable notice but entitled to only eight weeks' notice under employment standards legislation. An employer may opt to provide only the minimum notice under the legislation. Although, legally, the employee is contractually entitled to the larger reasonable notice, in practice, recovering it would require the employee to file a lawsuit (known as a "wrongful dismissal" case), which is expensive and time consuming. As a result, many employees simply accept the statutory minimum notice and do not pursue their common law entitlement to reasonable notice.

COLLECTIVE BARGAINING LEGISLATION AND LABOUR ARBITRATION

Collective bargaining legislation, such as the Ontario *Labour Relations Act*, seeks to improve conditions of work by empowering workers to join together and bargain for a better contract for themselves than is usually possible when an individual employee bargains with his or her employer. It does this by facilitating a right of workers to organize into unions and bargain collectively with the employer with the aid of a professional union bargainer and by permitting workers to strike and employers to "lock out" the employees in limited circumstances to apply pressure to reach an agreement. This process is discussed further in Chapter 14.

Highlights in HRM 13.1

Take Notice!

What happens if the employment contract includes a notice of termination clause that provides for less notice than required by employment standards legislation? That was the issue in a case called *Machtinger v. HOJ Industries Ltd.* The contract included a written term permitting the employer to terminate the contract without notice. At the time of dismissal, the employee was entitled to four weeks' notice under the Ontario *Employment Standards Act*. This was the issue before the Supreme Court of Canada: what happens when a contractual notice of termination clause provides for less notice than the minimum notice required by employment standards legislation? The employer

argued that the statutory minimum notice should be applied, whereas the employee argued that reasonable notice should be applied.

The Supreme Court ruled that reasonable notice applies because the effect of including the illegal notice clause in the contract was to void the contract term altogether. If the contract notice term is void, then it is as if there was no notice term, in which case, the implied term requiring reasonable notice is read into the contract. As a result, rather than receiving the four weeks' statutory notice he was entitled to, the employee was awarded reasonable notice amounting to 7.5 months.

Source: *Machtinger v. HOJ Industries Ltd.*, [1992] 1 S.C.R. 986.

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For now, it is important to note some crucial differences between the rules that govern unionized and nonunionized workplaces in Canada. The contract that is bargained in a unionized workplace is known as a **collective agreement**. The common law of employment does not apply to a collective agreement. Therefore, for example, the implied term permitting an employer to terminate an employee by giving reasonable notice does not apply when employees are unionized. This is an important difference between unionized and nonunionized workplaces. Whereas a nonunionized employer can terminate an employee for any reason or no reason at all (subject to statutes that prevent discriminatory dismissals) by simply giving the proper notice, a unionized employer usually needs just cause to dismiss a worker, unless the dismissal is due to purely economic reasons (a permanent layoff). In other words, unlike a nonunionized employer, a unionized employer usually needs a valid reason to fire an employee.

Another important difference between a collective agreement and an individual employment contract is the method of enforcement. A nonunion employee must sue the employer in a court for breach of the employment contract. That process is often costly (because the employee will usually retain a lawyer) and very time consuming. A unionized employee, on the other hand, must file a grievance alleging that the collective agreement has been violated, and that grievance, if not settled or resolved, may be referred to a **labour arbitrator** instead of a court. Arbitration is much quicker than a lawsuit, and the costs are covered by the union as part of the benefit paid for by employees in the form of union dues. Labour arbitrators have built up their own form of common law, known as "arbitration law," which helps guide the interpretation and application of collective agreements. Although, on some issues, arbitration law may be the same or similar to the approach of common law judges interpreting individual employment contracts, the two bodies of law should not be confused.

UNDERSTANDING THE INDIVIDUAL EMPLOYMENT CONTRACT

Since the individual employment contract is a type of contract, the general rules of contract law developed in the common law apply. One important rule of contract law is that a valid contract requires "mutual consideration." This means that both parties to the contract must receive some benefit in the exchange. This has important implications for HR managers. For example, it means that once an employee has commenced employment, the employer cannot unilaterally change or introduce new terms of employment unless the employee agrees to the change and receives some new benefit in exchange. Employers frequently run into this problem when they permit an employee to start working before presenting the employment contract to the employee for his or her signature. When that happens, the employee has started work under a verbal contract. If the employer later presents a written contract that includes terms beneficial to the employer (such as a notice of termination clause that provides less than reasonable notice), those new terms will not be enforceable, even if the employee signs the contract, if the employee was not also given some new benefit (such as a raise or a new holiday) in exchange for signing the contract.

The fact that the rules of contract law apply to the employment relationship has other important implications. For example, it means that the employee can insist that the employer comply with the terms of the contract. This might seem obvious, yet many HR managers mistakenly believe that the employer has the right to unilaterally make changes to the conditions of employment. If an employer unilaterally changes a term of the employment contract, it will usually have breached the contract, enabling the employee to sue for breach and, if he or she so chooses, to claim that he or she has been constructively dismissed.

A **constructive dismissal** occurs when an employer commits a significant or fundamental breach of the contract, such as eliminating an important benefit enjoyed by the employee, reducing compensation, or demoting an employee.

collective agreement
An employment contract between an employer and a union that sets out the terms of employment of a group of the employer's employees represented by the union

labour arbitrator
A person assigned to interpret and decide disputes ("grievances") about the meaning, interpretation, and application of a collective agreement governing employees in a unionized workplace

constructive dismissal
When an employer commits a fundamental breach of the contract, such as by unilaterally changing a key term of the contract, the employee can treat the breach as a termination

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In that case, the employee may treat the contract as having been terminated by the employer, quit, and sue the employer to recover either contractual notice or implied reasonable notice. Highlights in HRM 13.2 illustrates the need for HR managers to be careful when attempting to make a change to employees' terms and conditions of employment.

To make a change to the terms of an employment contract without breaching the contract, the employer should do either of the following:

1. Obtain the employee's agreement to the change and provide the employee with some new consideration (benefit).
2. Terminate the employment contract in its entirety by giving the required notice of termination and then offer a new contract on the revised terms. See the Business Case.

THE RULES GOVERNING DISMISSAL

DISMISSAL OF A NONUNION EMPLOYEE: WRONGFUL DISMISSAL

Under the common law of employment, either the employer or the employee can terminate the employment contract by providing the other side with the amount of notice specified in the contract, or if the contract does not include a notice term or includes a term requiring less notice than required by employment standards legislation, with reasonable notice. What amount of notice is "reasonable" is determined by the court, applying a variety of criteria judges have developed over the years, including the employee's age and the availability of alternative similar employment given the employee's experience and training. However, the two most important factors in assessing notice are (1) the length of service with the employer, and (2) the nature of the job performed by the employee. Generally, the longer an employee has worked for an employer, the longer the period of notice. In addition, the courts have developed a form of cap on the length of reasonable notice that is tied to the job performed by the employee: nonmanagerial employees are usually not entitled to more than 12 months' notice, whereas managerial employees may be entitled to as much as 24 months' notice.[1]

Notably, a nonunion employer does not need a reason to dismiss an employee. It can dismiss an employee at any time, for any reason (that is not a violation of a statute, such as human rights legislation) or for no reason at all. It just needs to give the employee the proper contractual or reasonable notice. Most dismissals in Canada are done by means of the employer providing the employee with notice, which can be working notice or a payment of wages equal to what the employee would have received for working during the notice period.

The Business Case

The Danger of Changing a Contract Term without the Employee's Agreement

What if the employee just will not agree to a contract amendment that the employer wants? In *Wronko v. Western Inventory Service Ltd.*, the employer wanted to change a term in the employment contract that required the employer to pay two years' salary to the employee in the event that the employee was terminated. The employer asked Mr. Wronko to sign a revised contract that reduced the payment required from 2 years to 30 weeks. Wronko refused to sign and indicated that he did not agree to the change. The employer then gave Wronko two years' notice that it was amending the term accordingly. After two years, the employer again gave Wronko a revised contract and told him that this new contract was now "in effect" and that if Wronko did not sign the new contract, then the company did "not have a job for [him]."

Wronko quit and sued the employer for wrongful dismissal, alleging he was entitled to two years' salary as per the original contract. The employer argued that it was permitted to give notice of the change to a term in the contract, which it had done. The Ontario Court of Appeal disagreed. It ruled that when faced with an employee who will not agree to a proposed change to the employment contract, an employer must either withdraw the proposed amendment or terminate the entire contract by giving the required notice and then offer the employee a new contract including the revised terms. The employer here had not given notice that it was terminating the contract; it had only given notice of its intention to make a unilateral change to one term of the contract. Therefore, the court ruled that the employee was entitled to two years' salary (minus money earned by the employee during that period). The employer should seek to make the amendment palatable to the employee by offering some benefit to the employee in exchange for the benefit it seeks to obtain from the amendment. This could avoid the costs associated with having to terminate the contract in its entirety.

HR managers need to understand the terms of employment contracts to appreciate the scope of their managerial authority. For example, does an employer have a contractual right to suspend an employee without pay as a form of progressive discipline or to put an employee on temporary layoff during an economic downturn? In both cases, the employer is essentially preventing the employee from performing his or her end of the bargain. That would be a breach of the contract unless the employer can point to a contract term that empowers it to suspend or lay off. Most contracts do not confer these rights on employers, with the result that suspensions and layoffs are usually contract breaches, and the employees affected could opt to quit and sue for constructive dismissal.

However, an employer may also dismiss a nonunion employee without any notice if the employee has committed a serious breach of the contract, such as engaging in significant dishonesty, gross incompetence, sexual harassment, or workplace bullying or violence. When a nonunion employer dismisses an employee for cause, without notice, it is called a **summary dismissal**.

One comprehensive study of summary dismissal cases found that employers won 40 percent of the time when the charge was dishonesty, theft, substance abuse, or abusive behaviour; 54 percent of the time when the charge was insubordination; 65 percent of the time when the charge was conflict of interest or competing with the employer; and just 25 percent of the time when the charge was poor performance.[2]

Whenever an employee believes he or she should have received more notice than that provided, the employee may file a **wrongful dismissal** lawsuit. This is a claim filed in court alleging that the employer breached the employment contract by failing to provide the required notice of termination. Although in a case of summary dismissal the court will have to decide whether the employer had cause sufficient to warrant the employee forfeiting his or her entitlement to notice, it is important to note that the court will not question whether the employer had a legal right to dismiss the employee. The issue in a wrongful dismissal case is whether notice should have been given and, if so, how much. It is not whether the employer had just cause to dismiss the employee, which is the issue usually at stake in a unionized arbitration case. Therefore, the remedy

summary dismissal
When a nonunion employer terminates an employee without notice because the employee has committed a serious breach of the contract

wrongful dismissal
A lawsuit filed in a court by an employee alleging that he or she was dismissed without proper contractual or reasonable notice

in a successful wrongful dismissal case is usually money; courts do not overturn the decision to dismiss, and they virtually never order the employer to reinstate the employee.

Statutory Regulation of Dismissal

The common law entitlement of employers to dismiss a nonunion employee for any reason by giving proper notice has been restricted in a number of ways by government intervention. Statutes prohibit employers from dismissing employees for certain reasons. For example, human rights legislation prohibits dismissals based on discriminatory reasons. Labour relations legislation prohibits an employer from dismissing an employee involved in organizing a union. Many types of employment statutes prohibit dismissals and punishment as a reprisal against employees who exercise their **statutory rights**. For example, employment standards and occupational health and safety statutes usually prohibit employers from punishing employees in any way as a reprisal for the employee making claims under the statute. The tribunals responsible for enforcing the statutes usually have the authority to order the employer to reinstate the employee, with full back pay and benefits, if they find that the reason for the dismissal was prohibited by the statute.

As noted earlier, employment standards legislation in Canada imposes a minimum amount of notice of termination required. For example, in Ontario, the amount of notice required in the *Employment Standards Act* is linked directly to years of service: one week's notice per year of service to a maximum of eight weeks. But that amount goes up in the case of mass layoffs to as much as 18 weeks when 500 or more employees are terminated. In addition, the legislation imposes a separate obligation to pay "severance pay" when the employer has an annual payroll of $2.5 million or more or when 50 or more employees are being terminated in a six-month period due to the closure of all or part of a business. Severance pay is one week's pay per year of service to a maximum of 26 weeks. Other provinces have similar requirements with variations. HR managers should be knowledgeable about the statutory provisions that govern the employment contract and dismissals to avoid costly and potentially embarrassing complaints by employees.

DISMISSAL OF A UNIONIZED EMPLOYEE: JUST CAUSE

Most collective agreements in unionized workplaces confer a right on employers to lay off workers, although they regulate the selection of the employees to be laid off and the order of recalls. Therefore, a unionized employer usually has the option of laying off workers for economic reasons. In addition, collective agreements usually include a "management rights" clause that grants employers the right to impose discipline short of dismissal, such as unpaid suspensions. As we noted previously, since most individual employment contracts do not include expressed management rights to impose temporary layoffs or unpaid suspensions, these actions are usually considered breaches of the individual employment contract amounting to a constructive dismissal.

However, although unionized employers may have these additional managerial rights, they are also significantly more restrained than nonunionized employers in other ways. Most notably, in stark contrast to most individual employment contracts, collective agreements usually include a term requiring that the employer have just cause to impose discipline or dismiss an employee. As a result, unlike a nonunionized employer, a unionized employer usually needs a reason to dismiss an employee. That reason can then be challenged by the employee and the union through the grievance procedure in the collective agreement rather than in the courts. The implied common law right of employers to dismiss employees for any

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reason by giving them reasonable notice does not apply to unionized employees. Moreover, a labour arbitrator has the statutory power to substitute a lesser penalty than the one imposed by the employer. That means that labour arbitrators can (and often do) reinstate employees when they rule that the employer did not have just cause to dismiss the employee.

As a result, it is particularly crucial in a unionized setting that HR managers keep careful records of employee misconduct. Labour arbitrators expect employers to apply progressive discipline before dismissing a unionized employee, except when the employee's misconduct is particularly serious. It is very common for arbitrators to reinstate dismissed unionized employees and to substitute an unpaid suspension of some duration. In considering the appropriate penalty for employee misconduct, arbitrators consider the entirety of the situation looking for "mitigating" factors, which include the employee's length of service and past disciplinary record, the manner in which the employer treated other similar incidents involving other employees, and even the employee's personal circumstances, such as the impact the dismissal would have on the employee and his or her dependants.

We can see, therefore, that nonunionized employers face challenges similar to those of unionized employers when they attempt to summarily dismiss an employee without providing notice. The nonunionized employer must convince a court that the employee's misconduct was sufficiently serious to warrant forfeiting notice of termination. A unionized employer needs to convince a labour arbitrator that it had just cause to dismiss the employee. In meeting these tests, employers face common challenges; similar advice can therefore be applied to both unionized and nonunionized employers in regard to properly preparing for and implementing discipline, as outlined in Figure 13.1.

Figure 13.2 describes this process from the employee's perspective. However, it is important to recall that the nonunionized employer always has the option of dismissing the employee with notice (not asserting cause), which is an option not available to a unionized employer. Highlights in HRM 13.3 provides an overview of the laws and regulations regarding dismissals.

FIGURE 13.1

TIPS TO CONSIDER WHEN DISMISSING A NONUNIONIZED EMPLOYEE WITH CAUSE OR A UNIONIZED EMPLOYEE WITH JUST CAUSE

- *Terminate an employee for cause only if there is a clear and articulated reason.* An employer should have clearly articulated, easily understandable reasons for discharging an employee. The reasons should be stated as objectively as possible and should reflect company rules, policies, and practices.

- *Set and follow termination rules and schedules.* Ensure that every termination follows a documented set of procedures. Procedures can be from an employee handbook, a supervisory manual, or even an intra-office memorandum. Before terminating, give employees notices of unsatisfactory performance and improvement opportunities through a system of warnings and suspensions.

- *Nonunionized employers should consider bargaining a contractual right to suspend an employee.* The right to suspend an employee without pay is a key component of

progressive discipline in unionized workplaces, but that right rarely appears in nonunionized employment contracts. Nonunionized employers could include greater disciplinary rights in the contract language to give them more disciplinary options.

- *Document all performance problems.* A lack of documented problems in an employee's personnel record may be used as circumstantial evidence of pretextual discharge if the employee is "suddenly" discharged.

- *Be consistent with employees in similar situations.* Document reasons given for all disciplinary actions even if they do not lead to termination. Terminated employees may claim that exception-to-the-rule cases are discriminatory. Detailed documentation will help employers explain why these "exceptions" did not warrant termination.

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FIGURE 13.2

FIRING BACK!

Once you have received either verbal or written warnings about performance, a decision has usually been made to fire you. What can you do? If you are a unionized employee, you can file a grievance challenging the discipline. But a nonunion employee will not usually have that option. Writing back to pick holes in the accusations is the least effective defence. Using the same weapons as management, you must prove that the just cause will not hold.

Howard Levitt, a legal expert on dismissal, offers the following advice:

- Establish in writing that you were unaware of the standards of performance or conduct. You can argue that the standards are new or were not part of the initial job offer, position description, performance evaluations, or previous warnings. The company must prove that you were grossly incompetent, so any letters of praise or good performance review should be used. Any aspects of performance that may override the weak areas should be noted. For example, if you are being dismissed for poor communication skills but your productivity figures are increasing, this should be documented. As soon as you commence employment, start a file containing all performance evaluations; letters of praise from customers, coworkers, internal clients, and supervisors; and all other examples

of performance achievements. Establish a paper trail of good performance.

- Argue that the company, while complaining about poor performance, has not stated specifically what is required to improve performance.
- Assert that you were not given the time, training, assistance, or learning opportunities necessary to improve performance.
- Establish, if true, that the employer hired you knowing that you did not possess the necessary skills. Note any understanding that you would receive the appropriate training.
- State, if applicable, that the skills desired now were not part of your original job description.
- Attribute your poor performance to factors outside your control, such as a decline in sales in all regions, or poorly priced products, or a temporary illness. If possible, establish that the company contributed to the performance problem by failing to respond to your (documented) suggestions for improvement.

Levitt further advises that letters and all other documentation be written with the assistance of a specialist. In the end, a nonunion employee will not get his or her job back if dismissed for performance problems, but if successful, they may receive an attractive severance package.

Source: Howard Levitt, "How Employees Can Fight Firing for Just Cause," *Toronto Star* (August 17, 1992): C1. Reprinted by permission of Howard Levitt, Levitt LLP.

EMPLOYEE PRIVACY RIGHTS

There are many instances in which the interests of employees can come into conflict with those of the employer. An important example relates to employee privacy rights at work and outside the workplace. To what extent should employees be entitled to privacy in their relationship with the employer?

PRIVACY ISSUES AT THE WORKPLACE

Employers have a legitimate interest in ensuring that their employees work efficiently and avoid improper conduct at work, such as theft, harassment, or misuse of company computers. Surveillance of the workplace is a common method for managing these challenges. However, employer surveillance can also have the feel of "Big Brother" to employees, who may feel entitled to some measure of privacy at work. Balancing managerial rights and employee expectations about their entitlement to privacy can be a difficult job for HR managers.

A right of privacy at work has been recognized in various degrees under all three regimes of employment law. The strongest protections of employee rights are probably those recognized by labour arbitrators interpreting collective agreements. Arbitration law usually requires employers to establish both that there is a pressing need for surveillance and that the surveillance is conducted in a reasonable manner that balances the employee's interest in a reasonable amount of privacy with the employer's business concerns. In applying this balancing test, arbitrators have sometimes prohibited surveillance cameras; personal searches of people, bags, and clothing; and employer searches of employee emails and Internet use. However, when the employer can show a strong reason justifying the surveillance and that there was no other reasonable, less-intrusive means of obtaining the information, arbitrators have tended to permit surveillance.[3]

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Highlights in HRM 13.3

Overview of Regimes Governing Dismissals

HR managers are usually responsible for implementing dismissals of employees. This is a stressful part of the profession. However, it helps significantly to understand the basic legal rules governing the process. Here is a quick summary of the key issues and regimes discussed in this chapter.

Common Law (Nonunion Employees)

The common law rules of contract govern the employment relationship between individual employees and nonunion employers. Every contract includes a notice of termination clause. The clause is either expressed (written) into the contract, or the courts imply a requirement for both parties to provide reasonable notice of termination. The courts decide how much notice is "reasonable" by applying a list of criteria. An expressed notice term supersedes the implied "reasonable notice" requirement, but courts will not enforce an expressed term if it requires less notice than required under employment standards legislation. A nonunion employer does not need a reason to dismiss an employee provided that it gives proper notice. Summary dismissal—dismissal without notice—is permitted only when the employee has committed a serious breach of the contract. Disputes about contracts in nonunion workplaces are resolved in court after one of the parties files a lawsuit for breach of contract. The usual remedy is lost wages and benefits during the notice period that should have been given (not reinstatement).

Statutory Regulation (Union and Nonunion Employees)

Employment standards regulation explains the minimal notice of termination required, which usually applies only to the employer. The length of notice in employment standards regulation is often less than the common law reasonable notice. Employment standards regulations also often require "severance" pay in addition to notice when the employer is large or there has been a mass termination. Various pieces of legislation prohibit dismissals for certain public policy reasons, such as for discriminatory reasons or as retaliation for the employee exercising statutory rights. Claims alleging a violation of a statute are decided by administrative tribunals, not courts, and the remedy can include lost wages and benefits and reinstatement.

Collective Bargaining and Labour Arbitration

Union employees enjoy greater protection from dismissals. They are governed by the rules of collective agreements, not contract law; the common law does not apply to collective agreements. A union employer can usually lay off or dismiss an employee for economic reasons by giving at least the statutory minimum notice or a longer period in the collective agreement. But collective agreements usually require the employer to have just cause in all other situations, so a union employer must have a reason to dismiss someone. A dismissed union employee challenging the employer's decision must file a grievance that may be litigated before a labour arbitrator (not a court). An arbitrator has the power to overturn the employer's decision and impose a lesser penalty (such as suspension) or reinstate the employee.

Governments have sometimes passed legislation to protect employee privacy rights. For example, British Columbia's *Personal Information Protection Act* applies to the private sector in British Columbia and requires a similar balancing of employer and employee interests in assessing whether an employer can conduct surveillance on employees. An important recent piece of legislation is the federal *Personal Information Protection and Electronic Documents Act* (PIPEDA), which, among other things, regulates an employer's collection and dissemination of information about employees, as well as the right of employees to access their personnel files in some circumstances. It applies to federally regulated workplaces but also to some "commercial activities" engaged in by provincially regulated companies. (Commercial activities include the selling of information, such as employee lists or information about employees.)

Organizations covered by PIPEDA must obtain an individual's consent when they collect, use, or disclose the individual's personal information. The individual has a right to access personal information held by an organization and to challenge its accuracy, if necessary. Any organization that collects personal information can

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use that information only for the purpose for which it was collected. If an organization wants to use it for another purpose, it must obtain the individual's consent again. Individuals must also be assured by the organization that their information will be protected by adequate safeguards. Recent interpretations of PIPEDA indicate that the legislation requires a balancing of employer and employee rights similar to that required by labour arbitrators and other privacy legislation, such as that in British Columbia. For example, employers covered by the legislation are now restricted in their ability to secretly monitor employee computer use unless they can prove that less intrusive means of monitoring computer use were used and did not solve the problem.[4]

Many employees are unaware that their employers can monitor what they do online and fire or discipline them based on that information. According to a recent report, more than a quarter of employers have fired workers for misusing email, and about a third have fired workers for misusing the Internet. Other privacy issues relate to Internet sites employees are allowed to access. More and more companies are regulating the use of social media at work. They see the negative effects it has on productivity and even on their own reputation. For example, when a photo of a Taco Bell employee licking taco shells was posted on social media, the fast-food giant naturally took a lot of heat.

As the use of Instagram, Snapchat, and other social media platforms continues to grow, their abuse in the workplace continues to grow as well. According to one study, more than 70 percent of businesses have had to take disciplinary action against employees for misusing social media.

Because privacy laws often oblige corporations to obtain consent from the individual whose personal information is being gathered, HR professionals should conduct an audit to determine if the organization's practice conforms to the legislation. For example, one organization collected information about the birth country of employees to facilitate international transfers. However, collecting this information for clerks, who will not be transferred, is unnecessary and would not meet the new standards.[5] Sources of information from selection interviews, employee evaluations, and disciplinary reports may have to be made available to employees.[6]

Employers have traditionally enjoyed a greater latitude under the common law to monitor their employees' behaviour. For example, court cases governing email and the Internet have granted employers the right to monitor materials created, received, or sent at work on the premises that the employer owns the computer, the employee is expected to be performing only work-related tasks while at work, and there is no reasonable expectation of privacy when using the employer's computers and equipment. Court cases have made this very clear. In one case, the employee, with 18 years of service, was terminated for using the

Monitoring employee behaviour is an important deterrent to inappropriate conduct of employees.

Agencja Fotograficzna Caro/Alamy Stock Photo

company Internet for personal purposes, including accessing pornography. In another case, an employee with 15 years of service was found to have been using the company Internet to manage his own unrelated travel business, for up to two hours a day on company time, using the company's computers.[7] A Supreme Court of Canada decision (*R. v. Cole*), however, indicated that if an employee's personal information is stored on an employer's computer, the employee can still expect some privacy. In this case, a school board technician found semi-nude images of an underage student on a board laptop used by a high school teacher. The board had a policy that all data on its computers would be considered its property. The school's principal was informed and the images were copied onto a disk and shared with the police. The issue before the Supreme Court was whether the teacher's *Charter* Rights was violated by the police in the warrantless search. The Court found that while the principal had a right to the computer and the images, the police did not.[8]

Even under the common law, an employer's right to monitor its employees' conduct at work is not absolute. In fact, common law judges appear to be slowly recognizing an implied right to privacy at work. In one recent case, an employer installed a hidden camera in the office of one of its employees. When the employee found out, she quit and sued for constructive dismissal. The employer defended its actions by claiming it had a legal right to install surveillance cameras. The court disagreed and found that the employer violated an implied term in the contract that it would treat its employees in good faith and fairly. Installing a hidden camera without any strong justification violated that term. The court ordered 7.5 months of reasonable notice damages.[9]

As you can see, employee surveillance can raise legal concerns. Nevertheless, surveillance of employees in various forms is quite common (see Figure 13.3).

HR experts and legal authorities strongly encourage employers to develop clear policies and guidelines that explain to employees how email, the Internet, and voicemail are to be used, including when and under what conditions employees can be monitored[10] (see Figure 13.4). As with other employment

FIGURE 13.3

EMPLOYEE MONITORING PRACTICES

Practice	Percentage
Monitoring Internet connections	62.8%
Storage and review of emails	46.5%
Telephone use (time spent, numbers called)	43.3%
Video surveillance for security purposes	37.7%
Storage and review of computer files	36.1%
Computer use (time logged on, keystroke counts)	18.9%
Video recording of employee job performance	15.2%
Recording and review of telephone conversations	11.9%
Storage and review of voice-mail messages	7.8%

Source: Uyen Vu, "Employee Resistant to Any Form of Computer Video Monitoring, Study Says," *Canadian HR Reporter* (March 8, 2004): 2.

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FIGURE 13.4

EMAIL, COMPUTER, AND VOICE MAIL: POLICY GUIDELINES

- Ensure compliance with applicable legislation and common law rules.
- Specify the circumstances, if any, under which the system can be used for personal business.
- Specify that confidential information not be sent on the network.
- Set forth the conditions under which monitoring will be done—by whom, how often, and with what notification to employees.
- Specify that email and voicemail information be sent only to users who need it for business purposes.
- Expressly prohibit use of email or voicemail to harass others or to send anonymous messages.
- Make clear that employees have no privacy rights in any material delivered or received through email or voicemail.
- Specify that employees who violate the policy are subject to discipline, including dismissal.

Reality Check

Privacy Issues with New Technologies

Paul Boniferro, partner, former head of the Ontario labour and employment group at McCarthy Tétrault, Canada's largest law firm, with offices in Vancouver, Calgary, London, Ottawa, Montréal, Québec City, and London, England, describes a case involving the use of biometric scanning: "We have a client in the property management industry. The security officers and building maintenance staff were being asked to no longer use access passes and punch cards, but to have their hands scanned by a biometric system."

The idea of using a biometric scanning device started with the terrorist attacks of September 11, 2001. The problem for landlords was that no one knew who was in the towers of the World Trade Center in New York City. Property managers are responsible for knowing who is in the building for security purposes and for emergency events.

Swipe cards can be exchanged or stolen and so are not reliable methods of identification. Furthermore, the employer had heard that employees were giving each other their punch cards for logging in and effectively stealing time from the employer.

The employer wanted to install a biometric entry system for security, for emergency contact, and for tracking employee time for payroll purposes. The biometric system scans and reads hand-prints, which are unique to every individual, and therefore solved both the problems of employee identification and time theft.

The employees refused, saying that it was an invasion of their privacy. They felt that "Big Brother" wanted to control their whereabouts and know where they were at all times. In another case where a unionized employer introduced a similar system, the union filed a grievance alleging a breach of the collective agreement's protection of worker privacy. The case went to a labour arbitrator.

The arbitrator agreed with the union (and the employees) and based her decision on these factors:

1. The employer has to first establish that there is an issue and a problem that needs to be controlled. In this case, the theft of time was not established as an issue that needed to be addressed.

2. The company has to establish that there is no other reasonable and less-intrusive method to manage the three issues.

3. The employer has to establish that all necessary precautions have been taken to protect the privacy of the employees.

4. Furthermore, the employer must consult with the union about the implementation and the protection of employees' privacy.

The employer was not allowed to use the system. However, in another similar situation, in a manufacturing environment, the current employees were allowed to keep their passes, but all new employees were required to use the biometric system. Existing employees, on a voluntary basis, could use the system. The company also charged $25 to replace lost cards, and over time employees no longer wanted the hassle of the cards. Now, 100 percent of its employees are using the biometric system.

Source: Interview with Paul Boniferro.

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policies, employees should sign a form indicating that they have read and understand the policy. The employer's surveillance and monitoring practices have a greater chance of being upheld by a court or tribunal if the rules have been clearly explained to the employees and implemented in accordance with the company's own guidelines. Reality Check describes the privacy issues facing the courts, and Ethics in HRM outlines the issues raised through monitoring employees.

EMPLOYEE CONDUCT OUTSIDE THE WORKPLACE

Consider the following situation. On Monday morning, the owner of ABC Corporation reads in the newspaper that a company employee has been charged with robbery and assault on a local convenience store owner. The employee

Ethics in HRM

Supervising or Super-Spying?

Cameras monitor much of our everyday life, often without our knowledge. Surveillance systems may be monitoring you as you leave the lobby of your apartment building, as you enter the underground garage, as you drive on the highway to work, as you purchase a coffee at the variety store, and even as you work. Pinhole cameras the size of a quarter can fit into a picture on a wall or a ceiling device that looks like a water sprinkler. They can catch an employee loading up on office supplies; they can even determine whether the employee is using chat lines or the Internet for personal reasons. Some employers keep records of the calls employees make and their duration. A standard feature on network management software enables the administrator to pull up the screen of any employee on the network.

Employees who work as customer representatives, handling 60 to 80 calls a day, may have their conversations monitored by supervisors or a trainer to ensure that the information given is accurate and that service standards are maintained. At one firm that raises money for charities, employees are required to make 8,500 keystrokes an hour; failure to achieve this standard is noted electronically. (Distractions are minimized by covering windows, forbidding conversation unrelated to business, and facing all desks in the same direction.) Eight cameras are capable of zooming in on any desk in case any employee is displaying materials unrelated to work.

Even baby sitters and nannies are being targeted for electronic monitoring. Cameras hidden in books watch the children and the baby sitter or nanny while anxious parents are at work. Parents insist that this surveillance enables them to ensure the safety and emotional security of their children; baby sitters and nannies are outraged at the lack of trust and invasion of their privacy.

Private investigators have been hired to do surveillance on employees who claim they are too sick to work. There are cases where "sick" employees have been seen doing more strenuous work than what they do on the job, even though they claim that they are too ill to do so. While these workers have an expectation to privacy, it is not illegal for employers to utilize these tactics. Hidden cameras in the workplace have also been used and subjected to court action. In one case, an employee realized that a camera was installed in the ceiling of her private office in London, Ontario, because her boss suspected employees under her supervision of stealing. She quit her job claiming alleging "constructive dismissal." She won the lawsuit because her employer did not suspect her of theft.

According to a national director with the Canadian Union of Postal Workers, "Surveillance and monitoring is really about power, and the uneven levels of power in the workplace. If it is abused by employers, then it really becomes a powerful weapon that is used to control the behaviour of workers, or as a source of discipline." A 2000 study found that people consider these electronic monitoring systems highly invasive and unfair.

Sources: Daniel Lublin, "Do Employers Have a Right to Spy on Workers?" *The Globe and Mail* (November 8, 2012), https://www.theglobeandmail.com/report-on-business/careers/career-advice/experts/do-employers-have-a-right-to-spy-on-workers/article5104037/, retrieved June 16, 2018; David Zweig, "The Line between Benign and Invasive Monitoring Technologies," *HR Professional* 19, no. 4 (August/September, 2002): 36–38; J. Powell, "Keeping an Eye on the Workplace," *Financial Post* (September 6, 1997): 24; M. Gooderham, "Rise in Technology Lets Everyone Be a Spy," *The Globe and Mail* (June 7, 1995): A1; A. M. Stewart, "For a Nervous Breakdown, Please Press One," *The Globe and Mail* (June 1, 1994): A25; G. Arnaut, "Electronic Big Brother Is on the Job," *The Globe and Mail* (October 22, 1996): C1; R. Fulford, "Tolerating Electronic Sweatshops," *The Globe and Mail* (December 14, 1994): C1.

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has been released pending trial. A phone call to the employee's supervisor reveals that the employee has reported to work. What should the owner do? What is the owner legally entitled to do? What can an employer do if it believes that an employee is lying about his or her inability to work due to sickness or disability? Can the employer spy on the employee outside the workplace? What if an employee writes damaging things about the company on his or her personal blog?

These are questions that commonly arise. Generally, an employer has no reach over the private lives of its employees; when an employee "punches out," he or she is no longer subject to the employer's control. Thus, both union and nonunion employers have been found to have lacked proper cause to dismiss employees who are arrested for activities unrelated to the workplace. However, when the employer can establish that the employee's off-duty conduct adversely impacts the economic interests of the employer, such as business reputation, or the employee's ability to perform his or her job, then the employer may be justified in taking action in response to that conduct.

This issue came to the fore in a recent case in Toronto. A Hydro One employee was fired by the company after he was identified as one of the soccer fans who abused a TV reporter after a game at the BMO field. The fan was caught on camera yelling a vulgar and sexist insult toward the reporter. After the incident, in a statement, Hydro One said that it was taking steps to "terminate the employee for violating [its] Code of Conduct." The statement continued: "Respect for all people is engrained in the code and our values. We are committed to a work environment where discrimination or harassment of any type is met with zero tolerance."[11] Many experts, however, contend that the dismissal could be challenged in the courts and that if this happens, Hydro One would have to prove, among other things, that the employee caused damage to the reputation of the firm.[12] And in another highly publicized incident, a Toronto Blue Jays fan, during a crucial moment in a wild-card game between the Texas Rangers and the Blue Jays in 2016, was reported to have thrown a beer can on to the field; the can barely missed one of Rangers' outfielders.[13] The incident, playing out on live television watched by millions, led to the game being stopped for a while until things settled down. Security camera footage inside the stadium helped to identify the fan; he was a journalist at Postmedia, publisher of numerous media outlets in Canada, including the *Toronto Sun*, *Windsor Star*, *National Post*, *Vancouver Sun*, and *Winnipeg Sun*. Postmedia subsequently conducted an investigation. In the court case that followed, it was reported that he had lost his job and suffered humiliation.[14]

Similarly, an employee who writes slanderous or damaging comments about the employer or who discloses confidential information on a personal blog or social networking website such as Facebook will usually be subject to summary dismissal by a nonunion employer (see Highlights in HRM 13.4).

Employers that wish to conduct secret surveillance on employees during off-hours need to be particularly careful. Both courts and arbitrators have required employers to show a valid business reason that the surveillance is necessary and to establish that the surveillance was conducted in a reasonable manner without violating common law and statutory rules protecting property rights and prohibiting nuisance. For example, recent court cases have suggested that videoing an employee inside his or her home is an unreasonable invasion of privacy and constitutes the tort of nuisance. Videoing in a public place was found reasonable in other cases. Labour arbitrators have been more strict in limiting outside employer surveillance than courts, usually requiring the employer to show that there was no other less-intrusive means of obtaining the necessary information.[15] Employers covered by privacy legislation discussed earlier are also more restricted in the scope of their right to conduct employee surveillance than those governed solely by the common law.[16]

DISCIPLINARY POLICIES AND PROCEDURES

The rights of managers to discipline and discharge employees are increasingly limited. There is thus a great need for managers at all levels to understand discipline procedures. Disciplinary action taken against an employee must be for justifiable reasons, and there must be effective policies and procedures to govern its use. Such policies and procedures assist those responsible for taking disciplinary action and help ensure that employees will receive fair and constructive treatment.

Disciplinary policies and procedures should extend to a number of important areas to ensure thorough coverage. Figure 13.5 presents a disciplinary model that illustrates the areas where provisions should be established. The model also shows the logical sequence in which disciplinary steps must be carried out to ensure enforceable decisions.

A major responsibility of the HR department is to develop, and to have top management approve, its disciplinary policies and procedures. The HR department is also responsible for ensuring that disciplinary policies, as well as the disciplinary action taken against employees, are consistent with the collective agreement (if one exists) and conform to current laws. However, the primary responsibility for preventing or correcting disciplinary problems rests with an employee's immediate supervisor. This person is best able to observe evidence

LEARNING OUTCOME 3

What are the disciplinary policies and procedures at your school/college/university? In what ways do you think they might be similar to those implemented in the workplace? In what ways do you think they might be different?

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FIGURE 13.5

A DISCIPLINARY MODEL
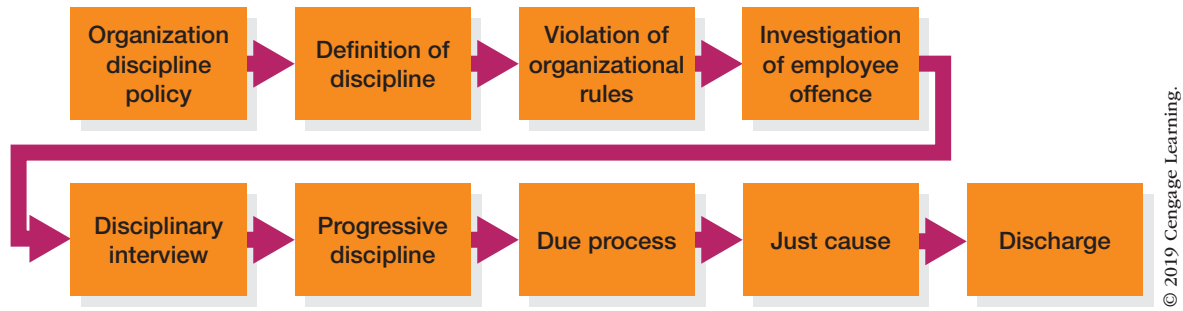
of unsatisfactory behaviour or performance and to discuss the matter with the employee. Should discipline become necessary, the employee's immediate supervisor is the logical person to apply the company's disciplinary procedure and monitor employee improvement.

THE RESULTS OF INACTION

Figure 13.6 lists the more common disciplinary problems identified by managers. Failure to take disciplinary action in any of these areas serves only to aggravate a problem that eventually must be resolved. Failure to act implies that the performance of the employee concerned has been satisfactory. If disciplinary action is eventually taken, the delay will make it more difficult to justify the action if challenged by the employee. A union employee can "grieve" the discipline, and a nonunion employee can treat the discipline as a breach of contract, and perhaps even a constructive dismissal, and sue the employer in court for wrongful dismissal.

FIGURE 13.6

COMMON DISCIPLINARY PROBLEMS

Attendance Problems
- unexcused absence
- chronic absenteeism
- unexcused or excessive tardiness
- leaving without permission

Dishonesty and Related Problems
- theft
- falsifying employment application
- wilfully damaging organizational property
- punching another employee's time card
- falsifying work records

Work Performance Problems
- failing to complete work assignments
- producing substandard products or services
- failing to meet established production requirements

On-the-Job Behaviour Problems
- bullying
- intoxication at work
- insubordination
- horseplay
- smoking in unauthorized places
- fighting
- gambling
- failing to use safety devices
- failing to report injuries
- carelessness
- sleeping on the job
- using abusive or threatening language with supervisors
- possessing narcotics or alcohol
- possessing firearms or other weapons
- sexual harassment

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In defending against such a challenge to the employer's discipline, the employer is likely to be asked why an employee who had not been performing or behaving satisfactorily was kept on the payroll. Or an even more damaging question might be, "Why did that employee receive satisfactory performance ratings [or perhaps even merit raises]?"

Such contradictions in practice can only aid employees in successfully challenging management's corrective actions. Unfortunately, some supervisors try to build a case to justify their corrective actions only after they have decided that a particular employee should be discharged. The following are common reasons given by supervisors for their failure to impose a disciplinary penalty:

1. The supervisor had failed to document earlier actions, so no record existed on which to base subsequent disciplinary action.
2. Supervisors believed that they would receive little or no support from higher management for the disciplinary action.
3. The supervisor was uncertain of the facts underlying the situation requiring disciplinary action.
4. Failure by the supervisor to discipline employees in the past for a certain infraction caused the supervisor to forgo current disciplinary action to appear consistent.
5. The supervisor wanted to be seen as a likable person.[17]

SETTING ORGANIZATIONAL RULES

The setting of organizational rules is the foundation for an effective disciplinary system. These rules govern the type of behaviour expected of employees. Organizations as diverse as Gerber Products, Steelcase, and Pitney Bowes have written policies explaining the type of conduct required of employees. Because employee behaviour standards are established through the setting of organizational rules and regulations, the following suggestions may help reduce problems in this area:

1. Rules should be widely disseminated and known to all employees. It should not be assumed that employees know all the rules.
2. Rules should be reviewed periodically—perhaps annually—especially those rules critical to work success.
3. The reasons for a rule should always be explained. Acceptance of an organizational rule is greater when employees understand the reasons behind it.
4. Rules should always be written. Ambiguity should be avoided as this can result in different interpretations of the rules by different supervisors.
5. Rules must be reasonable and relate to the safe and efficient operation of the organization. Rules should not be made simply because of personal likes or dislikes.
6. If management has been lax in the enforcement of a rule, the rule must be restated, along with the consequences for its violation, before disciplinary action can begin.
7. Employees should sign a document stating that they have read and understand the organizational rules.

When seeking reasons for unsatisfactory behaviour, supervisors must keep in mind that employees may not be aware of certain work rules. Before initiating any disciplinary action, therefore, it is essential that supervisors determine whether they have given their employees careful and thorough orientation in the rules and regulations relating to their jobs. In fact, the proper communication of organizational rules and regulations is so important that arbitrators cite *neglect in communicating rules* as a major reason for reversing the disciplinary action taken against an employee by unionized employers.[18]

INVESTIGATING THE DISCIPLINARY PROBLEM

It is a rare manager who has a good, intuitive sense of how to investigate employee misconduct. Too frequently, investigations are conducted in a haphazard manner; worse, they overlook one or more investigative concerns.[19] In conducting an employee investigation, it is important to be objective and to avoid the assumptions, suppositions, and biases that often surround discipline cases. Figure 13.7 lists seven questions to consider in investigating an employee offence. Attending to each question will help ensure a full and fair investigation while providing reliable information free from personal prejudice.[20]

Documenting Misconduct

"It's too complicated." "I just didn't take time to do it." "I have more important things to do." These are some of the frequent excuses used by managers who have failed to document cases of employee misconduct. The most significant cause of inadequate documentation, however, is that managers have no idea of what constitutes good documentation. Unfortunately, the failure of managers to record employee misconduct accurately can result in the reversal of any subsequent disciplinary action. The maintenance of *accurate* and *complete* work records, therefore, is an essential part of an effective disciplinary system. For documentation to be complete, the following eight items should be included:

1. Date, time, and location of the incident(s)
2. Behaviour exhibited by the employee (the problem)
3. Consequences of that action or behaviour on the employee's overall work performance and/or the operation of the employee's work unit
4. Prior discussion(s) with the employee about the problem
5. Disciplinary action to be taken and specific improvement expected

FIGURE 13.7

CONSIDERATIONS IN DISCIPLINARY INVESTIGATIONS

1. In very specific terms, what is the offence charged?
   - Is management sure it fully understands the charge against the employee?
   - Was the employee terminated for insubordination, or did the employee merely refuse a request by management?

2. Did the employee know he or she was doing something wrong?
   - What rule or provision was violated?
   - How would the employee know of the existence of the rule?
   - Was the employee warned of the consequence?

3. Is the employee guilty?
   - What are the sources of facts?
   - Is there direct or only indirect evidence of guilt?
   - Has anyone talked to the employee to hear his or her side of the situation?

4. Are there extenuating circumstances?
   - Were conflicting orders given by different supervisors?

   - Does anybody have reason to want to "get" this employee?
   - Was the employee provoked by a manager or another employee?

5. Has the rule been uniformly enforced?
   - Have all managers applied this rule consistently?
   - What punishment have previous offenders received?
   - Were any other employees involved in this offence?

6. Is the offence related to the workplace?
   - Is there evidence that the offence hurt the organization?
   - Is management making a moral judgment or a business judgment?

7. What is the employee's past work record?
   - How many years of service has the employee given the organization?
   - How many years or months has the employee held the present job?
   - What is the employee's personnel record as a whole, especially his or her disciplinary record?

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6. Consequences if improvement is not made and a follow-up date
7. Employee's reaction to the supervisor's attempt to change the behaviour
8. Names of witnesses to the incident (if appropriate)

When preparing documentation, it is important for a manager to record the incident immediately after the infraction takes place, when the memory of it is still fresh, and to ensure that the record is complete and accurate. Documentation need not be lengthy, but it must include the eight points in the preceding list. Remember, a manager's records of employee misconduct are considered business documents, and as such, they are admissible as evidence in arbitration hearings, administrative proceedings, and courts of law. As noted by one manager at a seminar on discipline, "When taking corrective action against an employee, the importance of compiling a complete and objective disciplinary record simply cannot be overstated."

The Investigative Interview

Before any disciplinary action is initiated, an investigative interview should be conducted to make sure employees are fully aware of the offence.[21] This interview is necessary because the supervisor's perceptions of the employee's behaviour may not be entirely accurate.[22] The interview should concentrate on how the offence violated the performance and behaviour standards of the job. It should avoid getting into personalities or areas unrelated to job performance. Most importantly, the employee must be given a full opportunity to explain his or her side of the issue so that any deficiencies for which the organization may be responsible are revealed.

APPROACHES TO DISCIPLINARY ACTION

If a thorough investigation shows that an employee has violated an organizational rule, disciplinary action must be imposed. Two approaches to disciplinary action are progressive discipline and positive discipline.

Progressive Discipline

Progressive discipline is the application of corrective measures by increasing degrees. Progressive discipline is designed to motivate an employee to correct his or her misconduct voluntarily. The technique is aimed at nipping the problem

An investigative interview should always be held in private and should elicit the comments and concerns of the employee.

Fotosearch Premium/Getty Images

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positive, or nonpunitive, discipline
A system of discipline that focuses on early correction of employee misconduct, with the employee taking total responsibility for correcting the problem

in the bud, using only enough corrective action to remedy the shortcoming. However, the sequence and severity of the disciplinary action vary with the type of offence and the circumstances surrounding it. Because each situation is unique, a number of factors must be considered in determining how severe a disciplinary action should be.

The typical progressive discipline procedure includes four steps. From an oral warning (or counselling) that subsequent unsatisfactory behaviour or performance will not be tolerated, the action may progress to a written warning, to a suspension with pay, and, ultimately, to discharge. It would usually be a breach of contract and a constructive dismissal for an employer to suspend a nonunion employee without pay, unless the contract includes an expressed term permitting this (and most do not).

The "capital punishment" of discharge is utilized only as a last resort. Organizations normally use lower forms of disciplinary action for less severe performance problems. It is important for managers to remember that three important things occur when progressive discipline is applied properly:

1. Employees always know where they stand regarding offences.
2. Employees know what improvement is expected of them.
3. Employees understand what will happen next if improvement is not made.

Positive Discipline

Some HR professionals believe that progressive discipline has certain flaws, including its intimidating and adversarial nature, that prevent it from achieving the intended purpose. For these reasons, some organizations are using an approach called **positive, or nonpunitive, discipline**. Positive discipline is based on the concept that employees must assume responsibility for their personal conduct and job performance.[23]

Positive discipline requires a cooperative environment in which the employee and the supervisor engage in joint discussion and problem solving to resolve incidents of employee irresponsibility. The approach focuses on early correction of misconduct, with the employee taking total responsibility for resolving the problem. Nothing is imposed by management; all solutions and affirmations are jointly reached. HR managers often describe positive discipline as "nonpunitive discipline that replaces threats and punishment with encouragement."

Although positive discipline appears similar to progressive discipline, its emphasis is on giving employees reminders rather than reprimands as a way to improve performance. The technique is implemented in three steps. The first is a conference between the employee and the supervisor. The purpose of this meeting is to find a solution to the problem through discussion, with oral agreement by the employee to improve his or her performance. The supervisor refrains from reprimanding the employee or threatening him or her with further disciplinary action. Supervisors may document this conference, but a written record of this meeting is not placed in the employee's file unless the misconduct occurs again.

If improvement is not made after this first step, the supervisor holds a second conference with the employee to determine why the solution agreed to in the first conference did not work. At this stage, however, a written reminder is given to the employee. This document states the new or repeated solution to the problem, with an affirmation that improvement is the responsibility of the employee and a condition of continued employment.

When both conferences fail to produce the desired results, the third step is to give the employee a one-day *decision-making leave* (a paid leave). The purpose of this paid leave is for the employee to decide whether he or she wishes to continue working for the organization. The organization pays for this leave to demonstrate its desire to retain the person. Also, paying for the leave eliminates the negative effects for the employee of losing a day's pay. Employees given a decision-making leave are instructed to return the following day with a decision either to make a total commitment to improve performance or to quit the

organization. If a commitment is not made, the employee is dismissed with the assumption that he or she lacked responsibility toward the organization. The fact that the employer goes through this process would not necessarily mean that it has cause to dismiss the employee. There is a strong likelihood that the employer would still be required to give the employee reasonable notice, or such other notice required in the written terms of the contract, because it is very hard to prove common law cause based solely on inadequate performance. Therefore, another strategy might be to give the employee a working notice of termination after the second conference and then offer to reemploy the employee on a new contract if the performance improves over the notice period.

<div style="float:right; width:25%;">

alternative dispute resolution (ADR)

A term applied to different types of employee complaint or dispute resolution procedures

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INFORMING THE EMPLOYEE

Regardless of the reasons for a discharge, it should be done with personal consideration for the employee affected. Every effort should be made to ease the trauma a discharge creates.[24] The employee must be informed honestly, yet tactfully, of the exact reasons for the action. Such candour can help the employee face the problem and adjust to it in a constructive manner.

Managers may wish to discuss, and even rehearse, with their peers the upcoming termination meeting. This practice can ensure that all important points are covered while giving confidence to the manager. Although managers agree that there is no single right way to conduct the discharge meeting, the following guidelines will help make the discussion more effective:

1. Come to the point within the first two or three minutes and list in a logical order all reasons for the termination.
2. Be straightforward and firm, yet tactful, and remain resolute in your decision.
3. Make the discussion private, businesslike, and fairly brief.
4. Do not mix the good with the bad. Trying to sugarcoat the problem sends a mixed message to the employee.
5. Avoid making accusations against the employee and injecting personal feelings into the discussion.
6. Avoid bringing up any personality differences between you and the employee.
7. Provide any information concerning severance pay and the status of benefits and coverage.
8. Explain how you will handle employment inquiries from future employers.[25]

Termination meetings should be held in a neutral location, such as a conference room, to prevent the employee from feeling unfairly treated. When discussing the termination, management must never provoke the employee or allow the employee to become belligerent toward management. Should the employee become agitated or show signs of hostility, the meeting should be stopped immediately, with notification given to security or the HR department.

Finally, when terminated employees are escorted off the premises, the removal must not serve to defame the employee. Managers should not give peers the impression that the terminated employee was dishonest or untrustworthy. Furthermore, managers are advised never to discuss the discharge or "badmouth" the terminated employee with other employees, customers, or other individuals.

ALTERNATIVE DISPUTE RESOLUTION PROCEDURES

In unionized workplaces, grievance procedures are stated in virtually all collective agreements. In nonunionized organizations, however, **alternative dispute resolution (ADR)** procedures are a method to address employee complaints.[26] The employer's interest stems from the desire to meet employees' expectations for fair treatment in the workplace while guaranteeing them due process—in the hope of minimizing discrimination claims or wrongful discharge suits.[27]

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LEARNING OUTCOME 4

What pros and cons do you think employees who agree to settle their grievances via alternative dispute resolution methods face?

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Step-Review Systems

As Figure 13.8 illustrates, a **step-review system** is based on a preestablished set of steps—normally four—for the review of an employee complaint by successively higher levels of management. These procedures are patterned after the union grievance systems we will discuss in Chapter 14. For example, they normally require that the employee's complaint be formalized as a written statement. Managers at each step are required to provide a full response to the complaint within a specified time period, perhaps three to five working days.

An employee is sometimes allowed to bypass the meeting with his or her immediate supervisor if the employee fears reprisal from this person. Unlike grievance procedures in unionized organizations, however, nonunionized appeal procedures ordinarily do not provide for a neutral third party—such as an arbitrator—to serve as the judge of last resort. In most step-review systems, the president, chief executive officer (CEO), vice president, or HR director acts as the final authority, and this person's decision is not appealable. Some organizations give employees assistance in preparing their complaint cases. For example, an employee who desires it may be able to get advice and counsel from a designated person in the HR department before discussing the issue with management.

Unfortunately, step-review systems may not yield their intended benefits. Employees may believe that management is slow in responding to complaints and that management's response often does not solve the problem. Furthermore, employees may believe that, regardless of policies forbidding reprisal, supervisors would still hold it against them if they exercised their rights as spelled out in the step-review system. These concerns should not lead to the conclusion that all step-review systems are ineffective but rather that management must take special precautions to ensure that the systems work and provide the benefits intended.

Peer-Review Systems

A **peer-review system**, also called a complaint committee, is composed of equal numbers of employee representatives and management appointees. Employee representatives are normally elected by secret ballot by their coworkers for a rotating term, whereas management representatives are assigned, also on a rotating basis. A peer-review system functions as a jury because its members weigh evidence, consider arguments, and, after deliberation, vote independently to render a final decision.

Organizations consider one of the benefits of the peer-review system to be the sense of justice that it creates among employees. The peer-review system can be used as the sole method for resolving employee complaints, or it can be used in conjunction with a step-review system. For example, if an employee is not satisfied with management's action at step 1 or 2 in the step-review system, the employee can submit the complaint to the peer-review committee for final resolution.

Open-Door Policy

The open-door policy is an old standby for settling employee complaints. The traditional **open-door policy** identifies various levels of management above the immediate supervisor that an aggrieved employee may contact; the levels may extend as high as a vice president, president, or CEO. Typically, the person who acts as "the court of last resort" is the HR director or a senior staff official.

FIGURE 13.8

CONVENTIONAL STEP-REVIEW APPEAL PROCEDURE

Employee → Supervisor → Department head → HR department → Top management
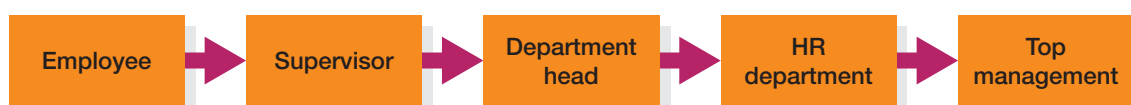
The problems with an open-door policy are well documented. Two of its major weaknesses are the unwillingness of managers to listen honestly to employee complaints and worker reluctance to approach managers with their complaints. As an employee once told the authors of this text, "My manager has an open-door policy, but the door is only open one inch." Obviously, this employee felt he had little opportunity to get through to his manager. Other problems are attributed to this system as well. The open-door policy generally fails to guarantee consistent decision making because what is fair to one manager may seem unfair to another. Higher-level managers tend to support supervisors for fear of undermining authority. And, as a system of justice, open-door policies may lack credibility with employees. Still, the open-door policy is often successful when it is supported by all levels of management and when management works to maintain a reputation for being fair and open-minded.

Ombudsperson System

An **ombudsperson** is a designated individual from whom employees may seek counsel for the resolution of their complaints. The ombudsperson listens to an employee's complaint and attempts to resolve it by seeking an equitable solution between the employee and the supervisor. This individual works cooperatively with both sides to reach a settlement, often employing a problem-solving approach to the issue. Because the ombudsperson has no authority to finalize a solution to the problem, compromises are highly possible, and all concerned tend to feel satisfied with the outcome.

To function successfully, ombudspeople must be able to operate in an atmosphere of confidentiality that does not threaten the security of the managers or subordinates who are involved in a complaint. For example, complaints of sexual harassment, abuse of power, or issues that deal with circumstances that violate the law or unethical behaviour (whistle blowing) require high degrees of confidentiality to protect those involved. Although ombudspeople do not have the power to decide employee complaints, it is recommended that they have access to high levels of management to ensure that employee complaints receive fair treatment.

Mediation

Along with arbitration, mediation is a popular way to resolve employee complaints. **Mediation** employs a third-party neutral (called a mediator) to help employees and managers reach voluntary agreement acceptable to both parties.

ombudsperson
A designated individual from whom employees may seek counsel for resolution of their complaints

mediation
The use of an impartial third-party neutral to reach a compromise decision in employment disputes

Discussion and compromise are cornerstones of employment mediation, which is a highly effective method of resolving disputes.

Noel Hendrickson/Blend Images/Alamy Stock Photo

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The essence of mediation is compromise. The **mediator** holds a meeting with the employee and management, listens to the position of each side, gathers facts, and then, through discussion, suggestions, and persuasion, obtains an agreement that will satisfy the needs and requirements of both sides. A mediator serves primarily as a fact finder and to open up a channel of communication between the parties. Unlike arbitrators, mediators have no power or authority to force either side toward an agreement. They must use their communication skills and the power of persuasion to help the parties resolve their differences. A cornerstone of mediation is that the parties maintain control over the settlement outcome.

Mediation is a flexible process that can be shaped to meet the demands of the parties. Also, it can be used to resolve a wide range of employee complaints, including discrimination claims or traditional workplace disputes.[28] Employees like the process because of its informality. According to one authority, "Mediation might be described as a private discussion assisted by an impartial third party."[29] Settlements fashioned through mediation are readily acceptable by the parties, thus promoting a favourable working relationship.

Arbitration

Arbitration, which is fully explained in Chapter 14, works like this: the employee and the employer present their cases, or arguments, to an arbitrator, who is typically a retired judge. He or she then makes a decision that the parties have agreed to be bound by. Arbitration can save litigation costs and avoid time delays and unfavourable publicity. However, to ensure that their arbitration policies are legal, employers must do the following:

- Have a clear, well-defined, and widely communicated arbitration policy.
- Specify those topics subject to arbitration.
- Inform employees of the rights they are relinquishing by signing an arbitration agreement.
- Provide a procedurally fair arbitration system.
- Allow for the nonbiased selection of an arbitrator or arbitration panel.[30]

MANAGERIAL ETHICS IN EMPLOYEE RELATIONS

Throughout this text, we have emphasized the legal requirements of HRM. Laws, agency rulings, and court decisions impact all aspects of the employment process—recruitment, selection, performance appraisal, safety and health, labour relations, and testing. Managers must comply with governmental regulations to promote an environment free from litigation.

However, beyond what is required by the law is the question of organizational ethics and the ethical—or unethical—behaviour engaged in by managers. **Ethics** can be defined as a set of standards of acceptable conduct and moral judgment. Ethics provides cultural guidelines—organizational or societal—that help us decide between proper or improper conduct. Therefore, ethics, like the legal aspects of HR, permeates all aspects of the employment relationship. For example, managers may adhere to the organization's objective of hiring members from the designated groups, but how those employees are supervised and treated once employed gets to the issue of managerial ethics. We have presented Ethics in HRM boxes in each chapter of this book to illustrate the complexity of ethical dilemmas.

Compliance with laws and the behavioural treatment of employees are two completely different aspects of the manager's job. Although ethical dilemmas will always occur in the supervision of employees, how employees are treated largely distinguishes the ethical organization from the unethical one. Interestingly, a recent research study, *Employee Trust and Organizational Loyalty*, sponsored by the Society for Human Resource Management, showed that employee perceptions of ethical behaviour by their organizational leadership may be the most important driver of employee trust and loyalty. According to the study, of critical interest to

employees is the consistent and credible communication of information about the organization's ethical standards and its values, the organization's mission, and its workplace policies.[31]

Many organizations have their own code of ethics that governs relations with employees and the public at large.[32] This written code focuses attention on ethical values and provides a basis for the organization, and individual managers, to evaluate their plans and actions. HR departments have been given a greater role in communicating the organization's values and standards, monitoring compliance with its code of ethics, and enforcing standards throughout the organization. Organizations now have ethics committees and ethics ombudspeople to provide training in ethics to employees. The ultimate goal of ethics training is to avoid unethical behaviour and adverse publicity, to gain a strategic advantage, and, most of all, to treat employees in a fair and equitable manner, recognizing them as productive members of the organization.

Small Business Application

Issues of employee rights and discipline will be discussed in the context of a small advertising business. The company at hand has 75 employees, made up of sales staff, customer service staff, copy staff, and printers. The company produces a weekly free publication and generates revenue through the sale of advertising space. Although the company used to be profitable, currently, it is starting to lose money. If sales continue to decline, the company could be rendered insolvent in two years, putting all employees at risk. There are two reasons the company is losing money. First, advertising sales are down, not just for this company but for all companies in this business. Second, a key client has reduced its business volume and complained that the service it has been receiving from staff was subpar.

So what is the company to do? First, although this company would like to preserve the employment of all of its staff, if sales volumes have been reduced to the point of incurring losses, the company has no choice but to reduce costs or find ways to increase sales. If work volumes are down with these sales volumes, the company may elect to reduce staff or hours to address this reality.

The second issue here is that of the client raising concerns about staff, which has resulted in business decline. In such a situation, the company will need to investigate the situation thoroughly and identify a remedy. The company would likely ask the client if it has examples of the issues of concern. The company also would likely draw from other sources of interaction between staff and the client, which may include order records. Then the company may discuss the situation with the management responsible for supporting this client. Finally, if specific staff have been identified and evidence has been produced, a meeting with the staff in question to further explore this situation would be required. If the conduct of staff has been found to be unacceptable, the lessons learned in this chapter regarding discipline of staff should provide guidance on steps to take depending on the magnitude of the offence.

Summary

OUTCOME 1   There are three regimes of employment law. The common law is a body of rules made by judges in the course of interpreting employment contracts. Employment regulation is legislation enacted by governments to regulate the terms of the employment contract and is enforced by an administrative tribunal. Collective bargaining law includes the rules that govern unionized employees. The employment contract for unionized employees is called a collective agreement, and it is interpreted and enforced by labour arbitrators rather than courts.

A nonunionized employer can dismiss an employee for any reason provided that it gives either the required contractual notice or implied reasonable notice (as long

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as the reason for the dismissal is not prohibited by a statute). It can also dismiss an employee with no notice if the employee has committed a serious breach of contract. A unionized employer, on the other hand, usually needs to prove it had just cause to dismiss an employee.

OUTCOME 2 PIPEDA provides employees with some rights regarding the use of their personal information. Employers should establish policies regarding privacy issues. Employers have the right, under certain conditions, to monitor the work of employees, including their use of email and the Internet.

OUTCOME 3 The HR department, in combination with other departments, should establish disciplinary policies. This will help achieve both acceptance of the policy and its consistent application. To reduce the need for discipline, organizational rules and procedures should be widely known, reviewed on a regular basis, and written and explained to employees. The rules must relate to the safe and efficient operation of the organization. When managers overlook the enforcement of rules, they must reemphasize the rule and its enforcement before disciplining an employee. In the context of management, discipline does not mean punishment. Rather, discipline is a tool used to correct the practices of employees to help them perform better so that they conform to acceptable standards. Even when it is justified, managers do not generally enjoy disciplining their employees. However, failing to do so generally aggravates a problem that eventually must be resolved. Investigation of employee misconduct begins with proper documentation of wrongdoing. When managers are investigating employee problems, they need to know specifically the infraction of the employee, whether the employee knew of the rule violated, and any extenuating circumstances that might justify the employee's conduct. When employees are to receive discipline, the rule must be uniformly enforced and the past work record of the employee must be considered. The two approaches to discipline are progressive discipline and positive discipline.

OUTCOME 4 ADR procedures present ways by which employees exercise their due process rights. The most common forms of ADR are step-review systems, peer-review systems, the open-door policy, the ombudsperson, mediation, and arbitration.

Key Terms

alternative dispute resolution (ADR), 473
collective agreement, 455
common law of employment, 453
constructive dismissal, 455
ethics, 476

implied contract terms, 453
labour arbitrator, 455
mediation, 475
mediator, 476
ombudsperson, 475
open-door policy, 474
peer-review system, 474

positive, or nonpunitive, discipline, 472
progressive discipline, 471
statutory rights, 458
step-review system, 474
summary dismissal, 457
wrongful dismissal, 457

Discussion Questions

1. Do you have a right to your job? What rights do you have with respect to employment?
2. In what ways, if any, does a unionized employee have greater protection from dismissal than a nonunionized employee in the Canadian model? Do you think that is fair or not? Why?
3. What is the difference between just cause in a unionized environment and summary dismissal in a nonunionized environment?
4. Under what conditions can an employer monitor employees? Ask a group of working students the following questions:
   • Are you monitored at work?
   • What types of monitoring are used?
   • For what purposes does your employer monitor the workplace?
   • Do you object to the monitoring? If so, why? If not, why not?
5. What are the privacy settings on your Facebook page? Do you think that your employer or prospective employer should be allowed to look at your page?
6. You have discovered that an employee has not been keeping client files updated, as is required by your company policy. Outline the steps that you would use to deal with this performance problem.
7. Discuss why documentation is so important to the disciplinary process. What constitutes correct documentation?
8. What do you think would constitute an effective ADR system? What benefits would you expect from such a system? If you were asked to rule on a discharge case, what facts would you analyze in deciding whether to uphold or reverse the employer's action?

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9. In groups, discuss whether the following situations are fair or not fair:
   a. Zabeen was using the company Internet to locate a nursing home for her increasingly incapacitated father. Her supervisor observed this and verified it with the information technology unit. Zabeen was given a written reprimand. Meanwhile, Sonia used the company telephone to do her personal banking and bill paying and was not reprimanded.

   b. Anthony spent his lunch hour at the gym, consisting of a strenuous workout program with a personal trainer. Meanwhile, Nicholas met his friends for lunch, sharing several beers at the local pub. Both employees felt fatigued in the afternoon, and their diminished productivity was noticed by their supervisor. Nicholas was asked to meet with his supervisor to review performance standards and received a verbal warning. Anthony was not.

HRM Experience

Learning about Employee Rights

In the constantly changing field of HR, it is imperative that both HR managers and supervisors be aware of changes that affect the organization and the process of managing employees. Nowhere is this more true than in the growing field of employee rights. As employees demand more job and employment rights regarding monitoring, unjust dismissals, and off-duty conduct, employers must be knowledgeable about new laws, court rulings, and the policies of other organizations that influence each area. This knowledge will enable managers to respond to these employee concerns in a positive and proactive manner. Failure to provide employees with their rights could lead to costly and embarrassing lawsuits, resulting in diminished employee loyalty or morale. The purpose of this exercise, therefore, is for you to familiarize yourself with issues of employee rights.

Assignment

Working individually or in teams, for each of the following employee rights topics, identify and discuss the concerns and interests at stake for both employees and employers. Answer the questions pertaining to each topic.

- wrongful dismissal lawsuits
- employee searches and monitoring
- employee conduct away from the workplace
- email and Internet use at work and at home

1. What are the employer's interests?
2. What are the employee's interests?
3. What do you think is a fair balance between these interests?
4. What, if any, laws or court cases affect this right?
5. Generally, how are employers responding to this employee right?

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Case Study 1

MANAGING CONFIDENTIAL INFORMATION

Emballages Prévost was founded in 1980 by its current president and CEO, Michel Prévost, who set himself the goal of always managing the company the way a good parent would manage a family.

The company was able to carve out a specialized niche for itself producing packaging for the pharmaceutical industry. It now has a workforce of 115, composed of 95 production employees, 10 employees in the field, and 10 employees in management and administration.

Initially, the head of finance and accounting, Paul Demers, was responsible for the company's HR because Mr. Prévost has never felt the need to hire an HR specialist. Although Paul Demers is an extremely thorough and disciplined manager, he has no interest in HR tasks. As a result, the firm's executive secretary, Sophie Dumouchel, has been in charge of HR for the last seven years. She is an independent, career-oriented, cheerful, and enthusiastic person who has always given senior management the impression that she was on top of her job. Michel Prévost has recently been concerned about the handling of confidential information. He has received a number of formal complaints from key employees who say they have witnessed other employees disclosing confidential information. After a brief inquiry, Mr. Prévost has become convinced that the problem stems from Sophie Dumouchel. She appears to have been using her position to manipulate her coworkers. As well, there are claims that she has sometimes disclosed highly confidential information about some employees and started certain rumours. Everyone seems to be afraid of her and wants to be in her good books. When questioned on the matter, Ms. Dumouchel categorically denied everything and said that these accusations were due to the fact that some of her coworkers were jealous of her because of her more privileged position. Mr. Prévost has not found sufficient proof to accuse Sophie or anyone else of disclosing confidential information.

Michel Prévost has never had any problems of this kind before and is now asking himself some serious questions about the company's responsibility in managing its HR records. He remembers that you are a management consultant for small and medium enterprises and sit on a hospital board of directors with him. He thus decides to get in touch with you about the situation. You offer to help him.

Questions

1. The firm does not have a policy on privacy or the management of confidential information. Develop one. This site on workplace privacy will be helpful: http://www.cippic.ca/workplace-privacy.
2. Using the questions in Figure 13.7, prepare for a meeting with Ms. Dumouchel.

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Case Study 2

DISMISSING AN EMPLOYEE FOR ABSENTEEISM

Supervisors report that discharging an employee is one of the toughest tasks they perform as managers. Termination for absenteeism can be particularly difficult because if the absenteeism is related to a disability, the employer will need to consider not only the rules governing dismissal with notice and with cause but also requirements in human rights legislation.

Mr. Keays was hired in 1986 by Honda as an assembly-line worker. In 1997, he was diagnosed with chronic fatigue syndrome and consequently went on disability benefits until the insurer declared that he was fit to return to work. When he returned, the employer put him into its disability program, which required him to submit medical reports for every absence from work. The employer began to doubt the veracity of Mr. Keay's doctor's reports and, therefore, in 2000, ordered him to see a doctor it had selected. Mr. Keays obtained legal advice recommending that he not see the employer's doctor unless the employer clearly indicated the purpose of the examination. The employer ignored the lawyer's request and summarily dismissed Mr. Keays for cause (without notice) when he refused to meet with the employer's doctor. The employer claimed that this was insubordination, entitling it to dismiss Mr. Keays without notice.

Mr. Keays sued for wrongful dismissal. He argued that his employer did not have a contractual right to force him to attend a different doctor chosen by the employer simply because the employer did not like the opinion of the employee's own doctor. Therefore, he was not being insubordinate by refusing an order that the employer had no right to make. Moreover, he argued that the requirement to submit medical letters for every absence and to submit to a medical examination by the employer's doctor amounted to harassment and discrimination on the basis of his disability and was part of a conspiracy between the employer and the doctor intended to enable

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the employer to dismiss him for cause after the doctor issued a report saying Mr. Keays was able to work. Therefore, he argued that in addition to reasonable notice damages, he should be entitled to damages for bad faith in the manner in which he was dismissed and to punitive damages for the employer's egregious conduct.

Questions

1. Do you think the employer should be entitled to dismiss Mr. Keays without giving him reasonable notice?
2. Does an employer have a right to insist that employees submit to medical examinations by doctors chosen by the employer?
3. If the doctors inform the employer that Mr. Keays's absences are due to his chronic fatigue syndrome and that they are likely to continue in the future, should the employer be entitled to dismiss Mr. Keays?
4. If Mr. Keays wins his wrongful dismissal case, will the court order Honda to reinstate him to his previous employment? Should it do that?

Source: *Honda vs. Keays*, http://www.mccarthy.ca/article_detail.aspx?id=4053.

Case Study 3

DISCHARGED FOR OFF-DUTY BEHAVIOUR

The following case illustrates the off-duty privacy claim of an employee and management's right to uphold the reputation of the company.

Before his termination on Monday, May 6, 2017, John Hilliard worked as a senior sales representative for Advanced Educational Materials (AEM), a nonunionized firm that provides high-quality educational books and supplies to junior and senior high schools. During his 12 years of employment, John was recognized as an outstanding employee with close working relationships with the schools he served. His sales record was excellent. John's discharge resulted from what AEM claimed was a serious breach of its code of conduct for employees.

On Saturday, May 4, 2017, due to a chance meeting between John and his manager, Jean Ellison, John was observed leaving an adult video store carrying what his manager described as pornographic magazines and an X-rated video. The following Monday, Jean discussed the incident with AEM's vice president for sales and a representative from HR. All agreed that John's off-duty behaviour constituted a serious violation of the company's code of conduct

for employees, which read, in part, "Employee off-duty behaviour in no way should reflect unfavourably upon the company, its employees, or sales of any educational materials." AEM has traditionally held its sales representatives to high moral standards because the company sells extensively to public school administrators and teachers.

At his discharge meeting, John vigorously opposed his firing. Although he acknowledged making the purchases, he argued strongly that what he did on his personal time was "no business of the company's" and his behaviour in no way reflected unfavourably upon AEM or the sales of its products. Besides, he said, "The purchases were made as jokes for a stag party."

Questions

1. Given the facts of this case, should John have been discharged? Why or why not?
2. Should the sales representatives of AEM be held to a higher standard of personal conduct than sales representatives for other types of organizations? Explain.
3. Should management have considered John's past work record before deciding on discharge? Explain.

Source: This case is based on an actual termination for off-duty misconduct. All names are fictitious.

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The Dynamics of Labour Relations

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Identify and explain the federal and provincial legislation that provides the framework for labour relations.

LO 2 Explain why employees join unions and describe the process by which unions organize employees and gain recognition as their bargaining agent.

LO 3 Discuss the bargaining process and the bargaining goals and strategies of a union and an employer.

LO 4 Differentiate the forms of bargaining power that a union and an employer may utilize to enforce their bargaining demands.

LO 5 Describe a typical union grievance procedure and explain the basis for arbitration awards.

In a broad sense, industrial relations can be defined as "all aspects of employees at work."[1] However, in a narrower sense, industrial relations deals with the relations between unions and management. Moreover, the subject often raises images of workers on strike, picketing exercises, tough negotiators, and public inconvenience. But it is not always this way. Most industrial relations matters do not make it to the press. In fact, more than 90 percent of collective bargaining negotiations are settled between management and unions without strikes or lockouts.[2] Just in Ontario in 2017, over 2000 collective bargaining agreements expired.[3] The vast majority of these were settled without much acrimony and away from the press. A similar pattern can be found across Canada.

The collective bargaining process is a key dynamic in union–management relations. It is through this process that the wages, benefits, and working conditions of unionized employees are determined. In terms of the actual process, the union local will normally meet with its membership and decide on demands for changes to the collective agreement. Management will review the demands and try to reconcile them with the financial situation of the organization. It will then come up with its own demands and counteroffers. The two sides will meet, perhaps over a few weeks or months, and conduct tough bargaining, usually in good faith and respectfully. In the end, both sides will most likely make concessions on their original positions and sign a collective bargaining agreement to cover the workplace, usually over the next two to four years.

Unions, however, tend to evoke strong opinions, positive or negative, for many people. Unions are associations formed to enhance the power of workers in dealing with employers and improve their pay and working conditions. To some, the word *union* evokes images of labour–management unrest—grievances, strikes, picketing, boycotts. To others, the word represents industrial democracy, fairness, opportunity, equal representation. Many think of unions as simply creating an adversarial relationship between employees and managers.

Regardless of attitudes toward them, since the mid-1800s, unions have been an important force shaping organizational practices, legislation, and political thought in Canada. Today, unions remain of interest because of their influence on organizational productivity and HR policies and practices. Like business organizations themselves, unions are undergoing changes in both operation—such as mergers and coalitions—and philosophy.

In spite of the long history of unions, the intricacies of labour relations are unfamiliar to many individuals. Therefore, this chapter describes government regulation of labour relations, the labour relations process, the reasons that workers join labour organizations, and the structure and leadership of unions. Importantly, according to labour law, once the union is certified to negotiate for bargaining-unit members, it must represent everyone in the unit equally. Therefore, in the latter sections of the chapter, we discuss the important topics of contract administration, particularly the handling of employee grievances and arbitration.

About 30 percent of all employees in Canada are unionized, with rates higher in the public sector (71 percent) than in the private sector (15 percent). This rate has been declining over the past few decades, falling from about 40 percent in 1980.[4] The private sector has experienced a steep decline. The unionization rate rates are lower in the United States, where the overall rate is about 11 percent. In 1983, this rate was 20 percent. Similar to Canada, the public-sector unionization rate is much higher (34 percent) than the private sector (6.5 percent).[5] The different unionization rates between Canada and the United States can be explained by two inter-related factors. First, some studies suggest that employers in the United States are more aggressive in challenging unions—both legally and illegally—in organizing drives and decertifications. Secondly, these tactics are facilitated by legislation and court rulings that show less accommodation to unions, versus Canada.[6]

Unions and other labour organizations can significantly affect the ability of managers to direct and control the various functions of HRM. For example, pay rates may be determined through union negotiations, or unions may impose restrictions on management's employee appraisal methods. Therefore, it is

essential that managers in both the union and the nonunion environment understand how unions operate and be thoroughly familiar with the important body of law governing labour relations. Remember, ignorance of labour legislation is no defence when managers and supervisors violate labour law. Before reading further, test your knowledge of labour relations law by answering the questions in Highlights in HRM 14.1.

GOVERNMENT REGULATION OF LABOUR RELATIONS

Labour relations in Canada are regulated by a multiplicity of federal and provincial laws. There are specific laws, or acts, for different sectors, industries, and workers. The system is highly decentralized. For example, interprovincial transportation and communications are under federal jurisdiction, whereas manufacturing and mining are under provincial jurisdiction. However, 90 percent of workers are governed by provincial legislation.

LEARNING OUTCOME 1

Why is it important for government to pass laws to protect employees who join unions?

THE *INDUSTRIAL RELATIONS DISPUTES AND INVESTIGATION ACT* AND THE *LABOUR RELATIONS CODE*

The *Industrial Relations Disputes and Investigation Act* (1948) specified the right of workers to join unions, allowed unions to be certified as bargaining agents by a labour relations board, required management to recognize a certified union as the exclusive bargaining agent for a group of employees, required both unions and management to negotiate in good faith, outlined unfair labour practices by both unions and management, and created a two-stage compulsory conciliation process that was mandatory before strikes or lockouts became legal.[7]

The federal government later incorporated these rights into a more comprehensive piece of legislation known as the *Canada Labour Code*. At the same time, the Canada Industrial Relations Board (CIRB) was established to administer and enforce the code. More specifically, the CIRB was designed as an independent board to establish, monitor, and encourage a more harmonious industrial relations

climate within organizations and industries that are federally regulated. The CIRB deals with disputes between parties and facilitates solutions and agreements.[8] Similarly, each province has a labour relations board that administers labour law and provincial labour law statutes, such as Ontario's *Labour Relations Act*. (The exception is Quebec, which has a labour court and commissioners.) Members of the labour relations boards are generally government appointees. Labour relations boards are generally autonomous from the federal government and have representatives from both labour and management. The duties of the labour relations board include the following:

- promoting, fostering, and maintaining a stable, productive, and positive labour relations climate within the workplaces under their jurisdiction
- administering the statutory procedures for the acquisition, transfer, and termination of bargaining rights
- hearing complaints related to unfair labour practices
- supervising strikes and lockout votes
- determining whether bargaining was done in good faith
- remedying violations of labour legislation[9]

THE LABOUR RELATIONS PROCESS

Individually, employees may be able to exercise relatively little power in their relationship with employers. Of course, if they believe they are not being treated fairly, they have the option of quitting. However, employees can also correct this situation by organizing and bargaining with the employer collectively. When employees pursue this option, the labour relations process begins. As Figure 14.1 illustrates,

FIGURE 14.1

THE LABOUR RELATIONS PROCESS

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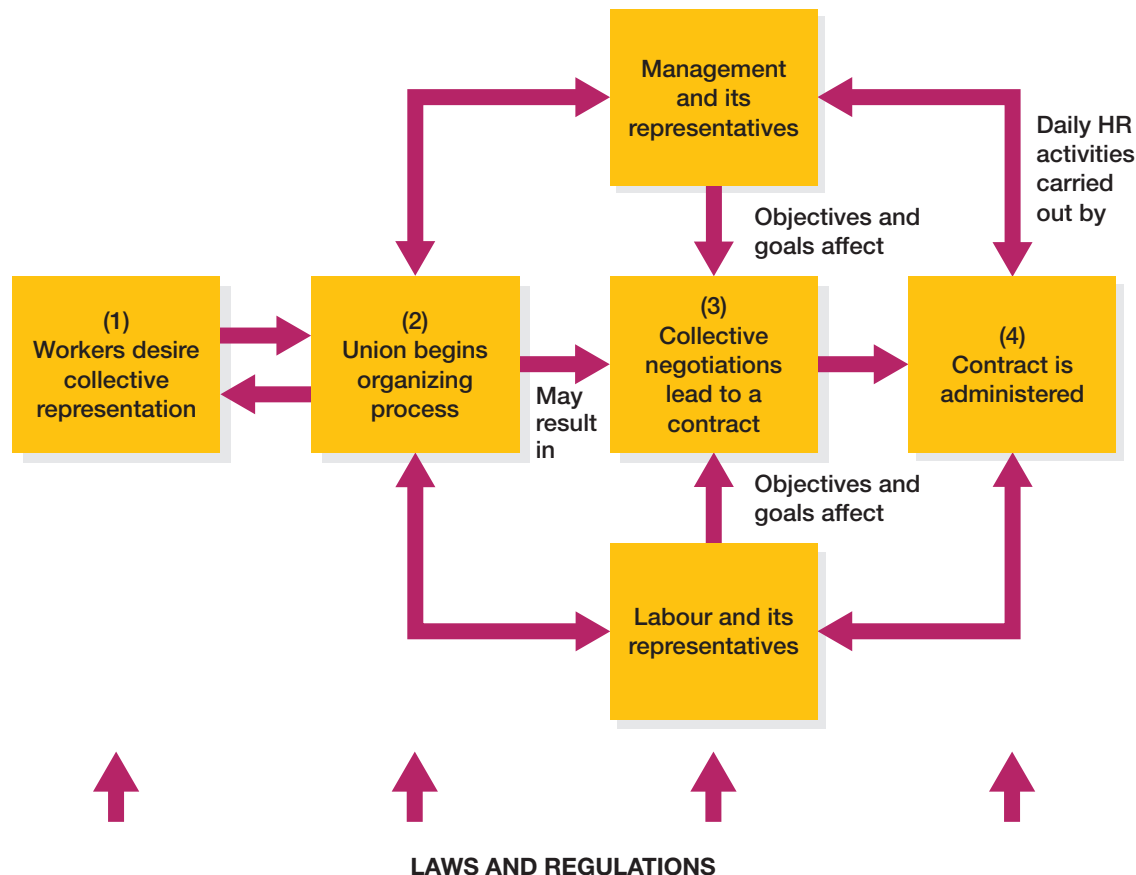
the **labour relations process** consists of a logical sequence of four events: (1) workers desire collective representation; (2) the union begins its organizing campaign and, if successful, is certified and recognized; (3) collective negotiations lead to a contract; and (4) the contract is administered. Laws and administrative rulings influence each event by granting special privileges to, or imposing defined constraints on, workers, managers, and union officials.[10]

WHY EMPLOYEES UNIONIZE

While traditional unions have declined in the last few decades, there has been a recent rise of alternative collective labour structures and a newfound interest in unions among millennials. Roughly 66 percent of millennials approve of unions, which is much higher than their older generational peers. Younger employees want work–life balance, a team-oriented work culture, and transparency concerning compensation and promotion—all values similar to those espoused by unions.[11]

Just because millennials share similar values as unions, however, doesn't mean they will easily join them. Unions are keen on increases in pay for their members. However, millennials aren't as interested in having more pay. Rather, they are more interested in equality and transparency. Young people tend to see the value of tackling problems from a collective level, rather than just as individuals. In this regard, employees see unions as a way to achieve results they cannot achieve acting individually.[12]

The majority of research on why employees unionize comes from the study of blue-collar employees in the private sector. These studies generally conclude that employees unionize as a result of economic need, and because of a general dissatisfaction with managerial practices, and thereby seek to have a voice in the setting of working conditions and/or to fulfill social and status needs. In short, employees see unionism as a way to achieve results they cannot achieve acting individually. As Highlights in HRM 14.2 illustrates, some segments of the labour force are very difficult to unionize. It should be pointed out that some employees join unions because of the union-shop provisions. A **union shop** is a provision of the collective agreement that requires employees to join as a condition of employment.

labour relations process
A logical sequence of four events: (1) workers desire collective representation; (2) the union begins its organizing campaign, which may lead to certification and recognition; (3) collective negotiations lead to a contract; and (4) the contract is administered

union shop
Provision of the collective agreement that requires employees to join the union as a condition of their employment

Highlights in HRM 14.2

Homeworkers: Canada's Invisible Labour Force

Rosanna Gonzalez (not her real name) works in the basement of her home in a small room crowded with industrial sewing machines. Rosanna is in the process of making 410 sweatshirts. To meet her deadline, she will have to put in 40 hours of work in two days. There is no natural light in the airless basement room and no way to escape the flying dust and thread particles. Last week, the assignment was T-shirts. Rosanna received 38 cents per shirt. She can churn one out in five minutes, but even at that speed, she still earns only about $4.50 per hour.

In most provinces, the law requires that homeworkers be paid at least $1 above minimum wage to compensate them for the use of space and equipment in their homes. But

enforcement of the law is rare. Canadians are quick to condemn working conditions in developing countries yet are notably silent about abuses in their own country. Joining a union is a traditional response to abysmal working conditions. For homeworkers, unionization is a remote possibility at best. These individuals (most of whom speak no English) work in scattered and unlicensed locations and are usually unaware of their rights. Those who are aware are afraid that if they complain, they will suffer retribution at the hands of the retailers, contractors, and subcontractors with whom they do business. These women have few employment options and are often the sole providers for their children. For them the choice is clear: put up with the exploitation or do not work at all.

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Economic Needs

Whether employees select unionization will greatly depend on whether the employees perceive the union as likely to be effective in improving various economic conditions of employment—often referred to as the union's instrumentality. Dissatisfaction with wages, benefits, and working conditions appears to provide the strongest reason to join a union. This point is continually supported by research studies that find that both union members and non-members have their highest expectations of union performance regarding the "bread-and-butter" issues of collective bargaining.[13] Unionized employees in Canada receive higher wages versus nonunionized employees; in May 2018, hourly earnings were $30.56 for those in unions and $25.33 for those not in a union.[14] Unions are built on these traditional issues of wages, benefits, and working conditions.

Dissatisfaction with Management

Employees may seek unionization when they perceive that managerial practices regarding promotion, transfer, shift assignment, or other job-related policies are administered in an unfair or biased manner. Employees cite favouritism shown by managers as a major reason for joining unions. This is particularly true when the favouritism concerns the HR areas of discipline, promotion, job assignments, and training opportunities.

We have noted throughout this book that today's employees are better educated than those of the past and often express a desire to be more involved in decisions affecting their jobs. Chapter 4 discussed the concept of employee empowerment and highlighted various employee involvement techniques. The failure of employers to give employees an opportunity to participate in decisions affecting their welfare may encourage union membership. It is widely believed that one reason managers begin employee involvement programs and seek to empower their employees is to avoid collective action by employees. For example, employers in the auto, semiconductor, and financial industries involve employees in collaborative programs as a means to stifle unionization. In one organizing effort by the United Auto Workers at a Nissan plant, the union lost the election because workers were satisfied with the voice in decision making that Nissan's participatory style of management gave them. However, more recently, pilots at WestJet Airlines voted to become unionized despite the airline's policies of ownership, profit sharing, participation by workers on the board of directors, and several other inclusionary practices. It was reported in the press that workers were dissatisfied with certain changes in their work; flight attendants are now organizing to form a union citing dissatisfaction with their pay formula.[15]

Social and Leadership Concerns

Employees whose needs for recognition and social affiliation are being frustrated may join unions as a means of satisfying these needs. Through their union, they have an opportunity to fraternize with other employees who have similar desires, interests, problems, and gripes. Simply, employees may join unions for the same reason they would join a civic organization, club, or sports team, namely to enjoy the companionship of others and to benefit in the prestige and value that organization may provide. Additionally, the union also enables them to put leadership talents to use as officers of the union and representatives of fellow employees. One study found that employees became union stewards so that they could be seen as "a fellow [their] buddies look to" and as a person who "stands up to the boss."[16]

ORGANIZING CAMPAIGNS

Once employees desire to unionize, a formal organizing campaign may be started either by a union organizer or by employees acting on their own behalf.[17] Contrary to popular belief, most organizing campaigns are initiated by employees rather

than by union organizers. Large national unions such as the United Auto Workers, the United Brotherhood of Carpenters, the United Steelworkers, and the Teamsters, however, have formal organizing departments whose purpose is to identify organizing opportunities and launch organizing campaigns.

Organizing Steps

The organizing process normally includes the following steps:

1. Employee/union contact
2. Initial organizational meeting
3. Formation of an in-house organizing committee
4. Application to a labour relations board
5. Issuance of a certificate by a labour relations board
6. Election of a bargaining committee and contract negotiations

Step 1. The first step begins when employees and union officials make contact to explore the possibility of unionization. During these discussions, employees investigate the advantages of representation, and union officials begin to gather information on employee needs, problems, and grievances. Union organizers also seek specific information about the employer's financial health, supervisory styles, and organizational policies and practices. To win employee support, labour organizers must build a case *against* the employer and *for* the union. Note also that most organizing drives take place inside the company.

Step 2. As an organizing campaign gathers momentum, the organizer schedules an initial union meeting to attract more supporters. The organizer uses the information gathered in step 1 to address employee needs and explain how the union can secure these goals. Two additional purposes of organizational meetings are (1) to identify employees who can help the organizer direct the campaign, and (2) to establish communication chains that reach all employees.

Step 3. The third important step in the organizing drive is to form an in-house organizing committee composed of employees willing to provide leadership to the campaign. The committee's role is to interest other employees in joining the union and in supporting its campaign. An important task of the committee is to have employees sign an **authorization card** indicating their willingness to be represented by a union in collective bargaining with their employer. Union membership cards, once signed, are confidential, and only the labour relations board has access to them. The number of signed authorization cards demonstrates the potential strength of the labour union.[18] Legislation across Canada requires that a union collect authorization cards as a first step in the union certification process.

There are then two different processes for union certification used in Canada. One method is known as a *card-check*. Under this method, a union is certified to represent the workers if the union submits to the labour board authorization cards on behalf of a majority of workers (such as 55 percent) in an appropriate bargaining unit. The second method, known as a *mandatory ballot*, is a two-step process. First, the union must obtain authorization cards on behalf of a certain number of workers (in Ontario, it is 40 percent or more) to obtain a vote. Then the labour board orders a vote of employees in the bargaining unit, which the union must win. In other words, those who do not cast ballots are not assumed to be voting against the certification of the union.

Step 4. When the union has collected sufficient authorization cards to satisfy the requirements under the applicable certification model, it will file an application for certification. It submits to the labour board its authorization cards, but the employer does not get to see them. The labour board then applies the model, either certifying the union on the basis of a card-check, ordering a vote in provinces that use a mandatory ballot model, or dismissing the application if the union does not submit the required number of authorization cards.

Step 5. Once the labour board has applied the process, it will declare whether or not the union has been successful in its application for certification. If the

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union is successful, the board will "certify" the union. If the union fails to meet the required test, the board will dismiss the application.

Step 6. Once the labour relations board determines that the union is certified, the bargaining committee is put in place to start negotiating a collective agreement. If the union is a national union, such as Unifor, usually a national representative works with the bargaining committee to negotiate a collective agreement with the company. Labour relations legislation imposes a duty on employers and unions to bargain in good faith and make reasonable efforts to complete a collective agreement.

Employer Tactics

Employers must not interfere with the labour relations process of certification. They are prohibited by law from dismissing, disciplining, or threatening employees for exercising their right to form a union. Employers cannot promise better conditions, such as increased vacation days, if the employees vote for no union or choose one union over another. Nor can they threaten to close the business, as one company did as workers were voting.[19] They cannot unilaterally change wages and working conditions during certification proceedings or during collective bargaining. Like unions, they must bargain in good faith, meaning that they must demonstrate a commitment to bargain seriously and fairly. In addition, they cannot participate in the formation, selection, or support of unions representing employees (see Figure 14.2).

None of these prohibitions prevents an employer from making the case that the employees have the right not to join a union and that they can deal directly with the employer on any issue. Employer resistance to unionization is the norm in Canada, and opposition has been found to decrease the probability of successfully organizing.[20] When Walmart consolidated its entry into Canada by buying 122 nonunionized Woolco stores, the company was widely viewed as anti-union. However, Walmart spokespeople insist that they are not anti-union but rather "pro-associate" (the Walmart term for the retail salesclerk).[21]

Employers' attempts to influence employees are scrutinized closely by officials of the organizing union and by the labour relations board. In the Walmart case

FIGURE 14.2

EMPLOYER "DON'TS" DURING UNION ORGANIZING CAMPAIGNS

Union organizing drives are emotionally charged events. Furthermore, labour law, labour relations board rulings, and court decisions greatly affect the behaviour and actions of management and union representatives. During the drive, managers and supervisors should avoid the following:

- attending union meetings, spying on employee–union gatherings, and questioning employees about the content of union meetings
- questioning current employees about their union sentiments—especially about how they might vote in a union election
- threatening or terminating employees for their union support or beliefs
- changing the working conditions of employees because they actively work for the union or simply support its ideals
- supplying the names, addresses, and phone numbers of employees to union representatives or other employees sympathetic to or opposed to the union
- promising employees improvements in working conditions (e.g., wage increases, benefit improvements) if they vote against the union
- accepting or reviewing union authorization cards or pro-union petitions because employees' names are listed on these documents
- providing financial or any other support to employees opposed to unionization

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(at the end of the chapter), an unfair labour practice was found to have been committed by a labour board and the union was automatically recognized, even though a minority of the employees had signed authorization cards. Over time, Walmart has developed a reputation for remaining union free, as described in Reality Check.

Union Tactics

Unions also have a duty to act in accordance with labour legislation. Unions are prohibited from interfering with the formation of an employer's organization. They cannot intimidate or coerce employees to become or remain members of a union. Nor can they force employers to dismiss, discipline, or discriminate against nonunion employees. They must provide fair representation for all employees in

Reality Check

Walmart Avoiding Unionization at All Costs

Walmart is one of the most well-known household names in North America and is rapidly increasing in popularity around the globe. In 2014, Investopedia reported that Walmart operated in 27 countries and had 11,000 stores across the globe, serving in excess of 245 million, customers, with a workforce comprising 2.2 million employees, of whom 1.3 million were based in the United States. There were 6,100 retail stores outside the United States, totalling $136 billion in net sales. Walmart's total sales topped $473 billion in 2014, and predictions are that the retail giant will become even more powerful, topping $500 billion by the end of 2015.

For decades, Walmart has been fighting to keep unions out of its stores. Some Canadian stores have been successfully unionizing, but Walmart has been relentless in its pursuits to keep its operations nonunionized.

The Saguenay-region store was the first to become unionized, in 2004; however, in 2005, before members could take their first collective bargaining dispute to arbitration, Walmart closed the store, claiming financial difficulties. The workers fought back but lost as Justice Binnie claimed that it was up to them to prove that Walmart acted in bad faith, thus engaging in unfair labour practices. The courts ruled that Walmart's decision could not be legally seen as anti-union motivated, even though "Walmart has fought unionization in its stores in Quebec in every way imaginable within its legal means," said Gregor Murray, a professor of industrial relations at the Université de Montréal who has followed the Walmart case for years.

Several other Walmart stores were successful in securing union certification since Walmart closed the store in 2005, but only the auto and lube workers at a Gatineau, Quebec, Walmart location were successful in obtaining a collective agreement imposed by arbitration. This operation was, however, also closed in October 2008.

In 2008, Walmart workers at another Gatineau store joined the union, United Food and Commercial Workers Canada. In the summer of 2010, after two years of battling with management, they were successful in achieving an arbitration-ruled collective agreement between the union and Walmart, making them the second group of Walmart employees in North America to have a collective agreement. Ironically, although the store was not closed by Walmart, workers filed for and were officially granted decertification from their union just over a year into their first collective agreement. Obviously, Walmart has been relentless in its pursuit to remain union free.

Sources: Robert Malone, "Wal-Mart Takes Over the World," *Forbes* (January 1, 2006), http://www.forbes.com/2006/01/12/walmart-rules-the-world-cx_rm_0113walmart.html; Andrew Chung, "Wal-Mart Workers Hope to Show Their Union the Door," *The Star.com*, (March 8, 2011), http://www.thestar.com/news/canada/article/950705–wal-mart-workers-hope-to-show-their-union-the-door; Tonda MacCharles, "Top Court Backs Wal-Mart over Union Store Closing," *The Star.com* (November 27, 2009), http://www.thestar.com/news/canada/article/731668–top-court-backs-wal-mart-over-union-store-closing; "Quebec Wal-Mart Workers Leave Union More than 150 Gatineau Employees Had First Collective Agreement for Just More than a Year," *CBC News* (October 31, 2011), http://www.cbc.ca/news/canada/ottawa/story/2011/10/31/ottawa-gatineau-walmartworkers.html; "Quebec Wal-Mart Workers Get Rare Union Deal: Only One Other North American Wal-Mart Has a Collective Agreement," *CBC News* (October 8, 2010), http://www.cbc.ca/news/canada/ottawa/story/2010/10/08/ottawa-wal-mart-deal.html; Greg McFarlane, "How Wal-Mart Makes Its Money," *Investopedia* (April 16, 2014), retrieved from http://www.investopedia.com/stock-analysis/041614/how-walmart-makes-its-money-wmt-tgt-kss-amzn.aspx; Corporate & Financial Facts, retrieved from http://news.walmart.com/walmart-facts/corporate-financial-fact-sheet; Jessica Wohl, "Wal-Mart Predicts Sales Will Grow Faster Next Year," *Reuters* (October 15, 2013), retrieved from http://www.reuters.com/article/2013/10/15/us-walmart-meeting-idUSBRE99E0F020131015.

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the **bargaining unit**, whether in collective bargaining or in grievance procedure cases. Unions cannot engage in activities such as strikes before the expiration of the union contract.

Any of the prohibited activities noted above for both employers and unions are considered **unfair labour practices (ULPs)**. Charges of ULPs are filed with the labour relations board, whose duty it is to enforce labour relations legislation. A summary of ULPs is presented in Highlights in HRM 14.3. See Ethics in HRM as well.

HOW EMPLOYEES BECOME UNIONIZED

The procedures for union certification vary across Canadian jurisdictions. As mentioned earlier, the common practice is for unions to present documentation to the appropriate labour relations board for certification. The labour relations board must certify a union before it can act as a bargaining unit for a group of employees. As noted, to acquire certification, the union must demonstrate that it has obtained the minimum level of membership support required by the labour relations board. It is also possible for a union to obtain the right to represent workers through voluntary recognition, a process in which the employer simply agrees to recognize the union as the representative of the employees.

Voluntary Recognition

All employers, except those in Quebec, may voluntarily recognize and accept a union. This rarely happens, except in the construction industry, where there is a great reliance on union hiring halls.

CONTRACT NEGOTIATION

Once a bargaining unit has been certified by the labour relations board, the employer and the union are legally obligated to bargain in good faith over the terms and conditions of a collective agreement. Usually, the terms of a collective agreement apply for a minimum of one year and a maximum of three years, although there is no legally mandated maximum. As the contract expiry date approaches, either party must notify the other of its intention to bargain for a renewal collective agreement or contract negotiation.

Highlights in HRM 14.3

Unfair Labour Practices

Unfair labour practices by employers include the following:

- helping to establish or administer a union
- altering the working conditions of employees while a union is applying for certification without the union's consent
- using intimidation, coercion, threats, or promises or exercising undue influence while a union is being organized
- failing to recognize or bargain with the certified union
- hiring professional strike breakers

Unfair labour practices by unions include the following:

- contributing financial or other support to an employer's organization
- not representing fairly the employees in the bargaining unit
- bargaining or negotiating a collective agreement with an employer while another union represents the employees in the bargaining unit
- calling or authorizing an unlawful strike or threatening to do so
- threatening or intimidating workers to influence their support for the union

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DECERTIFICATION

All legislation allows for the decertification of unions under certain conditions. If the majority of employees indicate that they do not want to be represented by the union or that they want to be represented by another union, or if the union has failed to bargain, an application for decertification can be made to the labour relations board. If a collective agreement has been reached with the employer, this application can be made only at specified times, such as a few months before the agreement expires. Workers at seven Starbucks in Vancouver voted to decertify from CAW. Employees can initiate an application for decertification if the union fails to bargain.

IMPACT OF UNIONIZATION ON MANAGERS

Why would employers oppose the unionization of their employees? First, studies from the field of labour economics routinely show that wages and benefits are higher in union organizations compared to similar nonunion organizations. Second, unions can have a significant effect on the rights exercised by management in making decisions about employees. Third, unionization restricts the freedom of management to formulate HR policy unilaterally and can challenge the authority of supervisors.

management rights
Decisions regarding organizational operations over which management claims exclusive rights

craft unions
Unions that represent skilled craft workers

industrial unions
Unions that represent all workers—skilled, semiskilled, unskilled—employed along industry lines

employee associations
Labour organizations that represent various groups of professional and white-collar employees in labour–management relations

Challenges to Management Decisions

Unions typically attempt to achieve greater participation in management decisions that affect their members. Specifically, these decisions may involve such issues as the subcontracting of work, productivity standards, and job content. Employers quite naturally seek to claim many of these decisions as their exclusive **management rights**—decisions over which management claims exclusive rights. However, the union may challenge and erode these prerogatives at the bargaining table, through the grievance procedure, and through strikes.

Loss of Supervisory Authority

At a recent labour–management conference, a union official commented, "Contract terms covering wages, benefits, job security, and working hours are of major importance to our membership." However, for managers and supervisors, the focal point of the union's impact is at the operating level (the shop floor or office facility), where the terms of the collective agreement are implemented on a daily basis. For example, these terms can determine what corrective action is to be taken in directing and in disciplining employees. When disciplining employees, supervisors must be certain they can demonstrate *just cause* (see Chapter 13) for their actions because these actions can be challenged by the union and the supervisor called as a defendant during a grievance hearing. If the challenge is upheld, the supervisor's effectiveness in coping with subsequent disciplinary problems may be impaired. Specific contract language can also reduce the supervisor's ability to manage in areas such as scheduling, training, transfers, performance evaluation, and promotions. Under the provisions of the collective agreement, supervisors may have to promote employees by seniority rather than by individual merit.

STRUCTURES, FUNCTIONS, AND LEADERSHIP OF LABOUR UNIONS

Unions that represent skilled craft workers, such as carpenters or masons, are called **craft unions**. Craft unions include the International Association of Iron Workers, the United Brotherhood of Carpenters, and the United Association of Plumbers and Pipefitters. Unions that represent unskilled and semiskilled workers employed along industry lines are known as **industrial unions**. The Canadian Union of Postal Workers is an industrial union, as are the Unifor, the United Steelworkers, and the Canadian Office and Professional Employees Union. Although this distinction still exists, technological changes, union mergers, and competition among unions for members have helped reduce it. Today, skilled and unskilled workers, white-collar and blue-collar workers, and professional groups are being represented by both types of unions.

Besides unions, **employee associations** represent various groups of professional and white-collar employees. Examples of employee associations include the Quebec Federation of Nurses and the Alberta Teachers' Association. In competing with unions, these associations, for all purposes, may function as unions and become just as aggressive as unions in representing members.

Regardless of their type, labour organizations are diverse organizations. Each will have its own structure, objectives, and methods of governance. When describing labour organizations, most researchers divide them into three levels: (1) central labour congresses, (2) international and national unions, and (3) local unions belonging to a parent national or international union. Each level has its own reason for existence and its own operating policies and procedures.

THE CANADIAN LABOUR CONGRESS

The Canadian Labour Congress (CLC) is a central federation of unions (see http://canadianlabour.ca/). In 2018, the total membership of CLC was over 3.3 million Canadians, a marginal increase of about 100,000 from 2012; CLC represents

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the majority of all unions in Canada.[22] Because of its size and resources, CLC is considered the most influential labour federation in Canada. It is mainly a service organization representing over 90 international and national unions; these finance CLC through dues based on membership size. Like the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) in the United States, CLC attempts to influence legislation and promote programs that are of interest to labour. It does this by lobbying, resolving jurisdictional disputes, maintaining ethical standards, providing education and training to its members, conducting research, and representing Canadian interests in the international labour movement.

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union (shop) steward
Employee who as a nonpaid union official represents the interests of members in their relations with management

</div>

INTERNATIONAL AND NATIONAL UNIONS

International unions tend to be affiliates of American unions, with headquarters in the United States. In Canada, there are 40 international unions (with a membership of 1.2 million workers) and 196 national unions (with a membership of 3.4 million).[23] The large membership base offers a good deal of leverage to local unions engaged in strike action.

Both international and national unions are made up of local unions. The objectives of these "umbrella" unions are to help organize local unions, to provide strike support, and to assist local unions with, among other things, negotiations and grievance procedures. These unions also represent their members' interests with internal and external constituents. By ensuring that all employers pay similar wages to their unionized workers, they also remove higher wages as a competitive disadvantage.

In Canada, most of the decision-making authority in national unions is vested in the local unions or at the bargaining-unit level. This is often referred to as *bottom-up unionism*. However, many international unions, especially craft unions, are more likely to retain a greater degree of control over the affairs of local unions. This is often referred to as *top-down unionism*.

LOCAL UNIONS

Employees of any organization can form their own union, with no affiliation to a national or international union. In situations such as this, the local is the union. There are more than 250 independent local unions in Canada. However, most local unions are members of national or international unions or CLC, which makes financial resources and advice available to them.

Unionized employees pay union dues that finance the operation of the local union. Local unions tend to make their own decisions but turn to the national union for collective bargaining help, research, and assistance when handling certain types of grievances. Many national unions also provide training for local unions on the roles and responsibilities of union officers. The officers of a local union are usually responsible for negotiating the local collective agreement, ensuring that the agreement is adhered to, and investigating and processing member grievances. Most importantly, they help prevent their members from being treated by their employers in ways that run counter to management-established HR policies.[24] They also keep members informed through meetings and newsletters.

Role of the Union (Shop) Steward

The **union (shop) steward** represents the interests of union members in their relations with immediate supervisors and other members of management. Stewards are usually elected by the union members in their own department and serve without union pay. Since stewards are full-time employees of the organization, they often spend considerable time after working hours investigating and handling members' problems. When stewards represent members during grievance

One of the functions of a union steward is to discuss issues with management as they arise. Here a steward is discussing a safety issue with the site manager.

Tashi-Delek/E+/Getty Images

business agent
Normally a paid labour official responsible for negotiating and administering the collective agreement and working to resolve union members' problems

meetings on organizational time, their lost earnings are often paid by the local union.

A union steward can be viewed as a "person in the middle," caught between conflicting interests and groups. The relationship between a manager/supervisor and the union steward can have a major bearing on union–management cooperation and on the efficiency and morale of the workforce.

Role of the Business Agent

Negotiating and administering the collective agreement and working to resolve problems arising in connection with it are the major responsibilities of the **business agent**. In performing these duties, business agents must be all things to all people in their unions. They are often required to assume the role of counsellor in helping union members with both personal and job-related problems. They are also expected to satisfactorily resolve grievances that cannot be settled by union stewards. Administering the daily affairs of the local union is another significant part of the business agent's job.

LABOUR RELATIONS IN THE PUBLIC SECTOR

Collective bargaining among federal, provincial, and municipal government employees and among employees in parapublic agencies (private agencies or branches of government acting as extensions of government programs) has been an area of important activity for the union movement. More than 70 percent of public employees are now unionized.

Unions that represent public-sector employees are among the largest in Canada.[25] The Canadian Union of Public Employees (CUPE) is the largest union in Canada, with 636,000 members. The second-largest union, with 360,000 members, is the National Union of Public and General Employees (NUPGE). The largest union representing employees at the federal level is the Public Service Alliance of Canada (PSAC), with 181,000 members. PSAC comprises 17 different unions representing various groups, such as the Professional Institute of the Public Service of Canada (PIPS), the Social Science Employees Association (SSEA), and air traffic controllers. Growth in these unions is threatened by increased cost-cutting efforts of governments at all levels, resulting in employee reductions.

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Although public-sector collective bargaining is quite similar to bargaining in the private sector, a number of differences are worth noting. We explore these differences in two contexts: (1) the political nature of the labour–management relationship, and (2) public-sector strikes.

POLITICAL NATURE OF THE LABOUR–MANAGEMENT RELATIONSHIP

Government employees are not able to negotiate with their employers on the same basis as their counterparts in private organizations. It is doubtful that they will ever be able to do so because of inherent differences between the public and private sectors.

One of the significant differences is that labour relations in the private sector have an economic foundation, whereas in government, the foundation tends to be political. Since private employers must stay in business to sell their goods or services, their employees are not likely to make demands that could bankrupt them. A strike in the private sector is a test of the employer's economic staying power, and, usually, the employer's customers have alternative sources of supply. Governments, on the other hand, must stay in business because alternative services are usually not available.

Another difference between the public and private sectors relates to the source of management authority. In a private organization, authority flows downward from the board of directors and, ultimately, from the shareholders. In contrast, authority in the public sector flows upward from the public at large to their elected representatives and to the appointed or elected managers. It follows that public employees can exert influence not only as union members but also as pressure groups and voting citizens.

STRIKES IN THE PUBLIC SECTOR

Strikes by government employees create a problem for lawmakers and for the general public. Because many of the services that government employees provide, such as policing and firefighting, are considered essential to the well-being of the public, public policy is opposed to strikes by these people. However, various provincial legislatures have granted public employees the right to strike. Where striking is permitted, the right is limited to specific groups of employees—those performing nonessential services—and the strike cannot endanger the public's health, safety, or welfare. Public-sector unions contend, however, that denying them the same right to strike as employees in the private sector greatly reduces their power during collective bargaining.

Public employees who perform essential services do, in fact, strike. Teachers, sanitation employees, police, transit employees, firefighters, and postal employees have all engaged in strike action. To avoid potentially critical situations, various arbitration methods are used for resolving collective bargaining deadlocks in the public sector. One is **compulsory binding arbitration** for employees such as police officers, firefighters, and others in jobs where strikes cannot be tolerated; in this case, a neutral third party is appointed to resolve the deadlock. Another method is **final offer arbitration**, under which the arbitrator must select one or the other of the final offers submitted by the disputing parties. With this method, the arbitrator's award is more likely to go to the party whose final bargaining offer has moved the closest to a reasonable settlement.

The government can also enact back-to-work legislation, an option being used with increasing frequency.[26] For instance, in 2011, federal Minister of Labour Lisa Raitt used back-to-work legislation to force CP Rail striking employees back on the job, claiming that if the union and the employer are not able to come up with an agreement, the government has the authority to and would intervene. In a similar vein, back-to-work legislation was used to prevent Air Canada's pilots, ground crews, and machinists from going on strike. The same back-to-work legislation

compulsory binding arbitration
Binding method of resolving collective bargaining deadlocks by a neutral third party

final offer arbitration
Method of resolving collective bargaining deadlocks whereby the arbitrator has no power to compromise but must select one or another of the final offers submitted by the two parties

would have impacted Air Canada's striking customer service employees, but the parties reached a deal before it was enacted. Shortly thereafter, the House of Commons passed back-to-work legislation that forced 48,000 postal workers back on the job. And in 2017, the Ontario government passed back-to-work legislation that ended a five-week strike by 12,000 Ontario college professors, instructors, counsellors, and librarians.[27] This has increasingly become the norm for federal and provincial governments as they seek to restore vital services to certain sectors of the economy deemed essential.

THE BARGAINING PROCESS

Those unfamiliar with contract negotiations often view the process as an emotional conflict between labour and management, complete with marathon sessions, fist pounding, and smoke-filled rooms. In reality, negotiating a collective agreement entails long hours of extensive preparation combined with diplomatic manoeuvring and the development of bargaining strategies. Furthermore, negotiation is only one part of the **collective bargaining process** (see Figure 14.3). Collective bargaining also may include the use of economic pressures in the form of strikes and boycotts by a union. Lockouts, plant closures, and the replacement of strikers are similar pressures used by an employer. In addition, either or both parties may seek support from the general public or from the courts as a means of pressuring the opposing side.

PREPARING FOR NEGOTIATIONS

Preparing for negotiations includes assembling data to support bargaining proposals and forming the bargaining team. This permits collective bargaining to be conducted on an orderly, factual, and positive basis with a greater likelihood of achieving desired goals. Negotiators often develop a bargaining book that serves as a cross-reference file to determine which contract clauses would be affected by a demand. The bargaining book also contains a general history of contract terms and their relative importance to management.[28] Assuming that the

FIGURE 14.3

THE COLLECTIVE BARGAINING PROCESS

Prepare for Negotiations
• Gather data
• Form bargaining teams
1

Develop Strategies
• Develop management proposals and limits of concession
• Consider opponents' goals
• Make strike plans
2

Formalize Agreement
• Clarify contract language
• Ratify agreement
4

Conduct Negotiations
• Bargain in good faith
• Analyze proposals
• Resolve proposals
• Stay within bargaining zone
3

Strikes   Legal requirements   Lockouts   Strike replacements   Boycotts

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collective agreement is not the first to be negotiated by the parties, preparation for negotiations ideally starts soon after the current agreement has been signed. This practice allows negotiators to review and diagnose weaknesses and mistakes made during the previous negotiations while the experience is still current in their minds.

Gathering Bargaining Data

Employers gather economic data primarily in the areas of wages and benefits. However, internal data relating to grievances, disciplinary actions, transfers, promotions, overtime, and former arbitration awards are useful in formulating and supporting the employer's bargaining position. The supervisors and managers who must live with and administer the collective agreement can be very important sources of ideas and suggestions concerning changes that are needed in the *next* agreement. Their contact with union members and representatives provides them with firsthand knowledge of the changes that union negotiators are likely to propose.

When negotiating contracts, union bargainers talk about "taking wages out of competition." This term refers to having similar contract provisions—particularly concerning wages and benefits—between different companies to prevent one employer from having a favourable labour cost advantage over another. For example, Unifor, representing workers at both General Motors and Ford, will seek similar contract provisions. Furthermore, this allows unions to show their members that they are receiving wages and benefits comparable to those of other employees doing similar work. Other negotiated collective agreements, particularly at the local and regional levels, play a significant part in settling the terms of the collective agreement.

Bargaining Teams

Normally, each side has four to six representatives at the negotiating table. The chief negotiator for management is usually the vice president or manager for labour relations or, most often, a hired labour lawyer; the chief negotiator for the union is usually the local union president, national union representative, or business agent. Others making up management's team may include representatives from accounting, or finance, operations, HR, the legal department, or training. The local union president is likely to be supported by the chief steward, various local union vice presidents, and a representative from the national union.

The initial meeting of the bargaining teams is a particularly important one because it establishes the climate that will prevail during the negotiations that follow. According to one experienced negotiator, "The conduct of negotiations largely depends on the relationship and attitude of negotiators toward one another. If you want conflict in your bargaining sessions, just start off attacking the other side." This *attitudinal structuring* is done to change the attitudes of the parties toward each other, often with the objective of persuading one side to accept the other side's demands.[29]

DEVELOPING BARGAINING STRATEGIES AND TACTICS

Both management and union negotiators approach bargaining with a defined strategy. In tough economic periods, the employer's strategy might be cost containment or specific reductions in wages or benefits. Conversely, in times of economic growth—when a union strike would harm sales—the employer will be more willing to meet union demands. The employer's strategy should also consider proposals the union is likely to submit, goals the union is striving to achieve, and the extent to which it may be willing to make concessions or to resort to strike action to achieve these goals.

At a minimum, the employer's bargaining strategy must address these points:

- likely union proposals and management responses to them
- a listing of management demands, limits of concessions, and anticipated union responses
- development of a database to support management bargaining proposals and to counteract union demands
- a contingency operating plan should employees strike

Certain elements of strategy are common to both the employer and the union. Generally, the initial demands presented by each side are greater than those it may hope to achieve.[30] This is done to provide room for concessions. Moreover, each party usually avoids giving up the maximum it is capable of conceding to allow for further concessions that may be needed to break a bargaining deadlock.

The negotiation of a collective agreement can have some of the characteristics of a poker game, with each side attempting to determine its opponent's position while not revealing its own.[31] Each party normally tries to avoid disclosing the relative importance that it attaches to a proposal so that it will not be forced to pay a higher price than is necessary to have the proposal accepted. As in buying a new car, the buyer and the seller employ a lot of strategy to obtain the best outcome possible.

Negotiating the Collective Agreement

Although there is no "exact" way to negotiate a collective agreement, typically each side focuses on one issue or several related issues until agreement is reached. For each bargaining issue to be resolved satisfactorily, the point at which agreement is reached must be within limits that the union and the employer are willing to accept. In a frequently cited bargaining model, Ross Stagner and Hjalmar Rosen call the area within these two limits the **bargaining zone**. In some bargaining situations, such as the one illustrated in Figure 14.4, the solution desired by one party may exceed the limits of the other party. Thus, that solution is outside the bargaining zone. If that party refuses to modify its demands sufficiently to bring them within the bargaining zone or if the opposing party refuses to extend its limit to accommodate the demands of the other party, a bargaining deadlock results.[32] For example, when bargaining a wage increase for employees, if the union's lowest limit is a 4 percent increase and management's top limit is 6 percent, an acceptable range—the bargaining zone—is available to both parties. If management's top limit is only 3 percent, however, a bargaining zone is not available to either side, and a deadlock is likely to occur. Figure 14.4, which is based on the original model by Stagner and Rosen, shows that as bargaining takes place, several important variables influence the negotiators and their ability to reach agreement within the bargaining zone.

An employer is obligated to negotiate in good faith with the union's representatives over conditions of employment (the same obligation applies to the union representatives). Good faith requires meetings to be held at reasonable times and places to discuss employment conditions. It also requires that the proposals submitted by each party be realistic. In discussing the other party's proposals, each side could offer reasonable counterproposals for those it is unwilling to accept. The counterproposal can be "no change" or "we don't agree to that"—there is no requirement to agree to all or part of the other side's proposals. Finally, both parties must sign the written document containing the agreement reached through negotiations.

Interest-Based Bargaining

Sometimes labour–management negotiations are characterized as adversarial. With adversarial bargaining, negotiators start with defined positions and, through deferral, persuasion, trade, or power, the parties work toward the resolution of

FIGURE 14.4

THE BARGAINING ZONE AND NEGOTIATION INFLUENCES
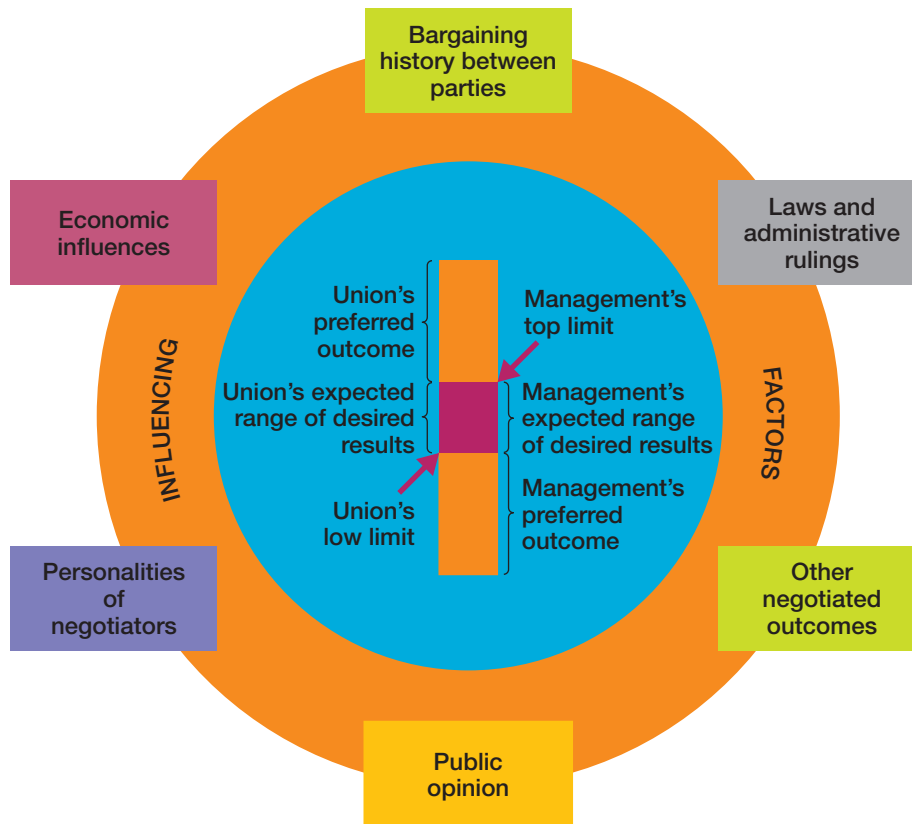
Source: From Stagner/Rosen, *Psychology of Union–Management Relations*, First Edition © 1966 Cengage Learning.

The Business Case

Building Trust and Saving Money at the Same Time: Canada Safeway and United Food and Commercial Workers Local 1518

Safeway was a big addition to the Sobeys Inc. umbrella. The grocery chain and its 7,500 unionized workers provide customers in British Columbia with good shopping experience. Safeway's employees are represented by United Food and Commercial Workers (UFCW) Local 1518.

Through the use of interest-based bargaining (IBB), Safeway successfully ratified a 10-year collective agreement with UFCW Local 1518 in 2013. The contract received strong support from union members, who voted 80 percent in support of the new deal. Key to this contract was a provision to reopen the contract in five years to renegotiate wages and benefits. The new contract contained improvements to pension, benefits, and scheduling. IBB allowed both parties to focus on probing the interests of each party and building solutions that benefit unionized employees without compromising the organization's ability to be profitable.

It appears, however, that the parties have reverted to adversarial bargaining in the most recent negotiations with the reopening of the contract. The union is claiming that union—management relations have soured since Sobeys took over in 2014.

Sources: Myron Love, "Canada Safeway, Union Reach Agreement on New Contract" and "Using Interest-Based Bargaining, the Grocery Chain and Its Workers Agree on 10 Year Agreement," *Canadian Grocer* (June 4, 2003), http://www.canadiangrocer.com/top-stories/canada-safeway-union-reach-agreement-on-new-contract-27183; https://www.safeway.ca/default.asp?page=careers&mainurl=careers/careers_main.asp&navurl=/careers/leftbar/lft_careers_main.asp; Tessa Vikander, "Organizers Rally against Loss of Union Jobs with Safeway Stores Set to Close," *The Star* (May 1, 2018), https://www.thestar.com/vancouver/2018/05/01/organizers-rally-against-loss-of-union-jobs-with-safeway-stores-set-to-close.html, retrieved October 13, 2018.

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individual bargaining demands. With adversarial bargaining—and its give-and-take philosophy—the results may or may not be to the complete satisfaction of one or both parties.[33] In fact, when one side feels it received "the short end of the stick," bitter feelings may persist throughout the life of the agreement. As noted by one labour negotiator, "adversarial bargaining does little to establish a long-term positive relationship based on open communications and trust. By its nature, it leads to suspicion and compromise."[34] To overcome these negative feelings, labour and management practitioners may use a nonadversarial approach to negotiating.

Interest-based bargaining (IBB) is based on the identification and resolution of mutual interests rather than the resolve of specific bargaining demands.[35] IBB is "a problem-solving process conducted in a principled way that creates effective solutions while improving the bargaining relationship."[36] The focus of bargaining strategy is to discover mutual bargaining interests with the intent of formulating options and solutions for mutual gain.

IBB is novel in both its philosophy and its bargaining process. Also distinct are the bargaining tools used to expedite a successful nonadversarial negotiating experience. Rather than using proposals and counterproposals as a means of reaching agreement (as with adversarial negotiations), participants use brainstorming, consensus decision making, active listening, process checking, and matrix building to facilitate the settlement of issues. An underlying goal of IBB is to create a relationship for the future based on trust, understanding, and mutual respect. The Business Case outlines how IBB can save money.

MANAGEMENT AND UNION POWER IN COLLECTIVE BARGAINING

LEARNING OUTCOME 4

Can there ever be equal bargaining power between unions and management? Why or why not?

Fortunately, the great majority of labour–management negotiations are settled peacefully. However, should negotiations become deadlocked, bargaining can become highly adversarial, as each side will now employ its bargaining power to achieve its desired ends. The party's **bargaining power** consists of its economic, political, and social influence to achieve its demands at the expense of the other side.

Union Bargaining Power

The bargaining power of the union may be exercised by striking, picketing, or boycotting the employer's products or services. A strike is the refusal of a group of employees to perform their jobs. Canadians are often surprised to learn that Canada has one of the highest rates of days lost to strikes in the world.[37] It is a legal requirement that unions hold and win a strike vote as a condition of striking lawfully. A strike vote by the members does not mean they want or expect to go out on strike. Rather, it is intended as a vote of confidence to strengthen the position of their leaders at the bargaining table.

Of critical importance to the union is the extent, if any, to which the employer will be able to continue operating through the use of supervisory and nonstriking personnel and employees hired to replace the strikers. In some jurisdictions, employers face restrictions to their right to hire replacement workers. In the 1990s, the use of "scabs" at the Royal Oak Mines in Yellowknife so infuriated a striking miner that he blew up the mine, killing nine workers (see Highlights in HRM 14.4). (Employers have the right to dismiss workers who engage in sabotage or violence during a strike.) The violence and strife associated with the use of replacement workers have caused Québec and British Columbia to forbid their use.

In organizations with high levels of technology and automation, and consequently fewer employees, continuing service with supervisors and managers is more likely. Among the highly automated telephone companies, most services can be maintained by supervisors during a strike. According to one authority, "Because

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Highlights in HRM 14.4

A Tragic Labour Dispute

Let us go back in time to the strike at Giant Mine in the early 1990s for one of Canada's most tragic industrial relations disputes—with lessons for all. Giant Mine is located in Yellowknife, Northwest Territories. In 1990, the Royal Oak Mines purchased Giant Mine, with the owner, Margaret (Peggy) Witte, taking over the top executive position and responsibilities. At that time, Giant Mine was experiencing financial problems, and there was a very real fear that the mine would close. The miners belonged to the Canadian Association of Smelter and Allied Workers (CASAW) Local 4. The collective agreement that CASAW had with its former employers, covering approximately 240 miners, expired in March 1992. The union wanted better pensions, improved safety standards, and a 5 to 10 percent wage increase. The company wanted wage and benefits cuts.

A lockout by management the day before the union was set to commence a strike followed the failure to reach agreement during collective bargaining. Although replacement workers had not been utilized in labour disputes in Canadian mines for approximately 40 years, Ms. Witte immediately brought them in, many from outside the region. To further complicate matters, Ms. Witte hired Pinkerton, a security company with a history of anti-union animosities. She also flew in a 50-member RCMP (Royal Canadian Mounted Police) team to protect the replacement workers and some of the workers who wanted to return to work. Crossing a picket line is viewed as very anti-union by activists. As the president of the local CASAW stated: "Once someone crosses that picket line they become sub-f ... ing human. A transformation takes place. They go lower than a reptile." In front of the union's office, a picture of a rat represented "scabs on the run" ("scab" is a derogatory term used by trade union activists and others to describe people who replace striking workers during a strike).

The industrial dispute changed the complexion of the town. Yellowknife had been a small, close-knit community, where residents knew each other fairly well. Violence erupted in the community, as well as on the picket line, and "neighbour was pitted against neighbour." People were afraid to take sides. "The guts were torn out of the town. You had fights in the school yards and in the streets, and you didn't dare break up a fight because you might be getting into something big." The company also terminated 45 striking employees due to "alleged acts of personal violence and alleged damage to property." In further collective bargaining, the employer refused to allow these workers to return to work and was unwilling to include a clause that would allow for arbitration on this issue.

Tragedy struck on September 18, 1992, when three replacement workers and six union members who crossed the picket line were killed when their mining car hit a bomb that was taped to one of the rails inside the mine. Roger Warren, a miner who had worked for Giant Mine for 12 years, was convicted of this crime in 1995 and was later sentenced to life in prison. Even after the strike ended, some viewed the replacement workers with scorn and contempt. As one woman stated, "I don't have any sympathy for those bastards who got blown up. If they hadn't been in there scabbing, they wouldn't be dead." In the end, this industrial relations dispute was a tragedy for all parties.

Sources: Adrienne Tanner, "Union Reeling over Mine Blast Murder Charges," *Toronto Star* (October 18, 1993): A3; Lee Selleck, "Royal Oak Mines Didn't Bargain in Good Faith, Rules CLRB," *Labour Times* (December 1993): 3; Peter Cheney, "Murder in a Mineshaft Pit Friends against Friends," *Toronto Star* (January 16, 1993): A10; P. Simao, "Statement from Reuters News Service," (June 13, 1998): 1; Industrial Inquiry Commission, Royal Oak Mines and CASAW (December 13, 1993).

of technological change, striking in many industries no longer has the effect of curtailing the employer's operations significantly."[38] Consequently, the greater the ability of the employer to continue operating, the less the union's chances of gaining its demands through a strike.

When a union goes on strike, it often pickets the employer by placing people at business entrances to advertise the dispute and to discourage others from entering the premises. Because unions often refuse to cross another union's picket line, the pickets may serve to prevent the delivery and pickup of goods or performance of other services. For example, a Teamster truck driver may refuse to deliver produce to a food store whose employees are on strike with the UFCW union. Once a strike has been settled, the workers are entitled to return to their

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Picketing is used by unions to publicize their disputes and discourage people from entering the premises.

jobs, although not necessarily their previous positions. The right to return to work is often an issue to be negotiated. Although laws vary, employees are often required to submit in writing their intention to return to their jobs once a strike is finalized.

Another economic weapon of the union is the *boycott*, which is a refusal to patronize the employer. For example, production employees on strike against a hand tool manufacturer might picket a retail store that sells the tools made by the struck employer. Unions will also use handbills, radio announcements, email campaigns, and newspaper ads to discourage the purchase of the employer's product or service.

Unions can also increase their bargaining power through the sheer strength of numbers; that is, unions can acquire new members though new certification campaigns, as well as amalgamating with other unions. This will add finances to their "war chest" and help them to better survive strikes. Unifor is a good example where amalgamation has added power to a union. It was formed in 2013 when two of Canada's largest and most influential unions (the Canadian Auto Workers, and Communications, Energy, and Paperworkers Union of Canada) joined to form a single union. With about 300,000 members, Unifor is now the largest private sector union in Canada.

Management Bargaining Power

When negotiations become deadlocked, the employer's bargaining power largely rests on being able to continue operations in the face of a strike *or* to shut down operations entirely.

Another prevalent bargaining strategy is for the employer to continue operations by using managers and supervisors to staff employee jobs. In one case in the United States, nearly 30,000 managers left their offices to serve as operators, technicians, and customer service representatives during a strike between Verizon and the Communications Workers of America. As noted previously, technological advances enhance the employer's ability to operate during a strike.

The employer may elect to lock out its employees. The lockout is a bargaining strategy by which the employer denies employees the opportunity to work by closing its operations. In a highly publicized case, during the 2004–2005 National Hockey League (NHL) season, management locked out players represented by the

NHL Players' Association. Besides being used in bargaining impasses, lockouts may be used by employers to combat union slowdowns, damage to their property, or violence within the organization that may occur in connection with a labour dispute.[39] Employers may still be reluctant to resort to a lockout, however, because of their concern that denying work to regular employees (employees who are not members of the union who may be locked out; they may or may not be members of another union) might hurt the organization's image.

RESOLVING BARGAINING DEADLOCKS

Unions and employers in all types of industries—sports, transportation, entertainment, manufacturing, communication, and healthcare—have used mediation and arbitration to help resolve their bargaining deadlocks. As discussed in Chapter 13, mediation is a voluntary process that relies on the communication and persuasive skills of a mediator to help the parties resolve their differences. In all Canadian jurisdictions, conciliation is compulsory before a legal strike or lockout. The conciliator, appointed by the provincial or federal ministry of labour, attempts to reach a workable agreement. When the union and management have been bargaining for a while and negotiations are at a stalemate, both parties may decide that they need an independent third party to help them reach an agreement. Here they would solicit the help of a mediator who has special skills and tactics to help the parties reach a mutual agreement, one that reflects the interests of both parties. For mediation to work, these characteristics must be at play: it must be a voluntary process; there must be a noncoercive atmosphere; the mediator assists with the negotiation; the process should be informal; and confidentiality is of the utmost importance.[40]

Unlike a mediator, an **interest arbitrator** assumes the role of a decision maker and determines what the settlement between the two parties should be. In other words, interest arbitrators write a final contract that the parties *must* accept. Compared to mediation, arbitration is not often used to settle private-sector bargaining disputes. In the public sector, where strikes are often prohibited, the use of *interest arbitration* is a common method to resolve bargaining deadlocks. Generally, one or both parties are reluctant to give a third party the power to make the settlement for them. Consequently, a mediator is typically used to break a deadlock and assist the parties in reaching an agreement. An arbitrator is generally called on to resolve disputes arising in connection with administration of the agreement, called *rights arbitration* or *grievance arbitration*, which will be discussed shortly.

THE COLLECTIVE AGREEMENT

When negotiations are concluded, the collective agreement becomes a formal *binding* document listing the terms, conditions, and rules under which employees and managers agree to operate. Highlights in HRM 14.5 shows some of the major articles in a collective agreement and provides examples of some new and progressive contract clauses. Two important items in any collective agreement pertain to the issue of management rights and the forms of security afforded the union.

THE ISSUE OF MANAGEMENT RIGHTS

Management rights have to do with the conditions of employment over which management is able to exercise exclusive control. Almost without exception, the collective agreement contains a *management rights* clause. This clause states that "management's authority is supreme in all matters except those it has expressly conceded in the collective agreement, or in those areas where its authority is restricted by law." Management rights might include the right of management

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Typical clauses will cover the following:

- wages
- grievance procedures
- vacations
- no strike/no lockout clause
- holidays
- overtime
- work schedules
- safety procedures
- management rights
- severance pay
- union security
- seniority
- transfers

- pensions and benefits
- discipline
- outsourcing

Other clauses will cover the following:

- employee access to records
- limitations on use of performance evaluation
- eldercare leave, childcare, work–family balance provisions
- flexible medical spending accounts
- protection against hazards of technology equipment
- limitations against electronic monitoring
- bilingual stipends
- domestic partnership benefits

to determine the products to produce, to determine the location of production or service facilities, or to select production equipment and procedures. The following is an example of a clause defining management rights in one collective agreement:

> It is agreed that the company possesses all of the rights, powers, privileges, and authority it had prior to the execution of this agreement; and nothing in this agreement shall be construed to limit the company in any way in the exercise of the regular and customary functions of management and the operation of its business, except as it may be specifically relinquished or modified herein by an express provision of this agreement.[41]

UNION SECURITY AGREEMENTS

As we noted at the beginning of this chapter, unions must represent all bargaining-unit members equally regardless of whether employees join the union. In exchange for this obligation, union officials will seek to negotiate some form of compulsory membership as a condition of employment. Union officials argue that compulsory membership precludes the possibility that some employees will receive the benefits of unionization without paying their fair share of the costs. A standard union security provision is dues checkoff, which gives the employer the responsibility of withholding union dues from the paycheques of union members who agree to such a deduction.

Other common forms of union security found in collective agreements are different types of "shop" agreements. These agreements—in varying degrees—attempt to require employees to join the union. For example, a *union shop* agreement may stipulate that any employee who is not a union member on employment must join the union within 30 days or be terminated. Another, the *agency shop*, provides for voluntary membership. However, all bargaining-unit members must pay union dues.

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ADMINISTRATION OF THE COLLECTIVE AGREEMENT

Negotiation of the collective agreement, as mentioned earlier, is usually the most publicized and critical aspect of labour relations. Strike deadlines, press conferences, and employee picketing help create this image. Nevertheless, as managers in unionized organizations know, the bulk of labour relations activity comes from the day-to-day administration of the agreement because no agreement could possibly anticipate all the forms that disputes may take. In addition, once the agreement is signed, each side will naturally interpret ambiguous clauses to its own advantage.[42] These differences are traditionally resolved through the grievance procedure.

NEGOTIATED GRIEVANCE PROCEDURES

The **grievance procedure** typically provides for the union to represent the interests of its members (and nonmembers as well) in processing a grievance. It is considered by some authorities to be the heart of the bargaining agreement or the safety valve that gives flexibility to the whole system of collective bargaining.[43]

The grievance process is normally initiated by the union—or an individual employee—when it feels management has violated some article of the collective agreement. In one case, the union filed a grievance against a supervisor when it believed that the supervisor promoted an employee out of seniority order—called a *bypass grievance*. A significant benefit of the grievance procedure is that it provides a formal and orderly procedure for the union to challenge the actions of management without resorting to strikes. One authority has noted, "The grievance procedure fosters cooperation, not conflict, between the employer and the union."[44]

The operation of a grievance procedure is unique to each collective bargaining relationship, but the procedure is usually required under Canadian labour relations statutes. For example, grievance procedures normally specify how the grievance is to be initiated, the number and timing of steps that are to compose the procedure, and the identity of representatives from each side who are to be involved in the hearings at each step. When a grievance cannot be resolved at one of the specified steps, most agreements provide for the grievance to be submitted to a third party—usually an arbitrator—whose decision is final. Some collective agreements provide for mediation as a way to resolve employee grievances. When used, *grievance mediation* will be listed as a formal step in the grievance procedure preceding arbitration.[45]

RIGHTS ARBITRATION

The function of **rights arbitration** is to provide the solution to a grievance that a union and an employer have been unable to resolve by themselves. As mentioned earlier, arbitration is performed by a neutral third party (an arbitrator or impartial umpire). This third party's decision dictates how the grievance is to be settled.[46] Both parties are obligated to comply with the decision.

The Decision to Arbitrate

In deciding whether to use arbitration, each party must weigh the costs involved against the importance of the case and the prospects of gaining a favourable award. It would seem logical that neither party would allow a weak case to go to arbitration if there were little possibility of gaining a favourable award. Logic, however, does not always prevail. For example, it is not unusual for a union to take a weak case to arbitration to demonstrate to its members that the union is willing to exhaust every remedy in looking out for their interests. Union officers also are not likely to refuse to take to arbitration the grievances of members who are popular or politically powerful in the union, even though their cases are weak.

Moreover, unions have a legal obligation to provide assistance to members who are pursuing grievances. Because members can bring suit against their unions for failing to process their grievances adequately, many union officers are reluctant to refuse taking even weak grievances to arbitration.

Management, on the other hand, may allow a weak case to go to arbitration to demonstrate to union officers that management "cannot be pushed around." Also, managers at lower levels may be reluctant to risk the displeasure of top management by stating that a certain HR policy is unworkable or unsound. Stubbornness and mutual antagonism also may force many grievances into arbitration because neither party is willing to make concessions to reach an agreement, even when it may recognize that it is in the wrong.

The Arbitration Process

In our experience, employees unfamiliar with arbitration find the process confusing and often stressful. Arbitration hearings have the appearance of a court hearing but without many of the formalities of a court proceeding.

The process begins with the swearing-in of witnesses. The parties then make opening statements, followed by the presentation of facts and evidence and the oral presentation of witnesses. The hearing concludes with each side making summary statements that are arguments in support of its position.

In arbitrating a dispute, it is the responsibility of the arbitrator to ensure that each side receives a fair hearing during which it may present all of the facts it considers pertinent to the case. The primary purpose of the hearing is to assist the arbitrator in obtaining the facts necessary to resolve a human relations problem rather than a legal one. The arbitrator, therefore, has a right to question witnesses or to request additional facts from either party. After conducting the hearing and receiving post-hearing briefs (should the parties choose to submit them), the arbitrator considers the evidence and renders an award. In the majority of cases, the costs of arbitration are shared equally by the parties.

The Arbitration Award

The **arbitration award** is a formal written document given to both sides. As in grievance procedures, there is no specific format to an arbitration award, but, typically, the award contains five parts: (1) the submission to arbitrate, (2) the facts of the case, (3) the positions of the parties, (4) the opinion of the arbitrator, and (5) the decision rendered. As might be expected, the decision of the arbitrator is of major importance to the parties. However, the reasoning behind the decision—the opinion—is equally important as it can provide guidance concerning the interpretation of the collective agreement and the resolution of future disputes arising from its administration.

Small Business Application

Unions impose procedural requirements, just as other regulators do. What is different about unionization is that the legal requirements regarding the behaviour of employers regarding union activity is often not as clear-cut as with other legal compliance. Additionally, and most significantly, is that errors in interpretation can have long-lasting implications as labour relations boards have the power to certify unions without a membership vote if the labour relations board has concerns that the

employees' right to union representation has somehow been impeded.

So what is a small employer to do? Assuming that small employers prefer the flexibility associated with being nonunionized, they should provide employees with competitive wages and treat employees fairly and with respect, to have little or no risk of becoming unionized. The fact that a company is small decreases the probability of a union targeting it because in such

cases, the cost to the union to certify, bargain, and represent workers would likely be greater than the collected union dues from a small membership. That being said, a small company can still become unionized. For employers in small businesses who sense discontent in the workplace, actions should be taken to understand and address this situation. If this discontent festers to the point where an employer hears of unionization attempts, he or she would be well advised to consult with an HR or labour relations consultant, or labour relations lawyer, to get assistance in establishing an appropriate course of action, as well as review the sections in this text on unfair labour practices.

So far we have spoken from the standpoint of a small company dealing with unionization attempts. But what does a small employer do if it has a union? In this case, it follows the same process as large companies. It must bargain with the union and negotiate a collective agreement that outlines the employment terms and conditions for a period of time. The company must also collect and submit union dues to the union representing employees. Finally, it must follow the legislative requirements set for represented employees, including grievance management and arbitration.

Summary

OUTCOME 1 Labour relations legislation in Canada recognizes the right of employees to form and join unions and prohibits both unions and employers from engaging in unfair labour practices. Provincial labour relations laws are administered and enforced by labour relations boards.

OUTCOME 2 Studies show that workers unionize for different economic, psychological, and social reasons. Although some employees may join unions because they are required to do so, most belong to unions because they are convinced that unions help them improve their wages, benefits, and various working conditions. Employee unionization is largely caused by dissatisfaction with managerial practices and procedures.

A formal organizing campaign is used to solicit employee support for the union. Once employees demonstrate their desire to unionize, the union will file an application with the labour relations board for approval of the union as the certified bargaining agent.

OUTCOME 3 Negotiating a collective agreement is a detailed process. Each side prepares a list of proposals it wishes to achieve while additionally trying to anticipate proposals desired by the other side. Bargaining teams must be selected, and all proposals must be analyzed to determine their impact on and cost to the organization. Both employer and union negotiators are sensitive to current bargaining patterns within the industry, general cost-of-living trends, and geographic wage differentials. Managers establish goals that seek to retain control over operations and to minimize costs. Union negotiators focus their demands around improved wages, hours, and working conditions. An agreement is reached when both sides compromise their original positions and final terms fall within the limits of the parties' bargaining zone.

Currently, there is an increased interest in nonadversarial negotiations—negotiations based on mutual gains and a heightened respect between the parties. IBB is one form of nonadversarial negotiations.

OUTCOME 4 The collective bargaining process includes not only the actual negotiations but also the power tactics used to support negotiating demands. When negotiations become deadlocked, bargaining becomes a power struggle to force from either side the concessions needed to break the deadlock. The union's power in collective bargaining comes from its ability to picket, strike, or boycott the employer. The employer's power during negotiations comes from its ability to lock out employees or to operate during a strike by using managerial or replacement employees.

OUTCOME 5 When differences arise between labour and management, they are normally resolved through the grievance procedure. Grievance procedures are negotiated and thus reflect the needs and desires of the parties. The typical grievance procedure consists of three, four, or five steps—each step having specific filing and reply times. Higher-level managers and union officials become involved in disputes at the higher steps of the grievance procedure. The final step of the grievance procedure may be arbitration. Arbitrators render a final decision to problems not resolved at lower grievance steps.

The submission to arbitrate is a statement of the issue to be solved through arbitration. It is simply the problem the parties wish to have settled. The arbitrator must answer the issue by basing the arbitration award on four factors: the contents of the collective agreement (or employment policy), the submission agreement as written, testimony and evidence obtained at the hearing, and various arbitration standards developed over time to assist in the resolution of different types of labour–management disputes. Arbitration is not an exact science because arbitrators give varying degrees of importance to the evidence and criteria by which disputes are resolved.

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Key Terms

arbitration award, 508
authorization card, 489
bargaining power, 502
bargaining unit, 492
bargaining zone, 500
business agent, 496
collective bargaining
   process, 498

compulsory binding arbitration,
   497
craft unions, 494
employee associations, 494
final offer arbitration, 497
grievance procedure, 507
industrial unions, 494
interest arbitrator, 505

interest-based bargaining (IBB),
   502
labour relations process, 487
management rights, 494
rights arbitration, 507
unfair labour practices (ULPs), 492
union shop, 487
union (shop) steward, 495

Discussion Questions

1. Discuss the key reasons why employees form unions. Refer to examples to illustrate your answer.
2. *Fast Food High* is a film produced by CTV and inspired by the real story about how a group of teenage workers tried to organize a union at McDonald's in Orangeville, Ontario. Watch the film and discuss in groups the reasons that these workers want to form a union and the effectiveness of their efforts.
3. Graduate students in many Canadian universities are members of unions, such as CUPE Local 3903. These students help conduct tutorials, grade student examinations, etc. Do you think university students have different reasons for joining unions versus, for example, workers in a manufacturing firm? Explain your answer.
4. What are unfair labour practices? What are the consequences of unfair labour practices? Use examples to explain your answer.
5. A group of students wants a Burger King fast-food franchise on their university campus.

University administrators want a health-food restaurant. Resources allow for only one food outlet. Divide the class into bargaining teams, with one team representing the students and the other team representing the university administrators. (If there is another issue on your campus, use the real and current issue instead.)
6. The union representing garbage collectors and other outside workers and the municipality are in the middle of tense negotiations. The collective bargaining agreement has expired. What form of bargaining power does each side possess to enhance its bargaining demands? What are the advantages and disadvantages of each form of bargaining power for both the employer and the union?
7. What are the main differences between labour relations in the private versus the public sector? How are disputes involving essential service workers in the public sector usually resolved?

HRM Experience

Learn about Unions

Unions, like business organizations, are dynamic and varied organizations. Some unions are very large, such as Unifor, and represent workers nationally. Others are smaller in size and represent only specific groups of employees or organize only in a designated geographic area. This exercise will help you learn more about unions.

Assignment

Working individually or in teams, select four or five different unions or employee associations and report on the following.

Vary your selections (e.g., large/small, public/private) to widen your understanding of labour organizations.

- history of the union
- membership size and type of employees represented
- mission of the union
- structure of the union, including its major departments
- national officers

(Continued)

- names of employers with whom they have an agreement
- special benefits they offer members
- other interesting or pertinent information

National unions and their locals, along with library research, can also provide information. Be prepared to present your findings during a class discussion.

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Case Study 1

UNIONIZATION OF FARM WORKERS

There is a long-standing tradition of Canada's federal government to promote free collective bargaining among employee groups. However, in 1994, the Conservative government in Ontario took steps that effectively excluded Ontario farm workers from collective bargaining rights, rendering previous collective agreements invalid. The International Labour Organization's (ILO) Freedom of Association Committee ruled that the Ontario government should make changes to recertify the union representing farm workers as well as reinstate their collective agreements. This did not happen, and the federal government did little to intervene.

In 2001, seven years later, UFCW, which was trying to organize the farm workers, won a Supreme Court decision. This led to the Ontario government's introduction of the *Agricultural Employees Protection Act* (AEPA) in 2002. But this act, although it allowed farm workers to organize, did not explicitly allow collective bargaining or the right to strike. This also means that not only can a farm worker be fired for striking, but also issues that arise in the workplace cannot be channelled to arbitration for ruling. It appears that these farm workers are able to collectively join a union and bring forth issues, but it is up to employers to act in good faith as they are only required to listen under AEPA. The legislation was challenged in the courts.

In December 2009, the Supreme Court heard arguments from UFCW on the matter. A recent decision by the Supreme Court of Canada handed down the ruling that "the Labour Relations Act, 1995 does not apply to employees or employers in agriculture." The case was dismissed without costs, and AEPA was found to be in line with the *Canadian Charter of Rights and Freedoms*. Thus, although the act seems to go against international trade union rights on some level, the courts have ruled that it does not violate Canadian human rights.

Questions

1. Are farm workers entitled to the same rights as other types of unionized workers? Why? Why not?
2. Are collective bargaining rights also human rights? Refer to ILO conventions and the *Canadian Charter of Rights and Freedoms* in your response.
3. Discuss the pros and cons of farm workers having the right to strike.

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Case Study 2

WALMART STORES IN CANADA

In 2006, Walmart was operating more than 6,500 stores with 1.8 million employees around the world. In the early 1990s, Walmart Stores Inc. expanded into Canada, with the purchase of 122 stores from the failing Woolco chain. Walmart had refused to purchase nine Woolco stores that were unionized.

Walmart tries to distinguish itself from other retailers by its culture. For example, it calls its workers "associates," not employees. Every day at 8:45 a.m., a compulsory meeting is held at each store during which company managers share financial information and performance targets and respond to questions. The meeting ends with the Walmart cheer. The company operates an open-door policy, whereby any employee can talk to any member of management about issues and receive answers without being threatened with reprisal. The sundown rule ensures that management responds to the questions before sundown the same day.

The first Walmart store ever to be unionized was in Windsor, Ontario, where the United Steelworkers (Retail and Wholesale Division) was certified by the Ontario Labour Relations Board (OLRB). On April 14, 1997, the United Steelworkers began its organizing drive. On April 26, the store manager became aware that associates were being approached to sign unionization cards. The district manager was told of the organizing drive and the next morning attended the morning meeting. The district manager asked the associates why they would want to join a union and spent the day circulating through the store to discuss their problems or concerns. By April 27, 84 associates had signed cards. On April 29, an associate asked to speak at the morning meeting and there expressed her opposition to the union, ending with the statement, "A union will only cause discontentment in our store, and I assure you as I am standing here, Walmart will not put up with it." (Management did not ask, nor did the associate reveal, why she wanted to speak.) An inside organizer was prevented from responding because it was 9 a.m. and customers were waiting to enter the store.

Between May 4 and May 9, Walmart managers—including managers from outside the store—responded to questions placed in a question-and-answer box and to those raised while they wandered about the store. Most of the questions focused on compensation and hours of work. However, questions were also raised about whether Walmart would close the store and dismiss the employees if the union was successful. Walmart answered that "it would be inappropriate for [the] company to comment on what it will or will not do if the store is unionized." It repeated that line when employees asked the same question in person. One associate testified that one manager said that things would change if the employees were unionized—for example, the profit-sharing plan would be revoked. On May 9, the union lost the vote, with 151 employees voting against it and 43 voting for it.

OLRB nonetheless certified the union because the employer violated the *Labour Relations Act* by not disassociating itself from the remarks made by the associate at the meeting; by not allowing the inside organizer to respond; by soliciting questions about the impact of unionization but then refusing to tell employees that they would not all be fired if the union won; and by using senior outside managers to engage employees in frequent and repetitive discussions about the unionization drive in the days leading up to the vote. OLRB stated that the union had 84 cards signed before the managers' visits, and a week later, this support had dropped. A second vote would not change the outcome because the threat to job security could not be erased from employees' minds. After Walmart's illegal conduct was remedied by a certification order, the Ontario government changed the law to take away that remedial option from the labour board. However, the right to certify a union as a remedy for unfair labour practices has once again been restored in Ontario and exists in other Canadian jurisdictions.

Despite numerous organizing drives, Walmart continues to try to be union free. UFCW charged Walmart with unfair labour practices in thwarting a union organizing drive in British Columbia by discrediting the key organizer and by advising employees that if he turned up at their homes, they could call the police. The B.C. Labour Board said, "Walmart has an anti-union history ... and simply cannot resist the temptation to get involved in certification campaigns. While Walmart has tended not to repeat its mistakes, there is no shortage of new ones that it finds ways to make." In the company's view, not being able to answer employee concerns about unionization is not part of its culture of open communication. But two labour relations boards believe that the company has gone too far in communication by, for example, distributing

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anti-union literature at a store in Quesnel, B.C. Walmart is seeking to change labour laws to allow it to address employee concerns.

Questions

1. What were the rights of Walmart, the employer, during these two organizing drives?
2. The certification of the first Walmart was hailed by labour as a milestone event. Why?
3. In your opinion, can Walmart remain union free indefinitely? Why or why not?
4. Should foreign companies that operate in Canada use their resources to try to weaken Canadian labour laws or accept the legal culture of the country and comply with those laws?

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1. No. Individual questioning of employees about their union membership or activities is unlawful.

2. Yes. However, this must be part of normal conduct and cannot be interpreted as a gesture to buy votes.

3. Yes. Blacklisting of job applications or employees is against labour law.

4. No. During an organizing drive, an employer cannot promise improvements in wages or benefits as a means of defeating the union.

5. Yes. Employees can be disciplined or discharged for work-related misconduct but not solely because of their union affiliations or union sentiments.

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International Human Resources Management

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Learning Outcomes

After studying this chapter, you should be able to

LO 1 Explain the political, economic, sociocultural, and technological factors in different countries that HR managers need to consider.

LO 2 Identify the types of organizational forms used for competing internationally.

LO 3 Explain how domestic and international HRM differ and discuss the recruitment, selection, training, compensation, and performance appraisal needs for different types of employees working across borders.

LO 4 Explain how labour relations differ around the world.

Have you ever noticed that much of what you buy is not made in Canada? The shirt you are wearing right now was probably made in Bangladesh, Vietnam, Indonesia, or China. The brand, of course, could be American (e.g., Abercrombie and Fitch, Hollister, American Eagle) or Canadian (e.g., Joe Fresh, Roots), but that just means that the company is headquartered in North America. The cologne or perfume you purchased was also probably from a European company. But unless your perfume was made with real whale poop (one of the most expensive perfume ingredients on the market), then there is a chance that it was not made in the same country where the company is headquartered. In fact, most companies today are involved in international business in one way or another. Managing human resources across these international settings may help leverage specialized skills, provide cheaper labour, or even bring new ideas into the company. However, managing human resources internationally makes everything all the more complicated.

International human resources management (HRM) differs from domestic HRM in several ways. In the first place, it necessarily places a greater emphasis on functions and activities such as relocation, orientation, and translation services to help employees adapt to new and different environments outside their own countries and to help local employees adapt and integrate into the foreign companies in which they were hired. Many large companies and even small ones devote considerable time and money to assisting with complications that arise from operating in multiple countries. Mary Kay Cosmetics, for example, has HR managers from headquarters travel back and forth across countries at least twice a year. These visits help ensure that HR practices are consistent across the globe. At the same time, these visits allow them to learn from local HR managers regarding ways to modify and improve existing practices. This helps ensure that they are adapting to the increased complications that come from trying to manage a workforce located in multiple countries.[1] Such complications arise as each country possesses unique political policies, economic situations, social and cultural norms, and technological capacities.

The first part of this chapter describes some of the environmental factors that affect the work of managers in a global setting. We show how a PEST (political, economic, sociocultural, technological) analysis can help you more effectively assess the threats and opportunities presented to HRM in a global setting. Just as with domestic operations, the dimensions of the environment form a context in which HRM decisions in foreign countries are made. Next, we help you understand how companies will respond to these environmental complications. We examine the different forms companies will take to help them compete in a global environment—international, multi-domestic, global, and transnational. In many respects, these organizational forms influence the kinds of managerial and HR issues a company faces. As a result, we next help you understand the managerial and HR issues across these settings. A major portion of this chapter deals with the various HR activities involved in the recruitment, selection, development, and compensation of employees working abroad. However, as we explain later in this chapter, workers stationed all over Canada are increasingly finding themselves working virtually with people from other cultures who speak different languages. This creates challenges not only for them but also for firms' HR managers.

ANALYZING YOUR INTERNATIONAL ENVIRONMENT

In Chapter 1, we highlighted some of the global trends affecting HRM. The global environment of today is much different than it was 10 years ago. Because political, economic, social, and technological conditions are constantly shifting across the world, how people are managed in those changing environments will shift as well. To systematically help companies manage in the global environment, PEST analysis acts as an audit of a company's environmental influences

to help it determine its strategy and HR response. On your own you may not be able to change these environmental factors, but it is important for you to understand what they are so you can take advantage of opportunities and steer clear of threats found within the different country environments in which your company may operate.

Conducting a PEST analysis entails scanning different contextual environments to understand the long-term trends and how they might impact a company.[2] As an HR manager, a PEST analysis can help you (1) spot business or personnel opportunities and give you advanced warning of threats, (2) spot trends in the business environment so you can proactively adapt to these changes, (3) avoid implementing HR practices in a particular country where they may fail, and (4) break free of old habits and assumptions about how people should be managed to help bring about innovative ideas for the entire company.

To conduct a PEST analysis, you should first decide on the appropriate environmental factors that need to be considered and assessed. See Figure 15.1 for a list of factors. Next, you should assess how these factors affect your company's international operations. Finally, based on these PEST factors and how your company forms its international operations, you should develop the appropriate HR practices in the appropriate locations and for the appropriate employees. Below we begin by showing you how to perform a PEST analysis—something completely different from an analysis of issues you may be facing with household insects and rodents.

FIGURE 15.1

PEST ANALYSIS

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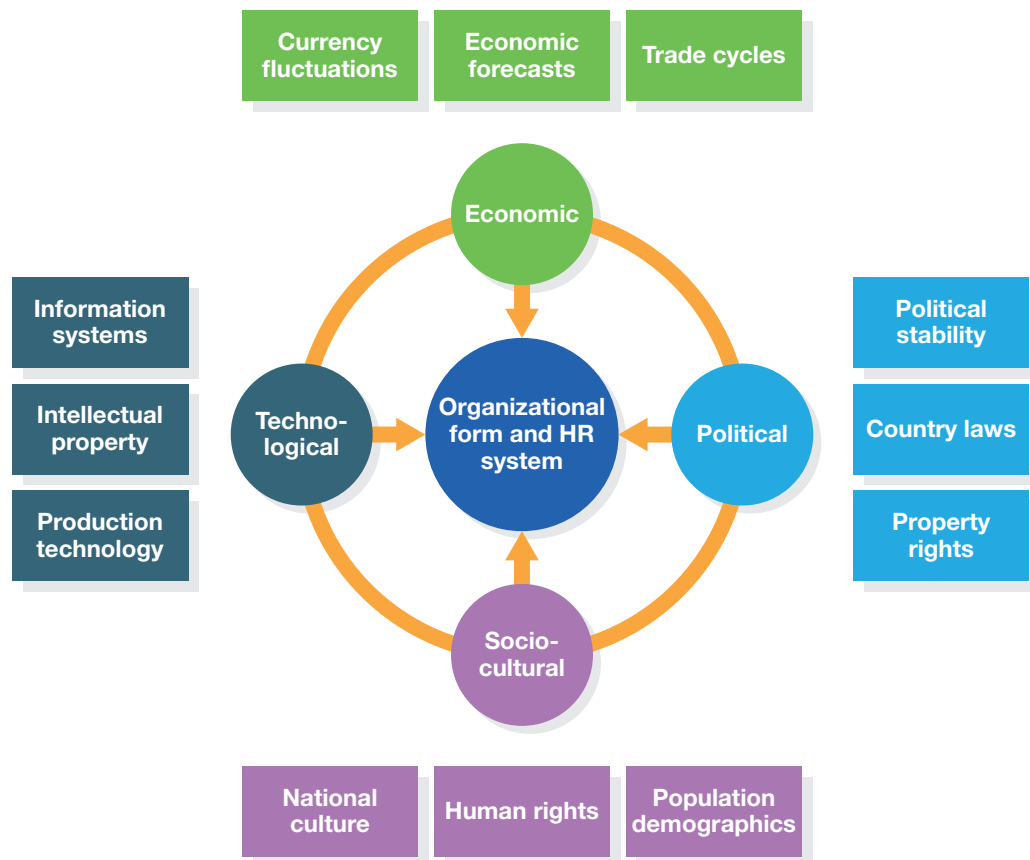
POLITICAL FACTORS

First, political factors are assessed by examining a country's labour laws, property rights, and patents. For example, when the Ohio-based welding company Lincoln Electric started operations in Brazil, it was not able to offer its yearly bonus program based on performance because any bonuses paid for two consecutive years become a legal entitlement.[3]

In many countries, particularly those in Africa, property rights are poorly protected by governments. Whoever has the political power or authority can seize others' property with few or no repercussions. Civil unrest can also lead to the poor enforcement of property rights. Companies have less incentive to locate factories or invest in countries experiencing strife. Another issue relates to intellectual property rights: rights related to patents, trademarks, and so forth.

<div style="float:right">

host country
A country in which an international corporation operates

</div>

ECONOMIC FACTORS

Economic factors consist of trends around market and trade cycles, specific industry changes, customer preferences, and country economic growth forecasts. For example, in 1995, the World Trade Organization (WTO) was formalized as a cooperative forum for countries' leaders to come together and increase free trade across the world. Today, WTO member countries represent over 157-member nations and cover 97 percent of all international trade.[4]

Since joining the WTO in 2001, China's economy has grown dramatically, drastically altering political and trading relations among nations. China's 1.4 billion people represent a massive, largely untapped consumer market for global companies. Today, more cars are sold in China than in Europe, for example. Driving this trend are big multinational corporations, which are expanding into the country. But many smaller firms are heading to China as well. "It's not so much that [companies] want to go East: They feel that they have no choice," said one international HR staffing consultant. "They must be in China. It's not a question of if, but a question of how." In addition to China's, India's economy is also growing very quickly, as is Brazil's.[5]

While free trade is still the goal for many countries and regions, recent political developments have cast a shadow on its future. In the United Kingdom, voters rejected the European Union (EU) and its promise for free trade in Europe. In what has been called "Brexit," the United Kingdom (UK) will exit the EU on March 29, 2019. The EU is a trading bloc comprising 19 countries in Europe that allow good and people to move as if it was "one country." Other countries in the EU, including Italy, have also been questioning the value of the EU.[6] The new administration in the United States has also rolled back several commitments to free trade. The Donald Trump administration has imposed tariffs on Canada and Mexico, as well as China and the EU. These countries and the EU have responded with their own tariffs. The North American Free Trade Agreement is being re-negotiated (at the time this book was going to press), as the US administration claims that free trade is not good for many American workers. The impact on business in Canada is already being felt, as firms cut back on operations and lay off workers.[7] Human resource professionals will have to grapple with this fallout.

SOCIOCULTURAL FACTORS

Beyond the economic issues just mentioned, a country's sociocultural factors (communications, religion, values and ideologies, education, and social structure) also have important implications when it comes to a company's decision about when and how to do business there. Because of low labour costs and language similarities, many companies have found India an attractive place to locate their facilities, particularly call centres. Eastern Europe has also begun to attract interest because citizens there are well educated and largely possess English-speaking skills.[8]

By recognizing and accommodating different ideologies, religious beliefs, communication styles, education systems, and social structures, managers stand a better chance of understanding the culture of a **host country**—a country in

which an international business operates. Even in countries that have close language or cultural links, HR practices can be dramatically different. In some countries, night shifts are taboo. In other countries, employers are expected to provide employees with meals and transportation between home and work. In India, workers generally receive cash bonuses on their wedding anniversaries to use to purchase gifts for their spouses, and dating allowances are provided to unmarried employees. These are practices that would never occur to North American managers and HR practitioners.[9] For example, in many countries, bribes are considered a normal business practice (see Ethics in HRM). In most of the Islamic Middle East, it is completely acceptable to ask coworkers very personal questions about their children, especially their sons, but never about their wives.[10] In another example, Netflix has had challenges in expanding internationally. In 2015, Netflix had about 30 employees who were initially uncomfortable with Netflix's culture of bluntness, so at odds with their home culture of communicating in subtler ways. Netflix is currently working to reconcile company and national culture, both with different communication preferences.[11] Throughout this chapter, we discuss several HR issues related to adapting to different cultural environments. Reality Check provides more examples about Canadian companies adapting to a country's context.

TECHNOLOGICAL FACTORS

Related to a country's sociocultural norms, where it stands technologically also influences the threats and opportunities that foreign companies face. Technological factors refer to the maturity of manufacturing equipment, information systems, technology platforms, research funding, and consumer access to technology. Through technological advances in many countries, the number of manufacturing

Ethics in HRM

Bribery Abroad

FIFA is just the latest example of organizational executives accused of accepting bribes in order to win contracts. Canadian employees sent to other countries to conduct business and negotiate deals are not immune to bribery attempts. SNC-Lavalin has been accused of two mysterious payments of $56 million to foreign agents in the Middle East, where the company has large construction projects. And in 2018, Kinross Gold settled civil charges with the United States Securities and Exchange Commission for $950,000. The case centred around allegations that the firm paid a Ghanaian consultant thousands of dollars to get visas for its staff. While Kinross did not accept wrongdoing, it pledged to improve its accounting practices.

Although businesses wish to be productive and profitable, it is unacceptable to achieve these goals through unethical behaviour. Transparency International, a global coalition against corruption, estimates that systemic corruption can add 20 to 25 percent to the costs of government procurement and may result in the purchase of inferior goods or unnecessary services. Every organization that does business internationally should have a code of ethics, which should contain specific clauses forbidding bribery.

Experts recommend that any employee sent abroad to negotiate deals should review the *Corruption of Foreign Public Officials Act*. Under this act, any employee caught bribing foreign officials could face five years in jail and unlimited fines. Recently, NICO Resources was fined $9.5 million for giving a Bangladeshi official a $190,000 vehicle. The chief executive officer could also face jail time, even if he was unaware of the bribe. Knowledge of this act will make it easier for an employee to state to corrupt negotiators that if he gave a bribe, he could go to jail.

Sources: "Kinross Gold Settles Charges over Anti-corruption Rules: SEC," *The Globe and Mail* (March 26, 2018), https://www.theglobeandmail.com/business/article-kinross-gold-settles-charges-over-anti-corruption-rules-sec/, retrieved July 1, 2018; C. Campbell, "SNC-Lavalin's Murky Affair Shows Need to Tighten Bribery Law," *The Globe and Mail* (March 29, 2012): A17; B. Best, "Battling Bribery, Corruption Abroad," *Canadian HR Reporter* (April 9, 2007): 17, 20.

Reality Check

Global versus Local HRM Practices

Gene Lai has the kind of international experience that many HR professionals would love to have. In Canada, he was vice president of HR for Steelcase Canada for 9 years and vice president of operations for 11 years. Steelcase Canada is a subsidiary of Steelcase Inc., a manufacturer of office furniture, with headquarters in Grand Rapids, Michigan. Steelcase has factories throughout the world, including one in China with 200 employees. When Steelcase acquired a competitor in China, with a factory employing 1,200 employees, Gene accepted an assignment as project leader for the post-merger integration. His job was to merge the two operations and build a new factory.

Gene had a very flexible mandate and could use HRM practices that would make the most sense for corporate needs as well as regional needs. In some instances, it was necessary to choose the processes used at headquarters. He says, "For example, it made sense to have a consistent global policy around people development because Steelcase is a team-based organization, and we expect employees worldwide to be able to work in teams. Ethics is also a corporate value; how we do business has to be consistent across all countries."

But in other cases, responding to local practices made more sense. As Gene states:

> From a regional perspective, I found after spending time in Asia, there are certain practices that have to be aligned with regional needs. One thing that people in North America would never consider is the flood allowance. Every year, there are floods. Employees

are paid a premium during this period to cope with the problems caused by the floods. One of the measures that the Chinese candidates use for judging a company is the generosity of the company flood allowance. The flood allowance is about US $30 … for a person making about 50 cents per hour. Along the same line, especially in the factory environment, the obligation is for the employer to provide room and board. Eighty percent are migrants and need a dormitory. Likewise, employees compare employers based on how much is spent providing three meals a day. In general, companies provide $1.10 for the three meals, and that is considered generous.

There are differences in how compensation is perceived. In China, compensation is measured by the amount of take-home pay. The number of hours worked is less of an issue. Unlike North America, the more hours you work beyond the normal 40 hours, the less employees are paid per hour. For example, an employee would make 50 cents an hour for the first 40 hours, and then 40 cents an hour for the next ten hours, and then 30 cents an hour for the next ten hours. Why would anyone work overtime for less money per hour? But these migrant employees look at how much could be earned in a month, not how many hours. If they work 8 hours, they have 16 hours for leisure, but leisure is less important than money. So they prefer to work more hours.

Source: Gene Lai.

jobs is decreasing in proportion to the number of service-based jobs. Companies are increasingly turning to sophisticated machinery that requires fewer workers to produce the same amount of product, such as cars, clothes, and computers. Even in less developed countries where manufacturing is typically stronger due to the low cost of labour and the high cost of capital-intensive equipment, labour-saving technology is becoming more affordable and accessible. Take, for instance, a textile factory in Vietnam. It is more cost-effective for the factory to purchase high-tech threading equipment to spin the cotton into thread than to hire hundreds of people to thread the cotton by hand, even when the average wage for such employees is less than $100 a month.

While advances in technology have pushed for more service-based jobs, information systems and technology platforms have also increased the rate at which these services can be traded across countries. Along with the creation of the WTO, 1995 also signifies the beginning of the Internet era. America Online (AOL) went

Global companies have the challenge of managing operations and people in many different countries.

Pietro Scozzari/age footstock/Alamy Stock Photo

international corporation
A domestic firm that uses its existing capabilities to move into overseas markets

multidomestic corporation (MDC)
A firm with independent business units operating in multiple countries

public in 1995 to mark the beginning of integrated technology platforms that could be shared instantaneously across the world. *Integrated technology platforms* represent common operating systems such as Microsoft Windows 10 that can be used across multiple computers connected through the Internet. Through these common platforms, work becomes less specific to particular companies and countries.

In this era, employees become empowered to compete without the need for a large company. For example, many websites, such as guru.com, have developed an online marketplace where individuals can offer various services and compete for business throughout the world. Imagine you are interested in developing a new website for your company. By going to the Internet, you can select various individuals offering these specific services. They may be from Manila, Mumbai, Manhattan, or Munich. In sum, these PEST factors shift the way companies are formed and how they manage their human resources.

ANALYZING YOUR INTERNATIONAL OPERATIONS

LEARNING OUTCOME 2

If you decided to open a unit of your business in another country, what organizational structure would you use to manage it?

International business operations can take several different forms. A large percentage carry on their international business with only limited facilities in foreign countries. Others, particularly *Fortune* 500 corporations, have extensive facilities and personnel in various countries of the world. Dell, for example, employs more people outside the United States than within it. Managing these resources effectively and integrating their activities to achieve global advantage are a challenge to the leadership of these companies.

Figure 15.2 shows four basic types of organizations and how they differ in the degree to which international activities are separated to respond to the local regions and integrated to achieve global efficiencies. The **international corporation** is essentially a domestic firm that builds on its existing capabilities to penetrate overseas markets. Companies such as Honda, General Electric (GE), and Procter & Gamble (P&G) used this approach to gain access to Europe— they essentially adapted existing products for overseas markets without changing much else about their normal operations. (One such adaptation, e.g., was P&G's extremely successful introduction of a detergent brick used on washboards in India.)

A **multidomestic corporation (MDC)** is a more complex form that usually has fully autonomous units operating in multiple countries. Shell, Philips, and

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FIGURE 15.2

TYPES OF ORGANIZATIONS

GLOBAL EFFICIENCY — **High**	**GLOBAL** Views the world as a single market; operations are controlled centrally from the corporate office.	**TRANSNATIONAL** Specialized facilities permit local responsiveness; complex coordination mechanisms provide global integration.
Low	**INTERNATIONAL** Uses existing capabilities to expand into foreign markets.	**MULTIDOMESTIC** Several subsidiaries operating as stand-alone business units in multiple countries.
	Low	**High**
	LOCAL RESPONSIVENESS	

ITT are three typical MDCs. These companies have traditionally given their foreign subsidiaries a great deal of latitude to address local issues such as consumer preferences, political pressures, and economic trends in different regions of the world. Frequently, these subsidiaries are run as independent companies without much integration. The **global corporation**, on the other hand, can be viewed as a multinational firm that maintains control of its operations worldwide from the country in which it is headquartered. Japanese companies, such as Matsushita and NEC, tend to treat the world market as a unified whole and try to combine their activities in each country to maximize their efficiencies on a global scale. These companies operate much like a domestic firm, except that they view the whole world as their marketplace.

Finally, a **transnational corporation** attempts to achieve the local responsiveness of an MDC while also achieving the efficiencies of a global firm. To balance this global/local dilemma, a transnational corporation uses a network structure that coordinates specialized facilities positioned around the world. By using this flexible structure, a transnational corporation provides autonomy to its operations in foreign countries but brings these separate activities together into an integrated whole. For most companies, the transnational form represents an ideal rather than a reality. However, companies such as IBM, Ford, Unilever, and Shell have made good progress in restructuring their operations to function more transnationally.[12]

Although various forms of organization exist, in this chapter, we will generally refer to any company that conducts business outside its home country as an international business. Canada, of course, has no monopoly on international business. International companies are found throughout the world. A number of European and Asian companies have been conducting business on an international basis for much longer than their North American counterparts. The close proximity of European countries, for example, has facilitated international trade among them for centuries. More recently, companies from Japan and China have proven to be some of the most powerful companies in the world. A Global *Fortune* 500 list from the year 2000 would have revealed that the top 10 companies were all located in the United States. In 2017, only 4 of the top 10 companies came from the United States, whereas 3 came from China. The others are based out of Germany, the Netherlands, and Japan. Canada had 11 businesses on this list, including Manulife Financial, Royal Bank of Canada, and Magna International.

global corporation
A firm that has integrated worldwide operations through a centralized home office

transnational corporation
A firm that attempts to balance local responsiveness and global scale via a network of specialized operating units

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Many of these companies generate more revenue annually than do entire small nations. Consequently, they are corporations that have a significant impact on the world economy.

With the global environment being filled by companies originating from different countries and operating in multiple cultures, increased pressure is being placed on the HRM function. International HRM is being seen more and more as a key source of competitive advantage for international businesses. HR units can no longer operate as separate groups attached only by a common brand and finances. HR managers must more effectively manage and move people across country borders. In the next section of this chapter, we examine the different practices used to manage human resources in these complex circumstances.

MANAGING YOUR INTERNATIONAL OPERATIONS

LEARNING OUTCOME 3

More students than ever are interested in international careers. What are the reasons that you would choose to work in another country?

When a company expands globally, HR managers are generally responsible for ensuring that operations are staffed with the right people. There are three main ways a company can staff an international operation. First, the company can send people from its home country. These employees are often referred to as **expatriates**, or **home-country nationals**. Second, it can hire **host-country nationals**, natives of the host country, to do the managing. Third, it can hire **third-country nationals**, natives of a country other than the home country or the host country. Each of these three sources provides certain advantages and certain disadvantages. Most corporations use all three for staffing their multinational operations, although some companies exhibit a distinct bias for one or another.[13] It is important to note, however, that host countries sometimes restrict these choices by passing laws and regulations designed to employ host-country individuals. Tax incentives, tariffs, and quotas are frequently implemented by the host country to encourage local hiring.

As shown in Figure 15.3, at early stages of international expansion, organizations often send home-country nationals to establish activities (particularly in less developed countries) and to work with local governments. This is generally very costly. Traditionally, expatriates have received generous salaries, automobiles, full relocation services, private schooling for their children, trips home, and other perks. These services frequently end up costing more than $300,000 yearly,

FIGURE 15.3

CHANGES IN INTERNATIONAL STAFFING OVER TIME

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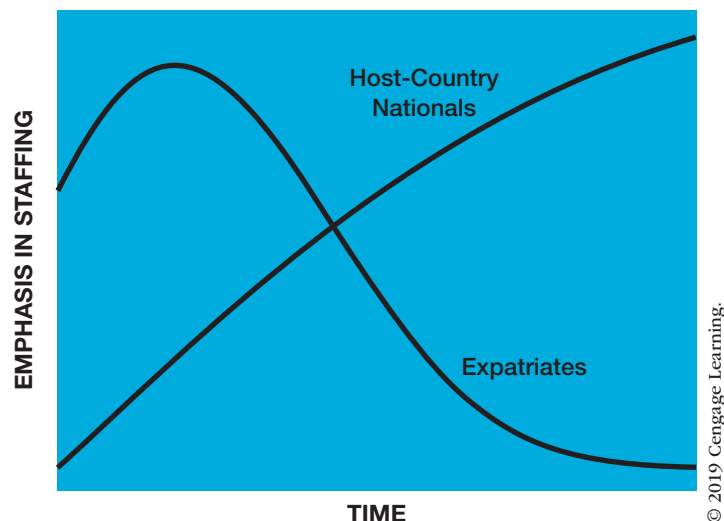
on average, making the cost of a typical three-year expatriate assignment more than $1 million. Some companies find it more cost-effective to hire young, single management trainees who are interested in career growth. Companies are also taking greater pains to more clearly outline the overall goal of the foreign assignment and its timetable for completion. Ingersoll-Rand, an international equipment manufacturer, now carefully documents in detail what should be accomplished during an assignment abroad—whether the assignment is designed to enhance an assignee's leadership skills, improve productivity and sales targets abroad, transfer specific technology to a foreign operation, or staff it with local, expatriate, or third-country nationals.

In recent years, there has also been a trend to send expatriates on shorter, project-based assignments (2 to 12 months versus 1 to 3 years) and to shift more quickly toward hiring host-country nationals. This has three main advantages:

1. Hiring local citizens is generally less costly than relocating expatriates. Local citizens also know the cultural and political landscape of the country and are often more likely to be able to gain the support of local staff members.
2. Since local governments usually want good jobs for their citizens, foreign employers may be required to hire locally.
3. Most customers want to do business with companies (and people) they perceive to be local versus foreign.

Because North American companies want to be viewed as true international citizens, there has also been a trend away from hiring expatriates to head up operations in foreign countries, especially European countries. ABB, Eli Lilly, and PepsiCo, which have strong regional organizations, have tended to replace their North American expatriate managers with local managers as quickly as possible. Highlights in HRM 15.1 describes some of the issues some organizations have faced when checking references. In addition to hiring local managers to head their

Highlights in HRM 15.1

Reference Checking

An American company was very impressed with the 20-page résumé of a candidate for a management position for its new Japanese office. The promising candidate had worked on a wide variety of deals. However, on checking his references, the company learned that he had been involved in all of these deals—as the interpreter!

Those checking references in foreign countries have to be aware of privacy regulations. For example, Canada and the United States have privacy laws that govern what data are and are not allowed to be accessed and used by potential employers. An employee working in the Indian office of a Canadian company is covered by the laws of India, not Canada.

There are also cultural differences in the ways references are checked. If you wanted to know if a candidate had a criminal history in Latin America, you would need to know the name of the applicant's mother. It is also helpful to understand the political context in which reference checking is done. One candidate who had worked in a country that had recently become a democracy supplied the name of his former supervisor as a reference. However, when the supervisor was contacted, he claimed to have never known the candidate. After the call, the supervisor phoned the applicant and said, "A company called asking about you, but don't worry. I told them that I don't know you and that you never worked for us." Based on the practices of the former government, the supervisor was sensitive to any kinds of investigative questions.

Source: Adapted from Traci Canning, "Hiring Global," *HR Professional* (June/July 2006): 34.

foreign divisions and plants, more companies are using third-country nationals. Third-country nationals are often multilingual and already acclimated to the host country's culture—perhaps because they live in a nearby region. Thus, they are also less costly to relocate and sometimes better able to cope culturally with foreign environments.

Companies tend to continue to use expatriates only when a specific set of skills is needed or when individuals in the host country require development. For example, after embarking on a joint venture in China with a formerly state-owned enterprise, Ingersoll-Rand discovered that it had to educate its Chinese employees not only on the company's practices and culture but also on free-market, Western business practices. This required the company's expatriates to stay in China longer than planned.[14] In fact, many expatriates find that in Asia, it takes more time to adapt to the culture and win over employees so as to impart a company's work values. Personal relationships are everything in Asia, and business there can be conducted only after relationships have been established. To help their expatriates adapt in Asia and elsewhere, firms are finding it helpful to pair them with local "buddies," or host-country mentors. At SAS Institute's regional headquarters in Heidelberg, Germany, mentors such as these are assigned to expatriate newcomers to help answer any questions they might have about the firm or culture. The practice seems to be improving the odds of an expatriate succeeding.[15]

RECRUITING INTERNATIONALLY

Improved telecommunications and travel have made it easier to match up employers and employees of all kinds worldwide. As we mentioned earlier in the chapter, most of Dell's employees work outside the United States. Rolls-Royce, headquartered in the United Kingdom, hires over 25 percent of its 38,900 employees abroad. Because its customers come from around the globe, Rolls-Royce figures that its workforce should as well. Although the German company Siemens currently has 372,000 employees in operations in 190 countries, its former chief executive Peter Loscher noted, "Our top managers are predominantly white German males." He argued for more employees from abroad: "If you are not representing your global customer base, then you won't tap your full potential." Airbus, the European commercial jet manufacturer, recruits engineers from universities and colleges all over Europe. American-based Boeing's need for engineers is so great that it also recruits internationally and has even opened a design centre in Moscow. In 2010, Intel set up the largest computer equipment and manufacturing plant in Vietnam. The company initially needed 300 highly qualified engineers. However, Intel struggled to find this many qualified employees and had to start by bringing in foreign nationals until it could hire enough local employees. The HR manager for Vietnam noted, "We had everything set up for the new factory. The only thing we were missing was the qualified engineers."

HR departments must be particularly responsive to the cultural, political, and legal environments both domestically and abroad when recruiting internationally. Companies such as Starbucks, Lockheed Martin, and Honeywell have made a special effort to create codes of conduct for employees throughout the world to ensure that standards of ethical and legal behaviour are known and understood. PepsiCo has taken a similar approach to ensuring that company values are reinforced (even while recognizing the need for adapting to local cultures). The company has four core criteria that are viewed as essential in worldwide recruiting efforts: (1) personal integrity, (2) a drive for results, (3) respect for others, and (4) capability. Zurich, a Swiss financial and insurance company with operations throughout the world, makes sure its employees assigned to North America take diversity and sexual harassment courses.

Lockheed Martin has also developed a strong international ethics program to ensure that all decisions throughout the company are made with integrity.

For example, their vision statement stresses the following factors: (1) doing what is right, (2) respecting others, and (3) performing with excellence. All employees are required to undergo business conduct and compliance training. This training helps employees deal with difficult issues related to export control, insider trading, international business practices, and kickbacks and gratuities. The programs are offered in over 21 languages. Furthermore, Lockheed Martin provides integrity video scenarios on issues such as export control, currency exchange, and respect, available to everyone on their website for practice. Are there things you can learn in terms of developing your own cultural sensitivity?[16]

The regulatory environment outside Canada often differs substantially. The regulations range from those that cover procedures for recruiting and screening to their working conditions, pay and incentives, and retirement provisions. In Japan, for example, criminal background checks on candidates are not allowed. In France, employees can only work 35 hours per week. Similarly, many Central American countries have stringent regulations about the number of foreigners who can be employed as a percentage of the total workforce. Virtually all countries have work permit or visa restrictions that apply to foreigners.

A **work permit** or **visa** is a document issued by a government granting authority to a foreign individual to seek employment in that government's country. Many countries welcome foreign individuals as workers. The United Kingdom, for example, gives graduates of the world's top 50 business schools an automatic right to work in the United Kingdom for a year. In addition, the European Union introduced a "blue card" system designed to expedite the EU residency of talented employees.[17] There are many types of visas and accompanying application processes for Canadians working abroad. For instance, some professionals are permitted to work in the United States (and Mexico) through a TN visa initiated through the North American Free Trade Agreement. This visa depends on an offer of employment in the United States. Most countries require Canadians to get a work permit/visa to stay and work in their jurisdictions. Whatever the employee's destination, HR managers need to ensure that work permits and visas are applied for early in the relocation process.

In terms of recruiting at the executive level, companies use executive recruiting firms such as Spencer Stuart. At lower levels, as Chapter 7 explained, companies recruiting abroad often need to advertise their firms and employment "brand" to recruits who are not familiar with it. In countries such as India and China, an employer's reputation is extremely important to candidates' families—sometimes more important than pay.

Many employers have learned that the best way to find workers in these less well-developed countries is through referrals and radio announcements because many people lack sufficient reading or writing skills. Other firms use international recruiting firms to find skilled labour abroad. As we have explained, some countries, in fact, require the employment of locals if adequate numbers of skilled people are available. Specific exceptions are sometimes granted (officially or unofficially) for contrary cases, as for Mexican farm workers in the United States and for Italian, Spanish, Greek, and Turkish workers in Germany and the Benelux countries (Belgium, the Netherlands, and Luxembourg). Foreign workers invited to perform needed labour are usually referred to as **guest workers**. These types of visas are often used in conjunction with recruiting workers for entry-level positions in hotels and restaurants during peak travel seasons.

In Canada, migrant workers, called temporary foreign workers, visit especially over the summer period to work mainly on farms under the Temporary Foreign Worker (TFW) program, or the International Mobility Program. Employers must verify that there is a need for temporary workers and that no Canadians are available to do the job. Leamington, Ontario, has attracted thousands of TFWs over the past few years to work on its farms and greenhouses. Leamington is located

work permit (visa)
A government document granting a foreign individual the right to seek employment

guest workers
Foreign workers invited to perform needed labour

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about 50 kilometres from Windsor, and TFWs make up about a sixth of the town's population during the farming season.[18]

Although hiring non-nationals can result in lower direct labour costs for a company, the indirect costs—those related to housing, language training, health services, recruitment, transportation, and so on—can be substantial. Some companies competing in industries with acute talent shortages are nonetheless finding the expenditures worthwhile. Nursing is one such industry.[19]

Apprenticeships

A major source of trained labour in European nations is apprenticeship training programs (described in Chapter 7). On the whole, apprenticeship training in Europe is superior to that in Canada. In Europe, a dual-track system of education directs a large number of youths into vocational training. The German system of apprenticeship training, one of the best in Europe, provides training for office and shop jobs under a three-way responsibility contract between the apprentice, his or her parents, and the organization. At the conclusion of their training, apprentices can work for any employer but generally receive seniority credit with the training firm if they remain in it. France has been able to draw on its "Grandes Écoles" for centuries. Created during the Renaissance to fulfill a need that universities were not meeting at the time, the Grandes Écoles educate prospective engineers up to the equivalent level of master of engineering. Safron Aircraft Engines (Snecma), an international equipment supplier headquartered in Paris, hires about 80 percent of its employees from the Grandes Écoles.[20]

Staffing Transnational Teams

In addition to focusing on individuals, it is also important to note that companies are increasingly using transnational teams to conduct international business. **Transnational teams** are composed of members of multiple nationalities working virtually on projects that span multiple countries. GE's LightSpeed VCT, a state-of-the-art medical scanner, was designed with input from cardiologists around the world. The machine's innards were designed by GE engineers in four different countries, and the software to run it was written by multiple teams working together from India, Israel, France, and Wisconsin.[21] Aware that many products developed in developed economies will have a limited market in developing economies, companies such as P&G, GE, and Tata Motors have turned to transnational teams to help develop low-cost but high-quality products for the poor. For example, Tata Motors developed the Tata Nano, a car for nearly $2,000. As the cheapest car in the world, the Tata Nano was developed by a large transnational team, with suppliers in different countries designing specific parts to meet a price-sensitive threshold.

Teams such as these are especially useful for performing tasks that the firm as a whole is not yet structured to accomplish. For example, they may be used to transcend the existing organizational structure to customize a strategy for different geographic regions, transfer technology from one part of the world to another, and communicate between headquarters and subsidiaries in different countries. In GE's case, the company realized its competitors were developing their own medical scanning technology more quickly. GE decided it could no longer afford to duplicate its efforts in different divisions around the world—that these groups would have to work together as a team.

Sometimes companies send employees on temporary assignments abroad as part of transnational teams lasting perhaps a few months. This might be done to break down cultural barriers between international divisions or disseminate new ideas and technologies to other regions. In other instances, employees are transferred for extended periods of time. Years ago, Fuji sent 15 of its most experienced engineers from Tokyo to a Xerox facility in Webster, New York. Over a

five-year period, the engineers worked with a team of U.S. engineers to develop the "world" copier. The effort led to a joint venture that has lasted for decades. Fuji-Xerox now employs approximately 45,000 people globally at 15 companies around the world.[22]

The fundamental task in forming a transnational team is assembling the right group of people who can work together effectively to accomplish the goals of the team. For GE's LightSpeed team, this frequently meant holding 8-hour global conference calls encompassing numerous time zones. (The call times were rotated so that no single team had to stay up all night for every call.) Many companies try to build variety into their teams in order to maximize responsiveness to the special needs of different countries. For example, when Heineken formed a transnational team to consolidate its production facilities, it ensured that team members were drawn from each major region within Europe. Team members tended to have specialized skills, and members were added only if they offered some unique skill that added value to the team. Cross-cultural training can benefit transnational teams by helping them overcome language and cultural barriers they face.

SELECTING EMPLOYEES INTERNATIONALLY

Selecting employees in a foreign country environment can be difficult. When embarking on hiring employees in a new country, a firm's international HR managers should get to know the local market and customs in hiring. This will help the firm understand what to look for in an employee. When GE first entered India, it did not realize that much of the effective hiring was done through family ties and friendship networks. Not wanting to appear biased, GE at first did not allow such practices. However, after struggling to select good recruits, GE finally incorporated peer and family referral systems into their selection practices. This led to selection of employees who stayed within the organization much longer.

To better understand the local market, there are a few things firms can do. First, international HR managers should get to know the universities, technical schools, and primary schools in the area. More than ensuring qualifications, schools provide extensive networks to future employees and provide insight into the type of hires managers would want to select. This means taking time to understand how the local schools operate. In many developing countries, higher education systems are underdeveloped and either do not provide enough future employees or employees with suitable skills. For example, Rolls-Royce and Intel have both become involved in the development of school curriculum for both managerial and engineering skill development. By partnering with local universities, Rolls-Royce and Intel offer funding and curriculum design to better prepare students for the work environment. At their own expense, these companies see such costs as investments in future employees as well as a chance to shape the skills they need to run their companies in those countries.

Second, international HR managers should develop networks in the business and government communities. Because many companies' reputations may not precede them, they must use personal networks to develop trust in the company. An international HR manager's job will not be just to select the right people who come to the office but to go out and select the right people within the community. For instance, when Unilever, a large British–Dutch consumer products company, opens up operations in a foreign environment, it often becomes heavily involved in the local community by conducting community feedback meetings, local education programs, and environmental studies. The company's heavy involvement in the local environment helps to rapidly build its local reputation, which increases its knowledge of potential new hires.

Finally, to effectively select employees in a local environment, international HR managers must understand the employees of the firm's competitors. As they map out and get to know key employees in competing organizations, they develop a better understanding of what to look for in other employees while building

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a new pool of applicants to recruit in the future. For example, companies such as ExxonMobil and GE, as well as smaller companies, will turn to employees of competing companies because they already know that these employees have the necessary skills and abilities to survive in their company. This is especially important to note as more and more domestic companies are hiring away foreign international firms' employees, with the lure of patriotism and the staying power of a local company.

Selecting Global Managers

What if an organization cannot find the appropriate talent in the local country? What if a firm is opening up operations in a foreign country but needs managers who know the ins and outs of the company or who have company-specific expertise? In this case, organizations need to select managers from one country and move them to another. Unfortunately, many of these decisions are based primarily on company-specific expertise and not on country- or culture-specific expertise. In other words, little attention is paid to how likely the person will be able to complete the task in a very specific environment.

The demand for expatriate employees is growing rapidly. In fact, companies repeatedly report that one of their top strategies is to "deploy more staff on international assignments."[23] Selecting someone for an international assignment depends on a variety of different employment factors, including the extent of contact the employee will have with local citizens and the government and the degree to which the foreign environment differs from the home environment. For example, if the job involves extensive contacts with the community, as with a chief executive officer, this factor should be given appropriate weight. The magnitude of differences between the political, legal, socioeconomic, and cultural systems of the host country and those of the home country should also be assessed.[24]

Levi Strauss has identified the following six skill categories for the **global manager**, or manager equipped to run an international business:

1. the ability to seize strategic opportunities
2. the ability to manage highly decentralized organizations
3. an awareness of global issues
4. sensitivity to diversity issues
5. competence in interpersonal relations
6. community-building skills[25]

Expatriate employees receive intensive training on their host countries—the cultural differences, negotiation tactics, business practices, everyday living, and other aspects of working and living successfully in a foreign country.

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If a candidate for expatriation is willing to live and work in a foreign environment, an indication of his or her tolerance of cultural differences should be obtained. This can often be done by testing, which we will discuss shortly. On the other hand, if local nationals have the technical competence to carry out the job successfully, they should be carefully considered for the job before the firm hires a domestic candidate and sends the person abroad. As we explained, most corporations realize the advantages to be gained by staffing international operations with host-country nationals wherever possible.

Selecting home-country and third-country nationals requires that more factors be considered than in selecting host-country nationals. Although the latter must of course possess managerial abilities and the necessary technical skills, they have the advantage of familiarity with the physical and **cultural environment** and the language of the host country. We can discuss the advantages and disadvantages of hiring global managers from these three different groups. The discussion that follows, however, will focus on the selection of expatriate managers from the home country, along with their compensation and performance appraisals.

Colgate-Palmolive, Whirlpool, and Dow Chemical have further identified a set of **core skills** that they view as critical for success abroad and a set of **augmented skills** that help facilitate the efforts of expatriate managers. These two types of skills are shown in Highlights in HRM 15.2. Many of these skills are not significantly different from the skills managers need to succeed domestically. Although in years past the average Canadian expatriate manager was a Canadian-born Caucasian, more companies today are seeing the advantages of assigning expatriates depending on their ethnicity. But such a decision needs to be considered carefully. For example, an Indian candidate applying for a position in India may never have visited the country or may not relate well to the culture. Ultimately, the candidate best qualified for the job should be sent. In the past, women were overlooked for global managerial positions—perhaps because companies believed they would fare poorly in foreign, male-dominated societies or because they believed women have less desire to go abroad. Today, women comprise around 20 percent of expatriates.[26] Moreover, multiple studies show that women expatriates perform just as well as men.[27] In some countries, women expatriates are novel (particularly in managerial positions). They are very visible and distinctive and may even receive special treatment not given to their male colleagues.

Several steps are involved in selecting individuals for an international assignment, and the sequencing of these activities can make a big difference:

Step 1: Begin with self-selection. Employees should begin the process years in advance by thinking about their career goals and how interested they are in working abroad. By beginning with self-selection, companies can more easily

cultural environment
The communications, religion, values and ideologies, education, and social structure of a country

core skills
Skills considered critical to an employee's success abroad

augmented skills
Skills helpful in facilitating the efforts of expatriate managers

Highlights in HRM 15.2

Skills of Expatriate Managers

Core Skills

- experience
- decision making
- resourcefulness
- adaptability
- cultural sensitivity
- team building
- maturity

Augmented Skills

- technical skills
- negotiation skills
- strategic thinking
- delegation skills
- change management

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avoid the problems of forcing otherwise promising employees into international assignments that are a bad fit for them. For individuals with families, relocating decisions are more complicated. Employees should seek information to help them predict their chances of success living abroad. Companies such as EDS and Deloitte give their employees self-selection instruments to help them consider the pros and cons of international assignments. Performance Program Inc.'s Overseas Assignment Inventory and the International Mobility Assessment test, developed by Tucker International, are two such tests. Other companies assess candidates' spouses as well. At Solar Turbines, a San Diego–based manufacturer of industrial gas turbines, a candidate's spouse and sometimes his or her children undergo a day of assessment to see how well they are likely to respond to an international assignment.[28]

Step 2:   Create a candidate pool. After employees have self-selected, organizations can build a database of candidates for international assignments. Information in the database might include availability, languages, country preferences, and skills.

Step 3:   Assess candidates' core skills. From the short list of potential candidates, managers can assess each candidate in terms of his or her technical and managerial readiness relative to the needs of the assignment.

Step 4:   Assess candidates' augmented skills and attributes. As Figure 15.4 shows, expatriate selection decisions are typically made based on the technical competence of candidates as well as their professional and international experience. In addition, organizations are beginning to pay more attention to an individual's ability to adapt to different environments. How well a person adjusts depends on his or her flexibility, emotional maturity and stability, empathy for the culture, language and communication skills, resourcefulness and initiative, previous international experience, exposure to different cultures, and diplomatic skills. If these skills are lacking, no amount of technical competency is likely to result in a successful assignment.[29]

For many reasons, women often make very successful expatriates.

FIGURE 15.4

EXPATRIATE SELECTION CRITERIA

- International experience
- Professional experience
- Interpersonal skills
- Technical competence
- Family flexibility
- Country experience
- Language skills

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Even companies that believe they have selected the best candidates frequently experience a high expatriate **failure rate**. Figure 15.5 shows the major causes of assignment failure. Poor cultural fit is a major reason why assignments fail. For example, although China is among the easiest countries to which to attract Western expatriates, it is also one of the hardest places for them to succeed because the country's culture is so different. A lack of expatriate support from headquarters is another major cause. Expatriates often describe themselves as "out of sight and out of mind." This highlights the importance of headquarters maintaining close contact with them to see how they are faring. Yet another big factor is a spouse's inability to adjust to his or her new surroundings. Today, more companies are preparing families by offering them cultural and language training. ARAMCO, a Saudi Arabian corporation, has such a program. The program includes practical information such as how to deal with Saudi Arabia's transportation systems, where to shop, day-to-day finances, and an explanation of the differences between the beliefs and customs of Saudis and people from other cultures.[30]

There are a number of ways to improve the success of expatriate assignments. Ultimately, the expatriate must find a way to adjust to the demands of their company, the country environment, and family needs. Employees who share a common vision with the company are willing to undergo difficulties for the organization. Employees who take time to understand the culture and market in which they are operating will be better able to cope with unexpected changes and demands. Finally, employees who have family members who are supportive and interested in an overseas assignment are much more successful in their international assignments. As a result, these expatriates stand a greater chance of being able to successfully adjust to their international positions. See Figure 15.6 to examine how these three factors must be aligned to ensure expatriate adjustment. In addition, training and development for both expatriates and their spouses can have a big impact.

failure rate
The percentage of expatriates who do not perform satisfactorily

TRAINING AND DEVELOPMENT

Although companies try to recruit and select the very best people to send abroad, once they are selected, it is critical to their success to provide them with training. Not only is this type of training important for expatriate managers, it is also important for the foreign employees they will ultimately supervise. For example, to know and understand how the Japanese or Chinese negotiate contracts or how businesspeople from Latin America view the enforcement of meeting times can help expatriate managers and their employees deal with each other more successfully. The biggest mistake managers can make is to assume that people are the same everywhere. Corporations that are serious about succeeding in global

FIGURE 15.5

CAUSES OF EXPATRIATE ASSIGNMENT FAILURE

- family adjustment
- lifestyle issues
- work adjustment
- bad selection
- poor performance
- other opportunities arise
- business reasons
- repatriation issues

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FIGURE 15.6

EXPATRIATE ADJUSTMENT FACTORS

Family
Alignment

Expatriate
Adjustment

Company
Alignment

Country
Alignment

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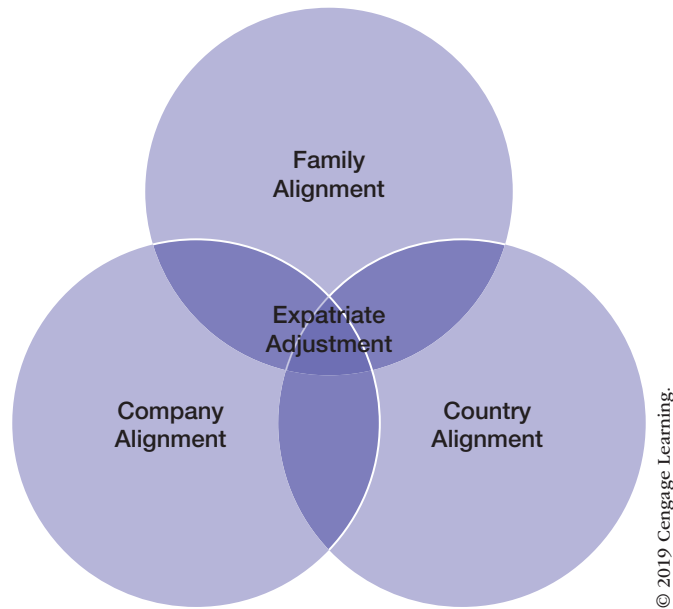
business are tackling these problems head on by providing intensive training. At Motorola, this type of training was conducted at divisions worldwide by Motorola University, the company's educational arm. All employees worldwide, including division heads, received 40 hours of training each year to learn, in part, how to work together as "Motorola People."[31]

Apart from developing talent for overseas assignments, most companies have found that good training programs also help them attract the employees they need from host countries. In less developed countries especially, individuals are quite eager to receive the training they need to improve their work skills. Foreign nationals have generally welcomed the type of training they have received through management development programs offered by North American organizations. It should be noted that host-country nationals also provide a great deal of business-specific and cultural know-how to expatriates. Learning is clearly a two-way street for companies doing business abroad.

Content of Training Programs

Lack of training is one of the principal causes of failure among employees working internationally. Those working internationally need to know as much as possible about (1) the country where they are going; (2) that country's culture; and (3) the history, values, and dynamics of their own organizations. Figure 15.7 gives an overview of what one needs to study for an international assignment. In many cases, the employee and his or her family can obtain a great deal of general information about the host country, including its culture, geography, social and political history, climate, food, and so on, via the Internet, books, lectures, podcasts, and videos. The knowledge gained will at least help the participants have a better understanding of their assignments. Sensitivity training can also help expatriates overcome ethnic prejudices they might harbour. The Peace Corps uses sensitivity training supplemented by field experiences. Expatriates can simulate a field experience in sensitivity training by visiting a nearby subculture in their native countries or by visiting a foreign country prior to relocating there.

FIGURE 15.7

PREPARING FOR AN INTERNATIONAL ASSIGNMENT

To prepare for an international assignment, one should become acquainted with the following aspects of the host country:

1. social and business etiquette

2. history and folklore

3. current affairs, including relations between the host country and Canada

4. cultural values and priorities

5. geography, especially its major cities

6. sources of pride and great achievements of the culture

7. religion and the role of religion in daily life

8. political structure and current players

9. practical matters such as currency, transportation, time zones, and hours of business

10. the language

However, at least five essential elements of training and development programs prepare employees for working internationally: (1) language training, (2) cultural training, (3) assessing and tracking career development, (4) managing personal and family life, and (5) repatriation—a final, but critical, step.[32]

Language Training

Communication with individuals who have a different language and a different cultural orientation is extremely difficult. Most executives agree that it is among the biggest problems for the foreign business traveller. Unfortunately, only a small percentage of Canadians are skilled in languages other than English and French. But this is changing. Students who plan careers in international business should start instruction in one or more foreign languages as early as possible. Programs designed to train participants for international business provide intensive training in foreign languages. The top-ranked China Europe International Business School (CEIBS), jointly founded by the Chinese government and the European Union in 1994, offers language training. Some companies do their own language training. When ARCO Products began exploring potential business opportunities in China, its HR department set up a language training class (with the help of Berlitz International) in conversational Mandarin Chinese. Multinational companies as well as businesses that outsource work abroad stand to benefit from this type of training.

Fortunately for most North Americans, English is almost universally accepted as the primary language for international business. Particularly when many people from different countries are working together, English is usually the designated language for meetings and formal discourse. Many companies provide instruction in English for those who are required to use English in their jobs. Dow Chemical requires that all employees across the globe be fluent in English so that they can communicate more easily with one another. At Volkswagen's Shanghai operation, only after workers pass German language examinations do they become eligible for further training in Germany. Learning the language is only part of communicating in another culture. Even with an interpreter, much is missed.[33] The following list illustrates the complexities of the communication process in international business.

1. In England, to "table" a subject means to put it on the table for present discussion. In North America, it means to postpone discussion of a subject, perhaps indefinitely.

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2. In North America, information flows to a manager. In cultures in which authority is centralized (such as Europe and South America), the manager must take the initiative to seek out the information.
3. In Japan, there are 16 ways to avoid saying "no."
4. When something is "inconvenient" to the Chinese, it is most likely downright impossible.
5. In most foreign countries, expressions of anger are unacceptable; in some places, public display of anger is taboo.
6. The typical North American must learn to treat silences as "communication spaces" and not interrupt them.
7. In general, North Americans must learn to avoid gesturing with the hand. A couple of cases in point: When former US President Richard Nixon travelled to Brazil in the 1950s, he waved and gave the "A-OK" sign to the country's citizens. But in Brazil, the gesture is considered obscene and insulting. Nonverbal communication training can help businesspeople avoid some of these communication pitfalls.

Cultural Training

Cross-cultural differences represent one of the most elusive aspects of international business, but successfully done, it tends to improve the satisfaction and success of expatriates and their employers.[34] Brazilians tend to perceive North Americans as always in a hurry, serious, reserved, and methodical, whereas the Japanese view North Americans as relaxed, friendly, and impulsive. Why do these different perceptions exist, and how do they affect the way we do business across borders? People's attitudes and behaviours are influenced, in large part, by the culture and society in which they have been educated and trained. Each culture has its expectations for the roles of managers and employees. On her first day on the job abroad, one expatriate manager recalls her boss ordering a bottle of wine to split between the two of them at lunch. Although this is a common practice in Britain, the expatriate manager was initially taken aback. Likewise, an American manager in Asia once complained that meetings held in his foreign place of employment accomplished nothing. He was used to arriving at a final decision during meetings. But to his Asian coworkers, meetings were solely a place in which to share ideas. Decisions were to be made later. Being successful abroad depends on a person's ability to understand the way things are normally done and to recognize that changes cannot be made abruptly without considerable resistance, and possibly antagonism, on the part of local nationals.

A wealth of data from cross-cultural studies reveals that nations tend to cluster along certain cultural dimensions such as their work goals, values, needs, and attitudes toward work. Using data from eight comprehensive studies of cultural differences, Simcha Ronen and Oded Shenkar have grouped countries into the clusters shown in Figure 15.8. Ronen and Shenkar point out that whereas evidence for the grouping of countries into Anglo, Germanic, Nordic, Latin European, and Latin American clusters appears to be quite strong, clusters encompassing the Far Eastern and Arab countries are ill-defined and require further research, as do clusters of countries classified as independent. Many areas, such as Africa, have not been studied much at all. It should also be noted that the clusters presented in Figure 15.8 do not include Russia and the former satellites of the Soviet Union. Those countries, if added to the figure, would likely fall between the Near Eastern and Nordic categories.

Studying cultural differences can help managers identify and understand work attitudes and motivation in other cultures. When compared with the Japanese, for example, Americans may feel little loyalty to their organizations. In Japan, employees are more likely to feel a strong loyalty to their company, although this has been changing. Japanese companies no longer universally guarantee an employee a job for life, and layoff decisions are increasingly being made based on merit, not seniority—a practice unthinkable in the country in the past. Latin Americans tend to view themselves as working not only for a particular company

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FIGURE 15.8

A SYNTHESIS OF COUNTRY CLUSTERS

NEAR EASTERN
- Turkey
- Iran
- Greece

NORDIC
- Finland
- Norway
- Denmark
- Sweden

ARAB
- Abu-Dhabi
- Bahrain
- United Arab Emirates
- Kuwait
- Oman
- Saudi Arabia

GERMANIC
- Germany
- Austria
- Switzerland

FAR EASTERN
- Singapore
- Malaysia
- Hong Kong
- South Vietnam
- Philippines
- Indonesia
- Taiwan
- Thailand

ANGLO
- United States
- Australia
- New Zealand
- United Kingdom
- Ireland
- South Africa
- Canada

LATIN AMERICAN
- Argentina
- Venezuela
- Mexico
- Chile
- Colombia
- Peru

LATIN EUROPEAN
- France
- Belgium
- Italy
- Spain
- Portugal

INDEPENDENT
- Brazil
- India
- Japan
- Israel

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but also for an individual manager. Thus, managers in Latin American countries can encourage performance only by using personal influence and working through individual members of a group. In North America, competition has been the name of the game; in Japan, Taiwan, and other Asian countries, cooperation is more the underlying philosophy.[35]

One of the important dimensions of leadership, whether in international or domestic situations, is the degree to which managers invite employee participation in decision making. Although it is difficult to find hard data on employee participation across different countries, careful observers report that North American managers are about in the middle on a continuum of autocratic to democratic decision-making styles. Scandinavian and Australian managers also appear to be in the middle. South American and European managers, especially those from France, Germany, and Italy, are toward the autocratic end of the continuum. Japanese managers are at the most participatory end. Because Far Eastern cultures and religions tend to emphasize harmony, group decision making predominates there.[36]

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Assessing and Tracking Career Development

International assignments provide some definite developmental and career advantages. For example, working abroad tends to increase a person's responsibilities and influence within the corporation. In addition, it provides a person with a set of experiences that are uniquely beneficial to both the individual and the firm. In this way, international assignments enhance a person's understanding of the global marketplace and offer the opportunity to work on a project important to the organization.[37] Furthermore, research shows that international assignments increase a person's creative problem-solving skills and receptivity to new ideas.[38]

In recent years, North American companies have become a melting pot of CEOs. Increasingly, foreign-born CEOs are making up the *Fortune* 500 top slots. Some companies, such as Coca-Cola, have traditionally appointed chief executives with foreign roots, perhaps because the growth of the firm's markets lies abroad.[39]

To maximize the career benefits of a managerial assignment, a candidate should ask two key questions before accepting a foreign post:

1. Do the organization's senior executives view the firm's international business as a critical part of their operation? Research shows that expatriates with clear goals that truly need to be accomplished are likely to find their assignments more rewarding. Realizing this, fewer companies are sending expatriates abroad for career development purposes only.
2. Within top management, how many executives have a foreign service assignment in their background, and do they feel it is important for one to have overseas experience? Colgate-Palmolive sees a foreign assignment as part of an extended career track rather than as a one-off assignment. A successful foreign assignment tends to lead to another and another. "Our top priority is to identify, develop, and retain the next two to three generations of leaders," said one Colgate-Palmolive manager. Part of that strategy includes directly using the knowledge of the company's current and former expatriates.

MANAGING PERSONAL AND FAMILY LIFE

As noted previously, one of the most frequent causes of an employee's failure to complete an international assignment is personal and family stress. **Culture shock**—a disorientation that causes perpetual stress—is experienced by people who settle overseas for extended periods. The stress is caused by hundreds of jarring and disorienting incidents such as being unable to communicate, being unable to read the street signs, and a myriad of other everyday matters that are no problem at home. Soon minor frustrations become catastrophic events, and one feels helpless and drained, emotionally and physically.

To accommodate dual-career partnerships, some employers offer spouses career and life planning counselling, continuing education, intercompany networks to identify job openings in other companies, job-hunting or fact-finding trips, and help securing work permits abroad. In some cases, a company may even create a job for the spouse, although this is not widely practised.[40]

REPATRIATION

An increasing number of companies, such as Monsanto, 3M, EDS, and Verizon, are developing programs specifically designed to facilitate **repatriation**—that is, helping employees make the transition back home. Repatriation programs are designed to prepare employees for adjusting to life at home (which at times can be more difficult than adjusting to a foreign assignment). ExxonMobil employees are given a general idea of what they can expect following a foreign assignment even before they leave home.

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Unfortunately, not all companies have career development programs designed for repatriating employees or do not do an effective job of it. Employees often lament that their organizations are vague about repatriation, their new roles within the company, and their career progression. In many cases, employees abroad have learned how to run an entire international operation—or at least significant parts of it. When they return home, however, their responsibilities are often significantly diminished. Some surveys have found that up to 60 percent of expatriates believed their careers had not advanced after returning home.[41] It is also not at all uncommon for employees to return home after a few years to find that there is no position for them in the firm and that they no longer know anyone who can help them—their long-time colleagues have moved to different departments or even different companies. This frequently leaves the repatriated employee feeling alienated. Wondering about their future also creates stress for them and their families while they are abroad.

Even when employees are successfully repatriated, their companies often do not fully utilize the knowledge, understanding, and skills developed on their assignments. This hurts the employee, of course, but it also hurts the firm's chances of utilizing the employee's expertise to gain a competitive advantage. Not surprisingly, expatriates frequently leave their companies within a year or two of coming home. Some studies say the number of expatriates who do so is as high as 50 percent.

At companies with good repatriation processes, employees are given guidance about how much the expatriate experience may have changed them and their families. Some firms introduce former expatriates and their spouses to other former expatriates at special social events, and more companies are making an

Highlights in HRM 15.3

Repatriation Checklist

Before they go:

- Make sure there is a clear need for the international assignment. Do not send someone abroad unnecessarily. Develop a clear set of objectives and expectations and time frames in which they should be met.
- Make sure that your selection procedures are valid. Select the employee and look at and involve the employee's family.
- Provide (or fund) language and cultural training for the employee and the employee's family.
- Offer counselling and career assistance for the spouse.
- Establish career planning systems that reward international assignments and lead to promotion and knowledge sharing.

While they are away:

- Jointly establish a developmental plan that focuses on the goal to be achieved.
- Tie performance objectives to the achievement of the goal.

- Identify mentors who can be a liaison and support the person from home.
- Keep communications open so that the expatriate is aware of job openings and opportunities.
- Arrange for frequent visits back home (for the employee and the family). Make certain they do not lose touch with friends and relatives.

When they come back home:

- Throw a "welcome home" party and arrange for a meeting with other former expatriates.
- Offer counselling to ease the transition.
- Arrange conferences and presentations to make certain that knowledge and skills acquired away from home are identified and disseminated.
- Set up an expatriate database to help other employees who go abroad later.
- Get feedback from the employee and the family about how well the organization handled the repatriation process.

Sources: Adapted from Bennet & Associates, Price Waterhouse, and Charlene Marmer Solomon, "Repatriation Planning Checklist," *Personnel Journal* 14, no. 1 (January 1995): 32; Charlene Marmer Solomon, "Global HR: Repatriation Planning," *Workforce* (2001), special supplement: 22–23.

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effort to keep in touch with expatriates while they are abroad, which has been made easier by email, instant messaging, Voice over Internet Protocol, and videoconferencing. Colgate's division executives and other corporate staff members frequently visit international transferees. Dow appoints a high-level manager to serve as a stateside contact for information about organizational changes, job opportunities, and anything related to salary and compensation. Monsanto's repatriation program is designed not only to smooth the employee's return to the home organization but also to ensure that the expatriate's knowledge and experience are fully used. To do so, returning expatriates get the chance to showcase their new knowledge in debriefing sessions. Some companies also create databases of expatriates to help other employees who go abroad later.[42] Of course, if a firm is able to retain its current repatriates, it will have better success recruiting future expatriates. A repatriation checklist is shown in Highlights in HRM 15.3.

COMPENSATION

One of the most complex areas of international HRM is compensation. Different countries have different norms for employee compensation. For Canadians, although nonfinancial incentives such as prestige, independence, and influence may be motivators, money is likely to be a driving force. Other cultures are more likely to emphasize respect, family, job security, a satisfying personal life, social acceptance, advancement, or power. Since there are many alternatives to money, the rule is to match the reward with the values of the culture. In individualistic cultures, such as Canada, pay plans often focus on individual performance and achievement. However, in collectively oriented cultures such as Japan and Taiwan, pay plans focus more on internal equity and personal needs.[43]

In general, a guiding philosophy for designing pay systems might be "think globally and act locally." That is, executives should normally try to create a pay plan that supports the overall strategic intent of the organization but provides enough flexibility to customize particular policies and programs to meet the needs of employees in specific locations. After a brief discussion of compensation practices for host-country employees and managers, we will focus on the problems of compensating expatriates.

COMPENSATION OF HOST-COUNTRY EMPLOYEES

As shown in Figure 15.9, minimum wages vary dramatically from country to country. Minimum-wage workers in manufacturing positions in Luxembourg make almost $23,000 per year. By contrast, in Mexico, minimum-wage workers earn less than $2,000 per year, on average.

Host-country employees are generally paid on the basis of productivity, time spent on the job, or a combination of these factors. In industrialized countries, pay is generally by the hour; in developing countries, pay is generally by the day. The piece-rate method is quite common. In some countries, including Japan, seniority is an important element in determining employees' pay rates. In Italy, Japan, and some other countries, it is customary to add semiannual or annual lump sum payments equal to one or two months' pay. These payments are not considered profit sharing but an integral part of the basic pay package. Profit sharing is legally required for certain industry categories in Mexico, Peru, Pakistan, India, and Egypt among developing countries and in France among industrialized countries.

Employee benefits can range dramatically from country to country as well. In France, for example, benefits comprise a much higher proportion of people's pay than they do in Canada. In contrast to 10 vacation days in Canada, workers in the United Kingdom, France, and the Netherlands receive about 25 days of paid vacation. Workers in Sweden and Austria receive 30 days. Whereas in Canada most benefits are awarded to employees by employers, in other industrialized countries, most of them are legislated or ordered by governments.[44]

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FIGURE 15.9

REAL ANNUAL WAGES FOR MINIMUM WAGE EARNERS IN DIFFERENT COUNTRIES

Dataset: Real Minimum Wages		
	Pay Period Annual Unit Dollar	
Country	**2000**	**2016**
Australia	19,933.9	21,967.2
Belgium	21,187.8	21,170.2
Canada	13,705.4	16,792.4
Chile	4,472.5	6,998.3
Czech Republic	5,013.9	8,399.1
Estonia	3,005.0	8,595.0
France	16,695.8	20,413.6
Germany	–	20,847.4
Greece	12,368.7	11,492.1
Hungary	4,063.6	9,155.1
Ireland	15,464.1	18,942.8
Israel	10,583.3	13,059.7
Japan	12,558.5	15,292.1
Korea	6,631.4	14,440.9
Latvia	2,055.4	7,829.6
Luxembourg	19,925.5	22,836.1
Mexico	1,767.6	1,895.7
Netherlands	21,353.0	22,209.8
New Zealand	13,449.8	19,346.4
Poland	6,172.3	11,977.5
Portugal	9,008.8	10,941.1
Slovak Republic	4,991.2	8,980.0
Slovenia	9,412.7	14,520.8
Spain	11,182.5	12,317.4
Turkey	6,405.4	12,074.8
United Kingdom	13,039.5	17,568.3
United States	14,744.1	14,892.1
Colombia	5,693.9	6,950.2
Costa Rica	–	8,131.6
Lithuania	4,320.8	8,319.6
Brazil	2,278.6	4,753.6
Russian Federation	359.0	3,199.2

Data extracted on 03 Jul 2018 12:17 UTC (GMT) from ECD.Stat. (Data are calculated in terms of purchasing power parity [PPP].)

Source: U.S. Department of Labor, Bureau of Labor Statistics, July 2018.

CHAPTER 15: INTERNATIONAL HUMAN RESOURCES MANAGEMENT

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Because the largest cost for most companies is labour, it plays a prime role in international HR decision making. However, some people believe that companies are overcapitalizing on worldwide compensation differences. Many firms (Nike included) have generated bad press for charging hundreds of dollars for their individual products while the people who make them earned only a few cents on the dollar. This has led to international political protests, as was mentioned in Chapter 1, and pressure on firms to exercise greater global social responsibility.

As Nike discovered, this is pressure they cannot afford *not* to take seriously. The bad press finally took a toll on Nike's bottom line. As a result, Nike now monitors all of its partner factories to ensure that workers are not underage, that pay is competitive, and that working conditions are compliant with international standards. Over 100 full-time staff are dedicated to monitoring these partner factories. Although this costs Nike around $11 million per year, it has unexpectedly realized additional cost savings as its monitoring staff are also able to help the factories with streamlining the work processes, training managers, and decreasing corrupt practices by the factories.[45]

Starbucks is another company that takes good corporate citizenship seriously. Among Starbucks' many initiatives is its association with Fair Trade and Conservation International to help farmers in third-world countries get a premium for the coffee they grow. We will discuss more on the fair treatment of workers in third-world countries toward the end of the chapter.

COMPENSATION OF HOST-COUNTRY MANAGERS

In the past, the compensation of host-country managers was based on local salary levels. Today, however, more companies are offering their host-country employees a full range of training programs, benefits, and pay comparable to those of their domestic employees back in the country of origin but adjusted for local differences. These programs are known as the **global compensation system**. Among other benefits, the agricultural-processing firm Archer Daniels Midland offers its employees abroad an employee assistance program. At first, many employees were suspicious about the program, believing that it was designed to collect private information about them. However, after employees became confident that their information was confidential, the program sent a message that the company is interested in their well-being and values them.

According to a survey by the HR consulting firm Watson Wyatt, companies are split evenly as to whether they have central (global) compensation systems or decentralized (local) systems. Companies with centralized systems report having higher effectiveness and satisfaction levels with their compensation systems, and more companies are saying they are moving toward centralized systems. Unilever, for example, used to leave the compensation arrangements largely to the boss of a region or a big country. Now brand managers in different countries increasingly compare notes so they see potential discrepancies based on market differences and expatriate assignments. So the company moved from a narrow grading structure to five global work levels.[46]

The benefits of a global compensation system are realized more and more as people are becoming mobile across borders. For example, multinational companies hiring Chinese and Indian nationals from U.S. universities to go back to India and China are finding that they must offer compensation packages similar to those they offer employees in the United States. In fact, for some who have been working in the United States, they argue for expatriate compensation plans in order to return to their home countries.

COMPENSATION OF EXPATRIATE MANAGERS

If the assignment is going to be successful, the expatriate's compensation plan must be competitive, cost-effective, motivating, fair, easy to understand, consistent with international financial management, relatively easy to administer, and

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simple to communicate. To be effective, an international compensation program must do the following:

- provide an incentive to leave Canada
- allow for maintaining a North American standard of living
- provide for security in countries that are politically unstable or present personal dangers
- include provisions for good healthcare
- reimburse the foreign taxes the employee is likely to have to pay (in addition to having to pay domestic taxes) and help him or her with tax forms and filing
- provide for the education of the employee's children abroad, if necessary
- allow for maintaining relationships with family, friends, and business associates via trips home and other communication technologies
- facilitate the expatriate's reentry home
- be in writing[47]

For short-term assignments, usually those that are project based, expatriates are frequently given per diem (per day) compensation. These managers might reside in hotels and service apartments instead of leasing houses. They are also less likely to bring their family members with them. The assignment becomes more like a commuting assignment in which the expatriate spends the week in the host country and returns home on the weekend.

For longer-term assignments, there are two basic types of compensation systems. The first is **home-based pay**, based on the **balance sheet approach**, a system designed to equalize the purchasing power of employees at comparable positions living overseas and in the home country and to provide incentives to offset qualitative differences between assignment locations.[48] The balance sheet approach generally comprises the following steps:

Step 1: Calculate base pay. Begin with the home-based gross income, including bonuses. Deduct taxes and pension contributions.

Step 2: Figure cost-of-living adjustment (*COLA*). Add a COLA to the base pay. Typically, companies do not subtract when the international assignment has a lower cost of living. Instead, they allow the expatriate to benefit from the negative differential. Often a housing allowance is added here as well.

Step 3: Add incentive premiums. General mobility premiums and hardship premiums compensate expatriates for separation from family, friends, and domestic support systems—usually 15 percent of base salary, although in recent years, some companies have reduced this amount. Often incentive premiums are paid for hazardous duty or harsh conditions the expatriate might experience while abroad. Expatriates who locate to war zones, for example, can sometimes earn three times their base salary.

Step 4: Add assistance programs. These additions are often used to cover added costs such as moving and storage, automobile, and education expenses.

The differentials element is intended to correct for the higher costs of overseas goods and services so that in relation to their domestic peers, expatriates neither gain purchasing power nor lose it. It involves a myriad of calculations to arrive at a total differential figure, but in general, as we have said, the cost typically runs between three and five times the home-country salary. Fortunately, employers do not have to do extensive research to find comparative data. They typically rely on data published by federal government departments such as External Affairs for use in establishing allowances to compensate employees for costs and hardships related to assignments abroad. Alternately, they consult international relocation experts to make sure all of the relocation bases are covered. For example, in some countries, expatriates are mandated by local law to participate in host-country programs—whether or not their pay packages are home or host based.[49] Recently, **split pay** plans have become popular among companies. Under a split pay system, expatriates are given a portion of their pay in the local currency to cover their day-to-day expenses. The rest of their pay is distributed in their home currency

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to safeguard their earnings should changes in foreign exchange rates or inflation adversely affect their pay.

Another type of compensation system is **host-based pay**. Companies are under pressure to move expatriates to host-based pay because it is generally less costly. Host-based pay is compensation that is equivalent to that earned by employees in the country where the expatriate is assigned. This process is called **localization**. When an employee is localized, his or her compensation is set on par with local standards and practices. Incentive premiums are generally phased out, and the employee pays only local taxes and falls under the social benefit programs established by the government of the host country. Some companies localize only certain aspects of the pay package or do so gradually over a course of three to five years.

Usually, the decision to localize an employee depends on whether he or she will ultimately remain abroad or return home. In many companies, this decision is contingent on who is the driving force behind the localization: the employee or the employer. An expatriate employee with a strong desire to remain in the host country beyond the planned length of assignment (perhaps because he or she married a local or has simply fallen in love with the country) is likely to be more amenable to localization. Localization should not be viewed as a cost-saving panacea, however. There are many countries in which expatriates would refuse to "go local." Forcing an employee to do so can ultimately result in a failed assignment, costing the company much more money than it would have saved by localizing him or her.

One of the disadvantages of not localizing an employee's pay, however, is that in low-cost countries, this can breed resentment among local staff members if they are earning significantly less. This can affect the amount of cooperation they are likely to give an expatriate and adversely affect the success of an assignment. Whether they are intentional or not, any HR practice that results in more favourable treatment for an expatriate versus local employees sends a message that locals are less valued by the firm. This is another reason why firms are moving to global compensation systems.[50]

Another serious issue related to expatriate compensation is medical care. Employees are unlikely to consent to going abroad if they cannot get healthcare comparable to what is available in their home countries. Often Canadian-based plans cannot cover expatriate employees or efficiently deal with claims that need to be reimbursed in foreign currency. One solution is to provide the expatriate with a global health benefits plan such as Cigna International Expatriate Benefits. The Cigna plan covers 200,000 expatriates and their dependants for 700 different international client companies. Another alternative is to transfer the employee to a global employment company that can provide these types of benefits. A global employment company is similar to a professional employer organization (PEO), discussed in Chapter 5. Basically, the employee is transferred to the global employment company, which administers all of his or her benefits as well as those of numerous employees working for other companies. These are not options in all countries. In some countries, such as Saudi Arabia, for example, expatriates must be covered by a local insurer.

Still another issue is the need to provide expatriates and employees who travel abroad with security. Citigroup hires private drivers for employees doing business in countries such as Mexico—even for employees on extended stays.

Companies can also purchase travel-related insurance covering a range of services such as evacuation and disability or travel-related injuries. HR managers are generally responsible for evaluating and implementing these different types of programs. Often this involves hiring a local security firm when an expatriate is sent abroad.

Lastly, what your competitors are paying should also factor into the compensation mix. In the United Kingdom, firms typically provide their expatriates with cars as part of their compensation. So to be competitive, any company operating in that marketplace has to do the same.

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PERFORMANCE APPRAISAL

As we noted earlier, individuals frequently accept international assignments because they know that they can acquire skills and experiences that will make them more valuable to their companies. Frequently, however, it can be difficult for the home office to evaluate the performance of employees working abroad. Even the notion of performance evaluation is indicative of a Canadian management style that focuses on the individual, which can cause problems in Asian countries such as China, Japan, and Korea and Eastern European countries such as Hungary and the Czech Republic. Performance appraisal problems can contribute to failure rates among expatriates and derail an individual's career rather than enhance it.[51]

Who Should Appraise Performance?

In many cases, an individual working internationally has at least two allegiances: one to his or her home country (the office that made the assignment) and the other to the host country in which the employee is currently working. Superiors in each location frequently have different information about the employee's performance and may also have very different expectations about what constitutes good performance. For these reasons, the multirater (360-degree) appraisal discussed in Chapter 8 is gaining favour among global firms. There are exceptions, however. For example, Thai workers do not see it as their business to evaluate their bosses, and Thai managers do not think subordinates are in any way qualified to assess them. Before implementing a different appraisal process, HR managers need to understand how the process is likely to be received in the host country.[52]

Home- versus Host-Country Evaluations

Domestic managers who have not worked abroad are frequently unable to understand an expatriate's or host-country manager's experiences, value these employees, or accurately measure their contribution to the organization. Geographic distances create communication problems for expatriates and home-country managers, although email, instant messaging, and other HR information systems technologies have begun to close the gap.[53] Still, local managers with daily contact with the person are more likely to have an accurate picture of his or her performance. Host-country evaluations can sometimes be problematic. First, local cultures can influence a person's perception of how well an individual is performing. As we noted earlier in the chapter, participative decision making may be viewed either positively or negatively depending on the culture. Such cultural biases may not have any bearing on an individual's true level of effectiveness. In addition, local managers sometimes do not have enough of a perspective on the entire organization to know how well an individual is truly contributing to the firm as a whole.

Even if the formal appraisal is conducted in the home office and promotion, pay, and other administrative decisions are made there, most HR experts agree that performance evaluations should try to balance the two sources of appraisal information. As we discussed in Chapter 8, multiple sources of appraisal information can be extremely valuable for providing independent points of view—especially if someone is working as part of a team. If there is much concern about cultural bias, it may be possible to have people of the same nationality as the expatriate conduct the appraisal.

Performance Criteria

Because expatriate assignments are so costly, many HR managers are increasingly under pressure to calculate the return on investment (ROI) of these assignments. What did the firm get for the million dollars it spent to send an expatriate abroad? Has the expatriate achieved the goals set forth in the assignment in the

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appropriate time frame? Obviously, the goals and responsibilities inherent in the job assignment are among the most important criteria used to evaluate an individual's performance, and different goals necessitate measuring different criteria. The criteria are tied to the various reasons employees were sent abroad in the first place—whether it was part of a goal to transfer technical skills or best practices, as a result of a merger or new division, to improve a division's financial performance, or to develop managerial talent. The Business Case outlines the costs of employing expatriates and suggests initiatives that companies can undertake to improve ROI.

The Business Case

The Costs of Employing Expatriates

Organizations typically make selection decisions on the basis of a match between job requirements and the candidates' skills and abilities. But selection decisions in international assignments must always compare the costs of employing locals versus expatriates. The chart below compares the cost of employing a Canadian manager in the United Kingdom to employing a U.K. manager. The case involves a manager, based in Ontario, who earns about $85,000 a year, with a $17,000 bonus, who is to be sent on a three-and-a-half-year assignment to London, England. He is married, with one school-age child who attends private school. This manager receives an automobile allowance and a trip home every year. The company pays for the relocation, household goods storage, and tax return preparations.

Total cost of assignment for 3.5 years:

Cost Element	$
Base salary	297,500
Bonus	59,500
Gross income	357,000
Cost of living allowance	92,800
Housing allowance	135,000
Education allowance	61,500
Automobile allowance	55,300
Home leaves	32,400
Relocation, storage, and tax return	76,300
Additional tax expenses	175,500
Total Cost	$985,800

The costs of sending this manager on an international assignment are nearly a million dollars, compared to the approximately $300,000 it would cost to employ a U.K.-based manager.

Below is a list of initiatives that would improve the ROI of expatriates:

Better candidate selection	32%
Career-planning skills	26%
Communicating objectives	24%
Assignment preparation	20%
Monitoring program	17%
Cross-cultural training	10%
Developing or expanding intranet	7%
Communication/recognition	6%
Web-based cultural training	5%
Mandating destination support	4%
Other	17%

However, the best way to mitigate the costs of international assignments is to make them short-term assignments of 3 to 12 months. The advantages of short-term assignments include lower risk of failure, lower costs, less family disruption, greater ability to set short-term goals, and greater probability that women will accept these assignments.

Sources: L. Dixon and M. Simm, "Short-Term Assignments Growing in Popularity," *Canadian HR Reporter* 21, 5 (March 10, 2008): 7; Andrea Poe, "Selection Savvy," *HR Magazine* 47, no. 4 (April 2002): 77–83; Jeff Bitten, "Compensation Strategies for International Assignments," *Canadian HR Professional* 18, no. 2 (April/May 2001): 29–31.

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There are five steps related to calculating the ROI of an assignment:

1. Define the assignment's objectives.
2. Agree on the quantifiable measurements for the assignment.
3. Develop an equation that converts qualitative behaviour into quantifiable measurements.
4. Evaluate the expatriate's performance against these measurements.
5. Calculate the ROI. This can be a complex cost accounting or a simple calculation to see if the expatriate covered the cost of being kept on assignment.

Companies also look at how well the total cost of the assignment was managed, taking into account any tax efficiencies and whether the right mix of expatriates, third-country nationals, and locals was used to minimize the assignment's costs.[54]

The danger with ROI calculations, however, is that there is a temptation to resort to using "easy" criteria such as productivity, profits, and market share to measure an expatriate's performance. These criteria may be valid, but they are still deficient if they do not capture the full range of an expatriate's responsibility. Other, more subtle factors should be considered as well. Leadership development, for example, involves a much longer-term value proposition. In many cases, an expatriate is an ambassador for the company, and a significant part of the job is cultivating relationships with citizens of the host country.

As we discussed at the beginning of this chapter, an individual's success or failure is affected by a host of technical and personal factors, as well as the acceptance and help they get from their staff members abroad. For example, as one might guess, it is much easier to adjust to similar cultures than to dissimilar ones. A Canadian can usually travel to the United Kingdom or Australia and work with locals almost immediately. Send that same individual to Hungary or Malaysia, and the learning curve is steeper. The expatriate's adjustment period may be even longer if the company has not yet established a good base of operations in the region. The first individuals transferred to a country have no one to show them the ropes or to explain local customs. Even relatively simple activities such as navigating the rapid transit system can prove to be problematic. The U.S. State Department has developed rating systems that attempt to distinguish the different degrees of difficulty associated with different regional assignments. These difficulty factors need to be considered and built into the appraisal system. For example, if living in Afghanistan, the rate of difficulty is expected to be 35 percent greater than in North America. As a result, salary should reflect this hardship.[55]

Providing Feedback

Performance feedback in an international setting is clearly a two-way street. Although the home-country and host-country superiors may tell an expatriate how well he or she is doing, it is also important for expatriates to provide feedback regarding the support they are receiving, the obstacles they face, and the suggestions they have about the assignment. More than in almost any other job situation, expatriates are in the very best position to evaluate their own performance.

In addition to ongoing feedback, an expatriate should have a debriefing interview immediately on returning home from an international assignment. These repatriation interviews serve several purposes:

1. They help expatriates re-establish old ties with the home organization and may prove to be important for setting new career paths.
2. The interview can address technical issues related to the job assignment itself.
3. The interview can address general issues regarding the company's overseas commitments, such as how relationships between the home and host countries should be handled.
4. The interview can be very useful for documenting insights an individual has about the region. These insights can then be incorporated into training programs for future expatriates. However, if the learning is not shared, then each new expatriate to a region may have to go through the same cycle of adjustment.[56]

ANALYZING THE INTERNATIONAL LABOUR ENVIRONMENT

Would you take the time to research the working conditions for employees of international companies producing the jeans that you buy? Would you base your purchasing decision on this research?

A country's labour environment plays a large role in international business and HR decisions. As we have said, wages and benefits vary dramatically across the world, as do safety, child, and other legal regulations. Indeed, in some countries, working conditions resemble slave labour camps, as outlined in Highlights in HRM 15.4. In many countries, the regulation of labour contracts is profound and extensive. Labour unions around the world differ significantly as well. Differences exist not only in the collective bargaining process but also in the political–legal conditions. For example, the EU prohibits discrimination against workers in unions, but in many other countries, including countries in Central America and Asia, labour unions are illegal. China has only one union, the All-China Federation of Trade Unions (ACFTU), an 80-year-old Communist Party institution that for decades has aligned itself more closely with management than workers. As Walmart discovered, Western firms that want to do business in China have to reach collective bargaining agreements with ACFTU. In some countries, only workers at larger firms are allowed to organize.[57]

Union strength depends on many factors, such as the level of employee participation, per capita labour income, mobility between management and labour, homogeneity of labour (racial, religious, social class), and unemployment levels. Nearly all of Sweden's workers are organized, giving the unions in this country considerable strength and autonomy. By contrast, in countries with relatively high unemployment, low pay levels, and no union funds with which to support social welfare systems, unions are driven into alliance with other organizations: political parties, churches, or governments. This is in marked contrast to Canada, where the union selected by the majority of employees bargains only with the employer, not with other institutions. By contrast, the unions in many European countries (such as Sweden) have a great deal of political power and are often allied with a particular political party. When employers in these countries deal with unions, they are, in effect, dealing indirectly with governments.

In a number of countries, however, including Japan, Germany, New Zealand, and the United Kingdom, unions have been losing some of their power. Ironically, the power of unions to gain high wages and enforce rigid labour rules has been blamed for hurting competitiveness, particularly in European countries. Laws make it difficult to fire European employees, so workers are hired only sparingly.

Highlights in HRM 15.4

Dirty List

The Government of Brazil has established a "dirty list" of employers who subject their workers to slavelike conditions. These include cases where an employee works exhausting hours (no breaks, no days off), is forbidden to leave the company because of a debt, and earns less than the minimum wage of $336. In 2012, 300 employers were on the list, mainly in rural areas, where sugar cane and other crops are grown. The dirty list has the power to stop this abuse. Until employers stop treating employees as slaves, as documented by government inspectors, they will not be able to obtain credit from financial institutions or governments. Previously, employers did not care about the fines, but they do care about access to credit. To be removed from the list, the employer must pay fines and unpaid labour taxes, as well as meet labour standards.

Canada also has a dirty list of employers, which can be found at the Ontario government's Sunshine List of Bad Employers. These are employers who are in violation of the *Employment Standards Act*.

Source: S. Lehman, "Brazil Employers Accused of Slave-like Conditions," *Associated Press* (January 30, 2012), http://www.businessweek.com/ap/financialnews/D9S1HU600.htm.

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Unemployment benefits are very generous, so people tend to remain unemployed for longer rather than seek work. But because companies are increasingly tempted to offshore jobs to countries where labour costs are lower, unionized workers have been forced to make more concessions. For example, at Bosch in France, union bosses opposed management's plan to lengthen the workweek. But fearful workers overruled the union bosses, voting instead for the longer workweek.[58] As the power of unions declines a bit, the trend has been to demand compensation in other ways—through benefits or through greater participation in company decision making. Various approaches to participation will be discussed later.

COLLECTIVE BARGAINING IN OTHER COUNTRIES

We saw in Chapter 14 how the collective bargaining process is typically carried out in companies operating in Canada. When we look at other countries, we find that the process can vary widely, especially with regard to the role of government. Collective bargaining can take place at the firm, local, or national levels. In Australia and New Zealand for most of the twentieth century, labour courts had the authority to impose wages and other employment conditions on a broad range of firms (many of which were not even privy to the suits brought before the courts). In the United Kingdom and France, the government intervenes in all aspects of collective bargaining. Government involvement is only natural where parts of industry are nationalized. In developing countries, the governments commonly have representatives present during bargaining sessions to ensure that unions with relatively uneducated leaders are not disadvantaged in bargaining with skilled management representatives. Still, in these countries, a union may do little more than attempt to increase wages and leave the rest of the employment contract unchanged. In more developed countries, goals related to other aspects of the employment relationship, such as workweek lengths, safety requirements, and grievance procedures, are more likely to be pursued.

INTERNATIONAL LABOUR ORGANIZATIONS

The most active of the international union organizations has been the International Trade Union Confederation (ITUC), which has its headquarters in Brussels. ITUC is a confederation of 311 national trade union centres representing 175 million trade union members in 155 countries and territories. ITUC's mission is to promote worker rights and interests through international cooperation between trade unions, campaigning, and advocacy with governments and global institutions. ITUC also cooperates with the European Trade Union Confederation (ETUC), the most prominent European trade worker federation. ETUC represents trade workers in 83 trade unions in 36 western, central, and eastern European countries.

Another active and influential organization is the International Labour Organization (ILO), a specialized agency of the United Nations created in 1919. ILO perhaps has had the greatest impact on the rights of workers throughout the world. It promotes the rights of workers to organize, the eradication of forced and child labour, and the elimination of discrimination. The organization has been effective because it involves nation-states as well as workers and their employers. In recent years, ILO has redefined its mission based on the "Decent Work Agenda." The Decent Work Agenda promotes the idea that there is an ethical dimension of work. This ethical dimension includes decent homes, food, education, the right to organize, and social programs to protect workers when they are elderly, disabled, or unemployed. Moreover, the agenda pertains to workers worldwide, including the self-employed—a situation common in agriculturally based, developing countries. Given the fact that half of the world's population lives on $2.50 a day or less, 168 million children around the world are forced to work, and only 20 percent of people globally are covered by any sort of social insurance programs, these are worthy goals. Some companies, however, oppose the decent pay initiative, believing it promotes unionization. An initiative of ILO is to support fairness

in economies that are globalizing. To some extent, the effort is working. For example, in 2007, the World Bank started including ILO's core labour standards requirement as part of its lending and procurement practices.[59]

LABOUR PARTICIPATION IN MANAGEMENT

In many European countries, provisions for employee representation are established by law. An employer may be legally required to provide for employee representation on safety and hygiene committees, worker councils, or even boards of directors. Although their responsibilities vary from country to country, worker councils basically provide a communication channel between employers and workers. The legal codes that set forth the functions of worker councils in France are very detailed. Councils are generally concerned with grievances, problems of individual employees, internal regulations, and matters affecting employee welfare.

A higher form of worker participation in management is found in Germany, where representation of labour on the board of directors of a company is required by law. This arrangement is known as **codetermination** and is often referred to by its German word, *Mitbestimmung*. Although sometimes puzzling to outsiders, the system is fairly simple. Company shareholders and employees are required to be represented in equal numbers on the supervisory boards of large corporations. Power is generally left with the shareholders, and shareholders are generally ensured the chairmanship. Other European countries and Japan either have or are considering minority board participation.[60]

Each of these differences makes managing human resources in an international context more challenging. But the crux of the issue in designing HR systems is not choosing one approach that will meet all the demands of international business. Instead, organizations facing global competition must balance multiple approaches and make their policies flexible enough to accommodate differences across national borders. Throughout this book, we have noted that different situations call for different approaches to managing people, and nowhere is this point more clearly evident than in international HRM.

Small Business Application

At first glance, one might question whether international HRM applies to small business. Certainly, from the standpoint of sending expatriates from a home country to a host country with expatriate allowances and incentives, such practices are unlikely to find their way into small companies. However, international work, is as likely to be embraced by small businesses as by large companies. In fact, recognizing that small business is by its nature more likely to be responsible for only portions of a supply chain, with other suppliers and partners involved, it may be that small companies are more likely to be involved in international business, which may involve dimensions of international work. Accordingly, small business owners must learn to support staff requirements in this international context.

Small businesses support international work requirements through visa compliance, supplier relations, partnership, global delivery, and tariffs and exchange rates. Let us exemplify this through the review of a sporting goods distributor and manufacturer. This company has 30 employees responsible for the distribution of goods across Canada. The products they distribute are manufactured in China and in Europe. As such, on occasion, some staff need to travel to China or Europe and require visitor or work visas depending on the nature of their visit. Employees in this business regularly work with international suppliers. The company also partners with Chinese manufacturers to produce goods abroad for sale in Canada. This company has some clients whose orders are so large that an entire order is manufactured, packaged, and shipped directly from offshore to the customer, without ever being received in the home country. Finally, with this much international trade, the impact of tariffs, shipping costs, and exchange rates can make the difference between profit and loss.

So how does this company address international HRM? Each employee who is involved in the international supply chain must learn to work with the complexities of international business. This includes business travel into regions with different language, culture, and legal systems, requiring preparation and training to deal with these complexities. This also includes working within a framework of global delivery and the confines of time zone differences that, on occasion, require participating in evening conference calls to accommodate business hours in China. International HRM also involves managing the volatile fluctuations of currency exchange in the timing of ordering, pricing, and paying for goods, as well as adapting business practices to accommodate different business styles in different countries. These adaptations create challenges for employees. However, once employees learn to be interested in and sensitive to the legal, cultural, and language differences in working across geographic boundaries, they quickly appreciate that the world is very small, with people being able to seamlessly collaborate with people around the globe. In this company, the international nature of the business makes the company an interesting place for employees.

Summary

OUTCOME 1 Analyzing the political, economic, sociocultural, and technological factors affecting your company can help (1) spot business or personnel opportunities, (2) understand trends in the business environment, (3) avoid inappropriate HR practices, and (4) break free of old habits.

OUTCOME 2 There are four basic ways to organize for global competition: (1) the international corporation is essentially a domestic firm that has leveraged its existing capabilities to penetrate overseas markets; (2) the MDC has fully autonomous units operating in multiple countries in order to address local issues; (3) the global corporation has a worldview but controls all international operations from its home office; and (4) the transnational corporation uses a network structure to balance global and local concerns.

OUTCOME 3 International HRM consists of managing three different types of employees—home-country nationals (expatriates), host-country nationals, and third-country nationals. Managing each set of employees requires different approaches to recruitment, selection, training, and compensation.

OUTCOME 4 In many European countries—Germany, for one—employee representation is established by law. Organizations typically negotiate the agreement with the union at a national level, frequently with government intervention. In other countries, union activity is prohibited or limited to only large companies. European unions have much more political power than many other unions around the world, although their power has declined somewhat due to globalization forces. ICFTU, ETUC, and ILO are among the major worldwide organizations endeavouring to improve the conditions of workers.

Key Terms

augmented skills, 531
balance sheet approach, 543
codetermination, 550
core skills, 531
cultural environment, 531
culture shock, 538
expatriates (home-country nationals), 524
failure rate, 533

global compensation system, 542
global corporation, 523
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international corporation, 522

localization, 544
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repatriation, 538
split pay, 543
third-country nationals, 524
transnational corporation, 523
transnational teams, 528
work permit (visa), 527

Discussion Questions

1. In recent years, we have observed an increase in foreign production throughout the world. What PEST factors would you consider to be most relevant to H&M's HR managers when trying to figure out if they should open up a plant in Vietnam to make clothes?
2. What major HR issues must be addressed as an organization moves from an international form to a multidomestic, global, and transnational form?
3. Starbucks is opening new stores abroad every day, it seems. If you were in charge, would you use expatriate managers or host-country nationals to staff the new facilities? Explain your thinking.
4. This chapter places considerable emphasis on the role spouses play in terms of the success of an overseas manager. What other steps should companies take to increase the likelihood of a successful experience for all parties involved?
5. Talk with a foreign student on your campus; ask about his or her experience with culture shock on first arriving in Canada. What did you learn from your discussion? If the cost of living is lower in a foreign country than in Canada, should expatriates be paid less than they would be at home? Explain your position. Who should ultimately decide whether an employee should be localized or not? If grooming a talented individual for a leadership role is an important outcome of a foreign assignment, how can this be worked into a performance appraisal system? How would a manager assess leadership accomplishments?
6. What are the major differences between labour–management relations in Europe and those in Canada?
7. Do you believe that codetermination will ever become popular in Canada? Explain your position.

HRM Experience

A Canadian (Expatriate) in Paris

There is often a great deal of work involved in setting up expatriate assignments. The administrative requirements can be far ranging and extend beyond the employee to also include family issues. Suppose you were faced with the following scenario. What would be the most pressing considerations that you would need to address?

The Scenario

You are the head of HR for Sarip International, a consulting firm specializing in hotel and restaurant management. Your firm is opening an office in Paris, France, and Jim Verioti, director of sales and marketing, has been asked to assume responsibilities for the expansion. Jim understands that the expatriate assignment will last two to three years, and although he has travelled to Europe for work on several occasions, this is his first long-term assignment overseas. He has a lot of questions about what he can expect and some personal constraints.

Jim and his wife Betty have just moved into their new home (their mortgage is around $2,750 per month). In addition, Betty is an elementary school teacher and doesn't really know how the move will affect her job security. Their three children, Veronica (14), Reggie (12), and Archie (10), are of an age at which school considerations are very important. A friend told them about the American School of Paris, and this is a consideration. None of the Veriotis speak French.

Assignment

Working in teams of four to six individuals, put together the package that would allow Jim to move his family to Paris while still maintaining his present lifestyle (his current annual salary is $160,000 plus incentives). Address at least the following issues:

1. visas and permits
2. relocation allowance and housing
3. language and culture training
4. spousal employment concerns
5. health/medical/insurance issues
6. compensation and incentives
7. education for the children

(*Continued*)

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Case Study 1

CULTURAL CONUNDRUM

Anna has enjoyed great success in the Toronto office of a global company. When she was offered an assignment in Tokyo, she approached the job with the full confidence of her employer that she could oversee the reorganization of the subsidiary. By asking her extensive network of colleagues about Japan, she learned a few tips. For example, she learned that when a Japanese businessman hands you his business card, it is proper to read the card before taking it and to never throw it on the desk. Even with tips like these, however, Anna's assignment was heading toward failure.

After six months, she was very discouraged, and when she returned home for the holidays, she reported the following problems:

- Although everyone spoke English, there were communication problems.
- Everything took too long to complete, with deadlines missed and employees not following schedules.
- Although she asked her employees for feedback and information and received promises that these would be forthcoming, no data arrived.

The company's response was to give her cross-cultural training, in which Anna learned the following:

- In Japanese culture, group identity supersedes individual identity. Loyalty is to the group, and criticisms of performance are taboo. Group meetings are the norm, and one-on-one meetings designed to facilitate feedback make employees very uncomfortable.

- Japanese culture is based on hierarchy and is organized to recognize the power differentials between superiors and subordinates. Japanese workers do not expect to have input into decisions; their only expectation is to be told what to do. If forced to participate in decision making, the typical Japanese worker will avoid uncertainty by accumulating every possible item of information to support the decision.
- Japan is a masculine society, and women are employed in low-status positions. Anna's credibility as a decision maker would be questioned, and male employees would be uncomfortable working for her.

The communication problems only compounded the difficulty of the situation. Yes, the employees spoke English. But there were cultural differences. To a direct request to meet a deadline that they perceived as impossible, employees would save face (for themselves and the person making the request) by saying that they would do their best. Saying no is not part of Japanese culture.

Anna made the mistake of transferring her management style, which was successful in Toronto, to Tokyo without understanding the cultural differences.

Questions

1. Exactly what preparation should Anna's company have given her before she started her assignment?
2. In general, what should a candidate for an international assignment do to prepare for a job, in the absence of company orientation and training?

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3. Many believe that women on international assignments prove to be very effective because they are both task oriented (a North American cultural imperative) and relationship oriented (an important attribute in Asian and other cultures). Why did these two sets of skills not help Anna?

Case Study 2

RECRUITING AND RETAINING INTERNATIONAL EMPLOYEES

Cambior, based in Longueil, Quebec, was one of Canada's largest gold producers, employing 2,700 people at mines in Québec, Peru, French Guyana, and Surinam. Of these, over 1,000 were based outside Canada. Their HR policies for managing these international employees are described below.

Staffing

Cambior has had no problems recruiting employees for its operations. The company finds that candidates who are attracted to international assignments tend to apply to organizations where these assignments are possible.

Cambior used three types of postings to staff its mines:

1. Short-term assignments were used for special projects and during construction of the mine.
2. Home-based assignments where employees would spend periods of time at the mine and then return home for rest and recuperation. The longest period that an employee was on-site is 30 days, followed by 26 days of recuperation.
3. Long-term assignments, usually for executives, who moved with their families close to the mine. The biggest problems with these assignments was the education of the children and the careers of working spouses.

Compensation

Cambior used a tax equalization policy that guaranteed that an employee on assignment would be no better or worse off as a result of taxes. If the taxes were higher in the host country, then the company absorbed the costs of these extra payments. If they were lower, the excess reverted to the company. Employees were also given hardship allowances. Cambior established an employee leasing company that hired the employees for these international secondments, which allowed the employee to retain home-based benefits such as pension plans and employment insurance.

Health and Safety

Cambior found that safety standards were consistent across their international operations, but health issues were more complex. For example, employees needed to be educated about malaria, and special provisions were made for other diseases not normally found in Canada. Employees had to feel assured that if there was a serious health issue, they would receive rapid medical treatment. Each site had a complete medical facility. Medical evacuations were done when the condition was life threatening.

Violence is an issue in developing countries. Special sessions on topics such as kidnap training and emergency evacuation were provided.

Questions

1. Describe the advantages and limitations of Cambior's staffing policies. How would you compare these to the advantages and limitations of employing host-country nationals?
2. What kinds of hardships would Cambior employees face? What would be appropriate compensation for these conditions?
3. What benefits required by law in Canada would be unlikely to be provided in developing countries?

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Glossary

9-box grid
A comparative diagram that includes appraisal and assessment data to allow managers to easily see an employee's actual and potential performance (page 167)

360-degree evaluation
A performance evaluation done by different people who interact with the employee, generally on forms compiled into a single profile for use in the evaluation meeting conducted by the employee's manager (page 294)

A

alternative dispute resolution (ADR)
A term applied to different types of employee complaint or dispute resolution procedures (page 473)

applicant tracking system (ATS)
A software application recruiters use to post job openings, screen résumés, contact potential candidates for interviews via email, and track the time and costs related to hiring people (page 180)

apprenticeship training
A system of training in which a worker entering the skilled trades is given thorough instruction and experience, both on and off the job, in the practical and theoretical aspects of the work (page 259)

arbitration award
Final and binding award issued by an arbitrator in a labour–management dispute (page 508)

assessment centre test
A process by which individuals are evaluated as they participate in a series of situations that resemble what they might need to handle the job (page 227)

attrition
A natural departure of employees from organizations through quits, retirements, and deaths (page 71)

augmented skills
Skills helpful in facilitating the efforts of expatriate managers (page 531)

authorization card
A statement signed by an employee authorizing a union to act as his or her representative for the purposes of collective bargaining (page 489)

B

balanced scorecard (BSC)
A measurement framework that helps managers translate strategic goals into operational objectives (page 73)

balance sheet approach
A compensation system designed to match the purchasing power in a person's home country (page 551)

bargaining power
The power of labour and management to achieve their goals through economic, social, or political influence (page 502)

bargaining unit
Group of two or more employees who share common employment interests and conditions and may reasonably be grouped together for purposes of collective bargaining (page 492)

bargaining zone
Area within which the union and the employer are willing to concede when bargaining (page 500)

behavioural description interview (BDI)
An interview in which an applicant is asked questions about what he or she did in a given situation (page 217)

behaviourally anchored rating scale (BARS)
A behavioural approach to performance rating that consists of a series of vertical scales, one for each important dimension of job performance (page 304)

behaviour modelling
An approach that demonstrates desired behaviour and gives trainees the chance to practise and role-play those behaviours and receive feedback (page 263)

behaviour modification
A technique that operates on the principle that behaviour that is rewarded, or positively reinforced, will be exhibited more frequently in the future, whereas behaviour that is penalized or unrewarded will decrease in frequency (page 256)

behaviour observation scale (BOS)
A behavioural approach to performance rating that measures the frequency of observed behaviour (page 304)

benchmarking
The process of measuring one's own services and practice against the recognized leaders in order to identify areas for improvement (pages 72, 269, and 271)

blended learning
The use of multiple training methods to achieve optimal learning on the part of trainees (page 265)

bona fide occupational qualification (BFOQ)
A justifiable reason for discrimination based on business reasons of safety or effectiveness (page 95)

bonus
An incentive payment that is supplemental to the base wage (page 361)

branding
A company's efforts to help existing and prospective workers understand why it is a desirable place to work (page 166)

broadbanding
Collapses many traditional salary grades into a few wide salary bands (page 343)

burnout
The most severe stage of distress, manifesting itself in depression, frustration, and loss of productivity (page 442)

business agent
Normally a paid labour official responsible for negotiating and administering the collective agreement and working to resolve union members' problems (page 496)

C

calibration
A process whereby managers meet to discuss the performance of individual employees to ensure that their employee evaluations are in line with one another (page 290)

career counselling
The process of discussing with employees their current job activities and performance, personal and career interests and goals, personal skills, and suitable career development objectives (page 189)

career networking
The process of establishing mutually beneficial relationships with other businesspeople, including potential clients and customers (page 193)

career paths
Lines of advancement in an occupational field within an organization (page 184)

career plateau
A situation in which, for either organizational or personal reasons,

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the probability of moving up the career ladder is low (page 188)

change management
Change management is a systematic way of bringing about and managing both organizational changes and changes on the individual level (page 5)

chief ethics officer
A high-ranking manager directly responsible for fostering the ethical climate within the firm (page 275)

chief learning officer
A high-ranking manager directly responsible for fostering employee learning and development within the firm (page 248)

codetermination
Representation of labour on the board of directors of a company (page 551)

collaborative software
Software that allows workers to interface and share information with one another electronically (page 10)

collective agreement
An employment contract between an employer and a union that sets out the terms of employment of a group of the employer's employees represented by the union (page 455)

collective bargaining process
Process of negotiating a collective agreement, including the use of economic pressures by both parties (page 498)

combined salary and commission plan
A compensation plan that includes a straight salary and a commission (page 366)

common law of employment
The body of case law in which courts interpret employment contracts and the legal principles taken from those cases that guide the interpretation of employment contracts (page 453)

compensatory model
A selection decision model in which a high score in one area can make up for a low score in another area (page 235)

competency assessment
Analysis of the sets of skills and knowledge needed for decision-oriented and knowledge-intensive jobs (page 251)

competency-based pay
Pay based on an employee's skill level, variety of skills possessed, or increased job knowledge (page 344)

compulsory binding arbitration
Binding method of resolving collective bargaining deadlocks by a neutral third party (page 497)

computer-administered (automated) interview
Interview in which the questions are administered to applicants via computers. The interview can be conducted at a firm's facilities, using kiosks, online, or via phone (page 220)

concentration
Term applied to designated groups whose numbers in a particular occupation or level are high relative to their numbers in the labour market (page 107)

concurrent validity
The extent to which test scores (or other predictor information) match criterion obtained at about the same time from current employees (page 232)

constructive dismissal
When an employer commits a fundamental breach of the contract, such as by unilaterally changing a key term of the contract, the employee can treat the breach as a termination (page 455)

construct validity
The extent to which a selection tool measures a theoretical construct or trait (page 232)

consumer price index (CPI)
A measure of the average change in prices over time in a fixed "market basket" of goods and services (page 335)

content validity
The extent to which a selection instrument, such as a test, adequately samples the knowledge and skills needed to perform a particular job (page 232)

contrast error
A performance rating error in which an employee's evaluation is biased either upward or downward because of comparison with another employee just previously evaluated (page 299)

contributory plan
A pension plan in which contributions are made jointly by employees and employers (page 402)

cooperative training
A training program that combines practical on-the-job experience with formal educational classes (page 260)

core capabilities
Integrated knowledge sets within an organization that distinguish it from its competitors and deliver value to customers (page 50)

core skills
Skills considered critical to an employee's success abroad (page 531)

core values
The strong and enduring beliefs and principles that the company uses as a foundation for its decisions (page 43)

corporate social responsibility
The responsibility of the firm to act in the best interests of the people and communities affected by its activities (page 9)

craft unions
Unions that represent skilled craft workers (page 494)

criterion-related validity
The extent to which a selection tool predicts, or significantly correlates with, important elements of work behaviour (page 232)

critical incident
An unusual event that denotes superior or inferior employee performance in some part of the job (page 304)

critical incident method
A job analysis method by which important job tasks are identified for job success (page 135)

cross-training
The process of training employees to do multiple jobs within an organization (page 274)

cross-validation
Verifying the results obtained from a validation study by administering a test or test battery to a different sample (drawn from the same population) (page 232)

cultural audits
Audits of the culture and quality of work life in an organization (page 54)

cultural environment
The communications, religion, values and ideologies, education, and social structure of a country (page 531)

culture shock
Perpetual stress experienced by people who settle overseas (page 538)

cumulative trauma disorders
Injuries of the muscles, nerves, tendons, ligaments, joints, and spinal discs caused by repeated stresses and strains (page 435)

customer evaluation
A performance evaluation that includes evaluation from both a firm's external and internal customers (page 294)

D

defined-benefit plan
A pension plan in which the amount an employee is to receive on retirement is specifically set forth (page 402)

defined-contribution plan
A pension plan that establishes the basis on which an employer will contribute to the pension fund (page 402)

depression
Negative emotional state marked by feelings of low spirits, gloominess, sadness, and loss of pleasure in ordinary activities (page 439)

designated groups
Women, members of visible minorities, Aboriginal people, and persons with disabilities who have been disadvantaged in employment (page 89)

differential piece rate
A compensation rate under which employees whose production exceeds the standard amount of output receive a higher rate for all of their work than the rate paid to those who do not exceed the standard amount (page 360)

distress
Harmful stress characterized by a loss of feelings of security and adequacy (page 441)

diversity management
The optimization of an organization's multicultural workforce to reach business objectives (page 113)

downsizing
Planned elimination of jobs (page 5)

E

e-learning
Learning that takes place via electronic media (page 262)

eldercare
Care provided to an elderly relative by an employee who remains actively at work (page 407)

emergency action plan
A plan an organization develops that contains step-by-step procedures for dealing with various emergency situations (page 432)

employee assistance programs (EAPs)
Services provided by employers to help workers cope with a wide variety of problems that interfere with the way they perform their jobs (page 406)

employee associations
Labour organizations that represent various groups of professional and white-collar employees in labour–management relations (page 494)

employee empowerment
Granting employees power to initiate change, thereby encouraging them to take charge of what they do (page 143)

employee involvement groups (EIGs)
Groups of employees who meet to resolve problems or offer suggestions for organizational improvement (page 146)

employee leasing
The process of dismissing employees who are then hired by a leasing company

(which handles all HR-related activities) and contracting with that company to lease back the employees (pages 18 and 177)

employee profiles
Profiles of workers developed by studying an organization's top performers to recruit similar types of people (page 163)

employee stock ownership plans (ESOPs)
Stock plans in which an organization contributes shares of its stock to an established trust for the purpose of stock purchases by employees (page 375)

employee teams
An employee contributions technique whereby work functions are structured for groups rather than for individuals and team members are given discretion in matters traditionally considered management prerogatives, such as process improvements, product or service development, and individual work assignments (page 148)

employment equity
The employment of individuals in a fair and nonbiased manner (page 88)

entrepreneur
Someone who starts, organizes, manages, and assumes responsibility for a business or other enterprise (page 205)

environmental scanning
Systematic monitoring of the major external forces influencing the organization (page 44)

ergonomics
An interdisciplinary approach to designing equipment and systems that can be easily and efficiently used by human beings (page 145)

error of central tendency
A performance rating error in which all employees are rated about average (page 298)

escalator clauses
Clauses in collective agreements that provide for quarterly cost-of-living adjustments in wages, basing the adjustments on changes in the consumer price index (page 335)

essay method
A trait approach to performance rating that requires the rater to compose a statement describing employee behaviour (page 304)

ethics
A set of standards of conduct and moral judgments that help determine right and wrong behaviour (page 476)

eustress
Positive stress that accompanies achievement and exhilaration (page 441)

expatriates (home-country nationals)
Employees from the home country who are on an international assignment (page 524)

experiential learning
The process of learning by "doing," reflecting on it, critically analyzing it, and applying it in new situations or settings (page 255)

F

failure rate
The percentage of expatriates who do not perform satisfactorily (page 533)

fast-track program
A program that encourages new managers with high potential to remain with an organization by enabling them to advance more rapidly than those with less potential (page 190)

final offer arbitration
Method of resolving collective bargaining deadlocks whereby the arbitrator has no power to compromise but must select one or another of the final offers submitted by the two parties (page 497)

flexible benefits plans (cafeteria plans)
Benefits plans that enable individual employees to choose the benefits that are best suited to their particular needs (page 388)

flextime
Flexible working hours that permit employees the option of choosing daily starting and quitting times provided that they work a set number of hours per day or week (page 152)

flow data
Data that provide a profile of the employment decisions affecting designated groups (page 106)

forced-choice method
A trait approach to performance rating that requires the rater to choose from statements designed to distinguish between successful and unsuccessful performance (page 303)

forced distribution
A performance ranking system whereby raters are required to place a certain percentage of employees into various performance categories (page 298)

functional job analysis (FJA)
A job analysis approach that utilizes an inventory of the various types of work activities that can constitute any job (page 137)

furloughing
A situation in which an organization asks or requires employees to take time off for either no pay or reduced pay (page 16)

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G

gainsharing plans
Programs under which both employees and the organization share financial gains according to a predetermined formula that reflects improved productivity and profitability (page 372)

global compensation system
A centralized pay system whereby host-country employees are offered a full range of training programs, benefits, and pay comparable to those of a firm's domestic employees but adjusted for local differences (page 542)

global corporation
A firm that has integrated worldwide operations through a centralized home office (page 523)

globalization
The trend to opening up foreign markets to international trade and investment (page 6)

global manager
A manager equipped to run an international business (page 530)

global sourcing
The business practice of searching for and utilizing goods sources from around the world (page 166)

graphic rating scale method
A trait approach to performance rating whereby each employee is rated according to a scale of characteristics (page 302)

grievance procedure
Formal procedure that provides for the union to represent members and nonmembers in processing a grievance (page 507)

guest workers
Foreign workers invited to perform needed labour (page 527)

H

Hay profile method
A job evaluation technique using three factors—knowledge, mental activity, and accountability—to evaluate executive and managerial positions (page 339)

hiring freeze
A practice whereby new workers are not hired as planned or workers who have left the organization are not replaced (page 71)

home-based pay
Pay based on an expatriate's home country's compensation practices (page 543)

host-based pay
Expatriate pay comparable to that earned by employees in a host country (page 544)

host country
A country in which an international corporation operates (page 519)

host-country nationals
Employees who are natives of the host country (page 524)

hourly work
Work paid on an hourly basis (page 330)

human capital
The knowledge, skills, and capabilities of individuals that have economic value to an organization (page 3)

human capital readiness
The process of evaluating the availability of critical talent in a company and comparing it to the firm's supply (page 63)

human resources information system (HRIS)
A computerized system that provides current and accurate data for purposes of control and decision making (page 12)

human resources management (HRM)
The process of managing human talent to achieve an organization's objectives (page 2)

human resources planning (HRP)
The process of anticipating and providing for the movement of people into, within, and out of an organization (page 40)

I

implied contract terms
Terms judges read into employment contracts when the written contract does not expressly deal with the matter (page 453)

industrial disease
A disease resulting from exposure to a substance relating to a particular process, trade, or occupation in industry (page 423)

industrial engineering
A field of study concerned with analyzing work methods and establishing time standards (page 144)

industrial unions
Unions that represent all workers—skilled, semiskilled, unskilled—employed along industry lines (page 494)

informational interview
An informal meeting with someone in an occupation that interests you (page 203)

instructional objectives
Desired outcomes of a training program (page 253)

interest arbitrator
Third-party neutral who resolves a labour dispute by issuing a final decision in the disagreement (page 505)

interest-based bargaining (IBB)
Problem-solving bargaining based on a win–win philosophy and the development of a positive long-term relationship (page 502)

internal labour market
Labour market in which workers are hired into entry-level jobs and higher levels are filled from within (page 166)

international corporation
A domestic firm that uses its existing capabilities to move into overseas markets (page 522)

J

job
A group of related activities and duties (page 128)

job analysis
The process of obtaining information about jobs by determining the duties, tasks, or activities of jobs (page 132)

job characteristics model
A job design theory that purports that three psychological states (experiencing meaningfulness of the work performed, responsibility for work outcomes, and knowledge of the results of the work performed) of a jobholder result in improved work performance, internal motivation, and lower absenteeism and turnover (page 143)

job classification system
A system of job evaluation in which jobs are classified and grouped according to a series of predetermined wage grades (page 336)

job crafting
A naturally occurring phenomenon whereby employees mould their tasks to fit their individual strengths, passions, and motives better (page 143)

job description
A statement of the tasks, duties, and responsibilities of a job to be performed (page 129)

job design
An outgrowth of job analysis that improves jobs through technological and human considerations to enhance organization efficiency and employee job satisfaction (page 141)

job enrichment
Enhancing a job by adding more meaningful tasks and duties to make the work more rewarding or satisfying (page 142)

job evaluation
A systematic process of determining the relative worth of jobs to establish which jobs should be paid more than others within an organization (page 336)

job family
A group of individual jobs with similar characteristics (page 128)

job progressions
The hierarchy of jobs a new employee might experience, ranging from a starting job to jobs that successively require more knowledge and/or skill (page 184)

job ranking system
The simplest and oldest system of job evaluation by which jobs are arrayed on the basis of their relative worth (page 336)

job shadowing
The process of observing an employee in his or her work environment to obtain a better understanding of what the employee does (page 204)

job sharing
The arrangement whereby two part-time employees perform a job that otherwise would be held by one full-time employee (page 152)

job specification
A statement of the needed knowledge, skills, and abilities of the person who is to perform the job (page 129)

just-in-time training
Training delivered to trainees when and where they need it to do their jobs, usually via computer or the Internet (page 262)

K

knowledge workers
Workers whose responsibilities extend beyond the physical execution of work to include planning, decision making, and problem solving (page 10)

L

labour arbitrator
A person assigned to interpret and decide disputes ("grievances") about the meaning, interpretation, and application of a collective agreement governing employees in a unionized workplace (page 455)

labour relations process
Logical sequence of four events: (1) workers desire collective representation; (2) the union begins its organizing campaign, which may lead to certification and recognition; (3) collective negotiations lead to a contract; and (4) the contract is administered (page 487)

learning management system (LMS)
Online system that provides a variety of assessment, communication, teaching, and learning opportunities (page 262)

leniency or strictness error
A performance rating error in which the appraiser tends to give employees either unusually high or unusually low ratings (page 298)

line managers
Non-HR managers who are responsible for overseeing the work of other employees (page 27)

localization
Adapting pay and other compensation benefits to match those of a particular country (page 544)

lump-sum merit program
Program under which employees receive a year-end merit payment, which is not added to their base pay (page 363)

M

management by objectives (MBO)
A philosophy of management that rates performance on the basis of employee achievement of goals set by mutual agreement of employee and manager (page 306)

management forecasts
The opinions (judgments) of supervisors, department managers, experts, or others knowledgeable about the organization's future employment needs (page 58)

management rights
Decisions regarding organizational operations over which management claims exclusive rights (page 494)

manager and/or supervisor review
A performance evaluation done by an employee's manager and often reviewed by a manager one level higher (page 292)

Markov analysis
A method for tracking the pattern of employee movements through various jobs (page 59)

mediation
The use of an impartial neutral to reach a compromise decision in employment disputes (page 475)

mediator
A third party in an employment dispute who meets with one party and then the other to suggest compromise solutions or to recommend concessions from each side that will lead to an agreement (page 476)

mentors
Individuals who coach, advise, and encourage individuals of lesser rank (page 190)

merit guidelines
Guidelines for awarding merit raises that are tied to performance objectives (page 363)

mission
The basic purpose of the organization as well as its scope of operations (page 42)

mixed-standard scale method
A trait approach to performance rating similar to other scale methods but based

on comparison with (better than, equal to, or worse than) a standard (page 303)

mobile recruiting
The process of recruiting candidates via their mobile devices (page 172)

multidomestic corporation (MDC)
A firm with independent business units operating in multiple countries (page 522)

multiple cutoff model
A selection-decision model that requires an applicant to achieve some minimum level of proficiency on all selection dimensions (page 235)

multiple hurdle model
A sequential strategy in which only the applicants with the highest scores at an initial test stage go on to subsequent stages (page 235)

N

nearshoring
The process of moving jobs closer to one's home country (page 17)

nepotism
A preference for hiring relatives of current employees (page 174)

non-contributory plan
A pension plan in which contributions are made solely by the employer (page 402)

nondirective interview
An interview in which the applicant is allowed the maximum amount of freedom in determining the course of the discussion, while the interviewer carefully refrains from influencing the applicant's remarks (page 216)

O

occupational illness
Any abnormal condition or disorder, other than one resulting from an occupational injury, caused by exposure to environmental factors associated with employment (page 418)

occupational injury
Any cut, fracture, sprain, or amputation resulting from a workplace accident or from an exposure involving an accident in the work environment (page 418)

offshoring
The business practice of sending jobs to other countries (page 16)

ombudsperson
A designated individual from whom employees may seek counsel for resolution of their complaints (page 475)

onboarding
The process of systematically socializing new employees to help them get "on board" with an organization (page 271)

on-the-job training (OJT)
A method by which employees are given hands-on experience with instructions from their supervisor or other trainer (page 258)

open-door policy
A policy of settling grievances that identifies various levels of management above the immediate supervisor for employee contact (page 474)

organizational capability
The capacity of the organization to act and change in pursuit of sustainable competitive advantage (page 74)

organization analysis
Examination of the environment, strategies, and resources of the organization to determine where training emphasis should be placed (page 250)

orientation
The formal process of familiarizing new employees with the organization, their jobs, and their work units (page 270)

outplacement services
Services provided by organizations to help terminated employees find a new job (page 187)

outsourcing
Contracting out work that was formerly done by employees (page 5)

P

panel interview
An interview in which a board of interviewers questions and observes a single candidate (page 218)

passive job seekers
People who are not looking for jobs but could be persuaded to take new ones given the right opportunity (page 172)

pay equity
Equal pay for work of equal value (page 346)

pay grades
Groups of jobs within a particular class that are paid the same rate (page 341)

peer evaluation
A performance evaluation done by one's fellow employees, generally on forms that are compiled into a single profile for use in the performance interview conducted by the employee's manager (page 293)

peer-review system
A system for reviewing employee complaints that utilizes a group composed of equal numbers of employee representatives and management appointees, which functions as a jury because its members weigh evidence, consider arguments, and, after deliberation, vote independently to render a final decision (page 474)

performance management
The process of creating a work environment in which people can perform to the best of their abilities (page 285)

performance review
A process in which a manager evaluates an employee's performance relative to the requirements of his or her job and uses the information to show the person where and how improvements can be made (page 285)

perquisites
Special nonmonetary benefits given to executives; often referred to as perks (page 369)

person analysis
Determination of the specific individuals who need training (page 251)

piecework
Work paid according to the number of units produced (page 330)

point system
A quantitative job evaluation procedure that determines the relative value of a job by the total points assigned to it (page 337)

position
The different duties and responsibilities performed by only one employee (page 128)

position analysis questionnaire (PAQ)
A questionnaire covering 194 different tasks that, by means of a five-point scale, seeks to determine the degree to which different tasks are involved in performing a particular job (page 135)

positive, or nonpunitive, discipline
A system of discipline that focuses on early correction of employee misconduct, with the employee taking total responsibility for correcting the problem (page 472)

predictive validity
The extent to which applicants' test scores match criterion data obtained from those applicants/employees after they have been on the job for an indefinite period (page 232)

preemployment test
An objective and standardized measure of a sample of behaviour that is used to gauge a person's knowledge, skills, abilities, and other characteristics (KSAOs) relative to other individuals (page 225)

proactive change
Change initiated to take advantage of targeted opportunities (page 6)

profit sharing
Any procedure by which an employer pays, or makes available to all regular employees, in addition to base pay, special current or deferred sums based on the profits of the enterprise (page 374)

progressive discipline
Application of corrective measures by increasing degrees (page 471)

promotion
A change of assignment to a job at a higher level in the organization (page 186)

Q

quality of fill
A metric designed to assess how well new hires are performing on the job (page 59)

R

reactive changes
Changes that occur after external forces have already affected performance (page 6)

realistic job preview (RJP)
Informing applicants about all aspects of the job, including both its desirable and undesirable facets (page 178)

real wages
Wage increases larger than rises in the consumer price index; that is, the real earning power of wages (page 335)

reasonable accommodation
Attempt by employers to adjust the working conditions or schedules of employees with disabilities or religious preferences (page 109)

recruiting process outsourcing (RPO)
The practice of outsourcing an organization's recruiting function to an outside firm (page 164)

red circle rates
Payment rates above the maximum of the pay range (page 343)

reengineering
The fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, service, and speed (page 5)

reliability
The degree to which interviews, tests, and other selection procedures yield comparable data over time (page 211)

relocation services
Services provided to an employee who is transferred to a new location, which might include help in moving, selling a home, orienting to a new culture, and/or learning a new language (page 187)

repatriation
The process of employee transition home from an international assignment (page 538)

replacement charts
Listings of current jobholders and people who are potential replacements if an opening occurs (page 60)

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rerecruiting
The process of keeping track of and maintaining relationships with former employees to see if they would be willing to return to the firm (page 174)

reverse mentoring
A program whereby younger employees are called on to mentor older employees and executives about social media trends, new technology, and marketplace trends (page 191)

rights arbitration
Arbitration over interpretation of the meaning of contract terms or employee work grievances (page 507)

S

sabbatical
An extended period of time in which an employee leaves an organization to pursue other activities and later returns to his or her job (page 188)

salary plus bonus plan
A compensation plan that pays a salary plus a bonus achieved by reaching targeted sales goals (page 366)

selection
The process of choosing individuals who have relevant qualifications to fill existing or projected job openings (page 209)

selection ratio
The number of applicants compared to the number of people to be hired (page 236)

self-evaluation
A performance evaluation done by the employee being evaluated, generally on an evaluation form completed by the employee prior to the performance interview (page 292)

sequential interview
A format in which a candidate is interviewed by multiple people, one right after another (page 218)

severance pay
A lump-sum payment given to terminated employees by an employer at the time of an employer-initiated termination (pages 71 and 401)

sexual harassment
Unwelcome advances, requests for sexual favours, and other verbal or physical conduct of a sexual nature in the working environment (page 111)

silver handshake
An early retirement incentive in the form of increased pension benefits for several years or a cash bonus (page 401)

similar-to-me error
A performance rating error in which an appraiser inflates the evaluation of an employee because of a mutual personal connection (page 299)

situational interview
An interview in which an applicant is given a hypothetical incident and asked how he or she would respond to it (page 217)

Six Sigma
A set of principles and practices whose core ideas include understanding customer needs, doing things right the first time, and striving for continuous improvement (page 5)

skill inventories
Files of personnel education, experience, interests, and skills that allow managers to quickly match job openings with employee backgrounds (page 60)

SMART goals
Goals that are specific, measurable, achievable, realistic, and time-based (page 288)

split pay
A system whereby expatriates are given a portion of their pay in the local currency to cover their day-to-day expenses and a portion of their pay in their home currency to safeguard their earnings from changes in inflation or foreign exchange rates (page 543)

spot bonus
An unplanned bonus given for employee effort unrelated to an established performance measure (page 362)

spot rewards
Programs that award employees on the spot when they do something particularly well during training or on the job (page 257)

staffing tables
Graphic representations of all organizational jobs, along with the numbers of employees currently occupying those jobs and future (monthly or yearly) employment requirements (page 59)

stakeholders
Key people and groups that have an interest in a firm's activities and that can either affect them or be affected by them (page 48)

standard hour plan
An incentive plan that sets rates based on the completion of a job in a predetermined standard time (page 361)

statutory rights
Legal entitlements that derive from government legislation (page 458)

step-review system
A system for reviewing employee complaints and disputes by successively higher levels of management (page 474)

stock data
Data showing the status of designated groups in occupational categories and compensation levels (page 105)

straight commission plan
A compensation plan based on a percentage of sales (page 366)

straight piecework
An incentive plan under which employees receive a certain rate for each unit produced (page 360)

straight salary plan
A compensation plan that permits salespeople to be paid for performing various duties that are not reflected immediately in their sales volume (page 365)

strategic human resources management (SHRM)
The pattern of human resources deployments and activities that enable an organization to achieve its strategic goals (page 40)

strategic planning
Procedures for making decisions about the organization's long-term goals and strategies (page 40)

strategic vision
A statement about where the company is going and what it can become in the future; clarifies the long-term direction of the company and its strategic intent (page 42)

stress
Any adjustive demand caused by physical, mental, or emotional factors that require coping behaviour (page 441)

structured interview
An interview in which a set of standardized questions with an established set of answers is used (page 216)

subordinate evaluation
A performance evaluation of a superior by an employee, which is more appropriate for developmental than for administrative purposes (page 293)

succession planning
The process of identifying, developing, and tracking key individuals for executive positions (page 60)

summary dismissal
When a nonunion employer terminates an employee without notice because the employee has committed a serious breach of the contract (page 457)

sustainability
Doing business in a way that does as little harm to the environment and depletes as few natural resources as possible (page 9)

SWOT analysis
A comparison of strengths, weaknesses, opportunities, and threats for strategy formulation purposes (page 65)

systemic discrimination
The exclusion of members of certain groups through the application of

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employment policies or practices based on criteria that are not job related (page 108)

T

task analysis
The process of determining what the content of a training program should be on the basis of a study of the tasks and duties involved in the job (page 250)

task inventory analysis
An organization-specific list of tasks and their descriptions used as a basis to identify components of jobs (page 137)

team evaluation
A performance evaluation, based on total quality management concepts, that recognizes team accomplishment rather than individual performance (page 293)

team incentive plan
A compensation plan in which all team members receive an incentive bonus payment when production or service standards are met or exceeded (page 372)

telecommuting
Use of personal computers, networks, and other communications technology to do work in the home that is traditionally done in the workplace (page 153)

temporal (recency) error
A performance rating error in which the evaluation is based largely on the employee's most recent behaviour rather than on behaviour throughout the evaluation period (page 298)

termination
Practice initiated by an employer to separate an employee from the organization permanently (page 71)

third-country nationals
Employees who are natives of a country other than the home country or the host country (page 524)

time-to-fill metric
The number of days from when a job opening is approved to the date the candidate is selected (page 179)

transfer
Placement of an individual in another job for which the duties, responsibilities, status, and remuneration are approximately equal to those of the previous job (page 186)

transfer of training
Effective application of principles learned to what is required on the job (page 267)

transnational corporation
A firm that attempts to balance local responsiveness and global scale via a network of specialized operating units (page 523)

transnational teams
Teams composed of members of multiple nationalities working on projects that span multiple countries (page 528)

trend analysis
A quantitative approach to forecasting labour demand based on an organizational index such as sales (page 57)

U

underutilization
Term applied to designated groups that are not utilized or represented in the employer's workforce proportional to their numbers in the labour market (page 107)

unfair labour practices (ULPs)
Specific employer and union illegal practices that deny employees their rights and benefits under federal and provincial labour law (page 492)

union shop
Provision of the collective agreement that requires employees to join the union as a condition of their employment (page 487)

union (shop) steward
Employee who as a nonpaid union official represents the interests of members in their relations with management (page 496)

V

validity
The degree to which a test or selection procedure measures a person's attributes (page 211)

value creation
What the firm adds to a product or service by virtue of making it; the amount of benefits provided by the product or service once the costs of making it are subtracted (page 50)

values-based hiring
The process of outlining the behaviours that exemplify a firm's corporate culture and then hiring people who are a fit for them (page 56)

variable pay
Tying pay to some measure of individual, group, or organizational performance (page 357)

vesting
A guarantee of accrued benefits to participants at retirement age, regardless of their employment status at the time (page 403)

video interviews
Interviews conducted via videoconferencing or over the Web (page 220)

video résumés
Short video clips that highlight applicants' qualifications beyond what they can communicate on their résumé (page 213)

virtual team
A team with widely dispersed members linked together through computer and telecommunications technology (page 150)

W

wage and salary survey
A survey of the wages paid to employees of other employers in the surveying organization's relevant labour market (page 339)

wage curve
A curve in a scattergram representing the relationship between the relative worth of jobs and wage rates (page 341)

wage-rate compression
Compression of differentials between job classes, particularly the differential between hourly workers and their managers (page 347)

workers' compensation insurance
Insurance provided to workers to defray the loss of income and cost of treatment resulting from work-related injuries or illness (page 397)

workforce (HR) analytics
The process of gathering and analyzing data to improve a firm's human resources management (page 12)

work permit (visa)
A government document granting a foreign individual the right to seek employment (page 527)

work valuation
A job evaluation system that seeks to measure a job's worth through its value to the organization (page 339)

wrongful dismissal
A lawsuit filed in a court by an employee alleging that he or she was dismissed without proper contractual or "reasonable" notice (page 457)

Y

yield ratio
The percentage of applicants from a recruitment source that make it to the next stage of the selection process (page 179)

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