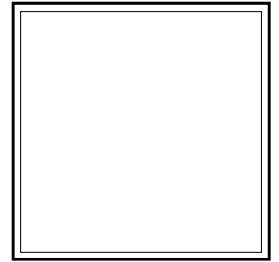# Fundamentals of Human Resources Management

Fourth Edition

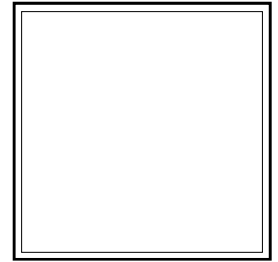DIANE ARTHUR

Fundamentals of Human Resources Management

Fourth Edition

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Fundamentals of Human Resources Management

Fourth Edition

Diane Arthur

American Management Association®

Contents

About This Course

As one course among many in the American Management Association's curriculum, *Fundamentals of Human Resources Management*, Fourth Edition, is designed to give managers the tools they need to understand and apply the critical components of the nine fundamental HR topics that are the cornerstone of any organization's human resources function: equal employment opportunity, the employment process, testing, compensation, performance management, benefits administration, employee relations, training and development, and human resources management systems. From its early days as the "personnel" department, the human resources function has grown into an influential, collaborative member of the core management team. By providing practical, hands-on information and real-world scenarios addressing typical everyday issues that drive HR practitioners, this course gives managers the skills they need to maximize the role of HR in their organizations. It also provides a timely context for demonstrating how the HR function can be a significant contributor to any organization in meeting many of today's workplace challenges.

Diane Arthur is the president of Arthur Associates Management Consultants, Ltd., a human resources development firm based in Northport, New York. She has more than 25 years of experience as a consultant, course developer, and workshop leader, covering all facets of HR, including legal issues, the employment process, testing, compensation, performance management, benefits administration, employee relations, training and development, and HRMS.

　　She has written many books for AMACOM, including *The Employee Recruitment and Retention Handbook*, three editions of *Recruiting, Interviewing, Selecting & Orienting New Employees*, *The Complete Human Resources Writing Guide*, two editions of *Managing Human Resources in Small and Mid-Sized Companies*, and *Workplace Testing: An Employer's Guide to Policies and Practices*. Her Self-Study writing credentials for the American Management Association include *Successful Interviewing: Techniques for Hiring, Coaching, and Performance*

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Management Meetings, and *Success Through Assertiveness.* In addition, Diane Arthur has written numerous HR articles for publications such as IBM's *Beyond Computing, Human Resource Executive, HR Reporter,* and *The Wall Street Journal.* She is listed in the 26th Edition of *Who's Who in the East* and appears on the American Management Association's Wall of Fame.
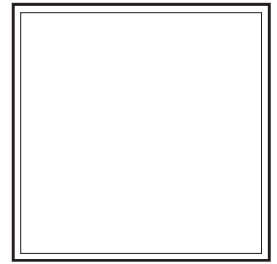
How to Take This Course

This course consists of text material for you to read and three types of activities (the pre- and post-test, in-text exercises, and end-of-chapter review questions) for you to complete. These activities are designed to reinforce the concepts introduced in the text portion of the course and to enable you to evaluate your progress.

PRE- AND POST-TESTS*

Both a pre-test and post-test are included in this course. Take the pre-test before you study any of the course material to determine your existing knowledge of the subject matter. Submit one of the scannable answer forms enclosed with this course for grading. On return of the graded pre-test, complete the course material. Take the post-test after you have completed all the course material. By comparing results of the pre-test and the post-test, you can measure how effective the course has been for you.

To have your pre-test and post-test graded, please mail your answer forms to:

> **Educational Services**
> **American Management Association**
> **P.O. Box 133**
> **Florida, NY 10921**

All tests are reviewed thoroughly by our instructors and will be returned to you promptly.

*If you are viewing the course digitally, the scannable forms enclosed in the hard copy of AMA Self-Study titles are not available digitally. If you would like to take the course for credit, you will need to either purchase a hard copy of the course from www.amaselfstudy.org or you can purchase an online version of the course from www.flexstudy.com.

THE TEXT

The most important component of this course is the text, where the concepts and methods are presented. Reading each chapter twice will increase the likelihood of your understanding the text fully.

We recommend that you work on this course in a systematic way. Reading the text and working through the exercises at a regular and steady pace will help ensure that you get the most out of this course and retain what you have learned.

In your first reading, concentrate on getting an overview of the chapter content. Read the learning objectives at the beginning of the chapter first. They will act as guidelines to the major topics of the chapter and identify the skills you should master as you study the text. As you read the chapter, pay attention to the headings and subheadings. Find the general theme of each section and see how that theme relates to others. Don't let yourself get bogged down with details during the first reading; simply concentrate on understanding and remembering the major themes.

In your second reading, look for the details that underlie the themes. Read the entire chapter carefully and methodically, underlining key points, working out the details of examples, and making marginal notes as you go. Complete the activities.

ACTIVITIES

Interspersed with the text of each chapter you will find a series of activities. These can take a variety of forms, including essays, short-answer quizzes, or charts and questionnaires. Completing the activities will enable you to try out new ideas, practice and improve new skills, and test your understanding of the course content.

THE REVIEW QUESTIONS

After reading a chapter and before going on to the next chapter, work through the Review Questions. Answering the questions and comparing your answers to those given will help you to grasp the major ideas of that chapter. If you perform these self-check exercises consistently, you will develop a framework in which to place material presented in later chapters.

GRADING POLICY

The American Management Association will continue to grade examinations and tests for one year after the course's out-of-print date.

If you have questions regarding the tests, the grading, or the course itself, call Educational Services at 1-800-225-3215 or send an e-mail to ed_svc@amanet.org.
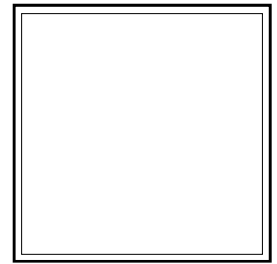
Pre-Test

Fundamentals of Human Resources
Fourth Edition

Course Code 95017

INSTRUCTIONS: *Record your answers on one of the scannable forms enclosed. Please follow the directions on the form <u>carefully</u>. Be sure to keep a copy of the completed answer form for your records. <u>No photocopies will be graded</u>. When completed, mail your answer form to:*

Educational Services
American Management Association
P.O. Box 359
Natick, MA 01760

1. Competency-based questions require specific examples concerning what the applicant has done in the past in relation to:
   (a) what he or she plans on doing in the future.
   (b) job-specific competencies.
   (c) his or her career goals.
   (d) organizational goals.

2. Mentoring can:
   (a) create hard feelings.
   (b) accelerate pay raises.
   (c) make retirees feel useful.
   (d) accelerate employee contributions to company productivity.

Do you have questions? Comments? Need clarification?
Call Educational Services at 1-800-225-3215
or e-mail at ed_svcs@amanet.org.

3. The validation method that pertains to selection procedures testing a sample of significant parts of a particular job is called:
   (a) content validity.
   (b) construct validity.
   (c) critical validity.
   (d) criterion-related validity.

4. The financial arrangements and administrative services offered by different carriers vary, so the first step in selecting an insurance carrier is to determine which factors are:
   (a) typically sought by work environments similar to yours.
   (b) important to your organization.
   (c) likely to cost the least amount of money.
   (d) least likely to result in insurance claims.

5. Human resources practitioners are taking a more strategic role in achieving an organization's missions and goals, including how to:
   (a) manage a multicultural workforce.
   (b) evaluate performance.
   (c) impact revenue growth and productivity.
   (d) determine executive salaries.

6. Generic job descriptions are written in broad, general terms and may be used for:
   (a) determining salary increases.
   (b) defining the duties and tasks of one particular position.
   (c) several similar positions in different departments of the same company.
   (d) conducting salary surveys.

7. The Equal Pay Act of 1963 requires equal pay for men and women performing:
   (a) equal work.
   (b) substantially equal work.
   (c) different work in a similar work environment.
   (d) equal work upon completing their probationary periods.

8. Like a policies and procedures manual, an employee handbook may be considered:
   (a) an employment contract.
   (b) a valuable source of information for new hires.
   (c) time-consuming to write, but worth the effort.
   (d) helpful during lawsuits.

9. The planning and preparation stage of a performance management review is an important responsibility of:
   (a) the employee.
   (b) the HR manager.
   (c) the employee and manager.
   (d) the manager.

10. In considering external HRMS development, a technical member of your team should evaluate available products to determine how likely it is that they will be able to:
    (a) meet your needs.
    (b) come in with a figure that fits in with your budget.
    (c) work with your existing system.
    (d) impress members of senior management.

11. A type of compensation program that clusters many different jobs and salary ranges into a few broad categories with no job titles is called:
    (a) skill-based.
    (b) broadbanding.
    (c) variable.
    (d) competency-based.

12. The best-known piece of civil rights legislation and the most widely used is the:
    (a) Civil Rights Act of 1991.
    (b) Civil Rights Act of 1866.
    (c) Occupational Safety and Health Act of 1970.
    (d) Civil Rights Act of 1964.

13. A pitfall that managers should avoid when conducting performance management meetings with employees is:
    (a) asking the employee about long-term goals.
    (b) talking about having the employee take on additional assignments consistent with his or her areas of interest.
    (c) providing excessively positive evaluations for fear of disagreement or argument over honest, albeit negative, appraisals.
    (d) discussing the purpose of the meeting.

14. The filing of a grievance is permitted:
    (a) for any condition of employment an employee believes to be in-equitable.
    (b) to review an employee's disciplinary problems.
    (c) to dispute terms and conditions of termination.
    (d) as a precursor to a lawsuit.

15. The first step in conducting an HRMS needs assessment is:
    (a) finding out how much money the organization is willing to spend.
    (b) identifying the current bank of services HR provides.
    (c) putting an IT person in charge.
    (d) putting an HR person in charge.

16. The process of interview preparation begins with:
    (a) asking the applicant to "tell me about yourself."
    (b) becoming familiar with the specifications of a job every time it becomes available.
    (c) being proactive.
    (d) asking that all your calls be held.

17. Today's ideal HR manager is someone with:
    (a) both HR and operational experience.
    (b) a master's degree.
    (c) a background in labor relations.
    (d) the ability to interact well with management and staff.

18. A procedure for guarding against lost productivity and continuity when a key member of management needs to be replaced is called:
    (a) career development.
    (b) training and development.
    (c) mentoring.
    (d) succession planning.

19. The key to whether personality should be a consideration when making a hiring decision is:
    (a) a matter of law.
    (b) how much public contact the person will have.
    (c) job relatedness.
    (d) a matter of personal choice.

20. The New EEOC Guidance on Discrimination in Employee Benefits:
    (a) provides better access to health insurance coverage for workers who change jobs or lose their jobs.
    (b) analyzes benefit discrimination claims under each of the laws enforced by the EEOC.
    (c) protects the rights of participants in employee benefits plans.
    (d) allows eligible employees to take up to 12 weeks of unpaid leave in any 12-month period for qualifying reasons.

21. There are two types of sexual harassment: quid pro quo and:
    (a) prima facie.
    (b) arbitrary.
    (c) comparable worth.
    (d) hostile environment.

22. The denial of equal employment opportunity through an established business practice, such as recruitment, is called:
    (a) systemic discrimination.
    (b) validation.
    (c) disparate treatment.
    (d) disparate effect.

23. The key component of a retention environment is:
    (a) motivation.
    (b) hiring the best workers.
    (c) giving frequent raises.
    (d) communication.

24. The nondirective approach to counseling:
    (a) allows managers to control the course of the conversation.
    (b) calls for HR to negotiate disputes between managers and employees.
    (c) encourages greater input by the employee.
    (d) calls for binding arbitration.

25. Employers typically use preemployment tests to accomplish two primary objectives: eliciting a candidate's undesirable traits and:
    (a) determining if they are likely to steal.
    (b) identifying characteristics that most closely match the qualities required in the available job.
    (c) ferreting out drug use.
    (d) identifying hidden skills and talents.

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The Human Resources Function: An Overview

focus
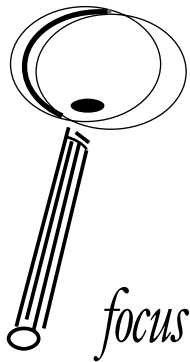
Learning Objectives

By the end of this chapter, you should be able to:

- Outline the history of personnel/human resources.
- Identify the qualities recommended for today's successful HR practitioner.
- Prepare to address various human resources challenges.
- Determine when to establish a human resources function.
- Differentiate between the HR function in small and mid-sized versus large organizations.
- Distinguish between the respective responsibilities of HR specialists and non-HR practitioners.

Several years ago, I was introduced to Jake, a financial executive with a major oil company. When he asked about my occupation, I provided my "short" response: "I'm a human resources practitioner."

"Forgive me," he stated, "but I really don't understand what human resources is all about."

I smiled and replied, "Don't worry; you're not alone."

Then he added, "No really, I'm interested. Obviously I know some of HR's areas of responsibility, but I don't understand the purpose of human resources management. Can you give me an abridged answer?"

I was somewhat taken aback. I was used to describing HR in terms of its many components, and could easily talk at length about hiring, employment-related legislation, testing, compensation, and performance management, but explaining HR's purpose in a sentence or two posed a challenge. I thought for

a moment and then asked Jake, "What does every organization need in order to function?"

Without pausing he replied, "A product or service, competent employees, and a viable market."

"Agreed," I responded. "Now let me ask you this: could a business prosper without any one of these ingredients?"

"I don't see how," he said. "All three components are dependent on one another and together create a formula for success or failure."

"And that's where HR enters the picture," I stated. "The primary purpose of human resources management is to strike a balance between meeting the needs of employees and what best serves the market-driven needs of an organization. When done right, the end result should be growth and prosperity for both the individual employees and the organization as a whole. Of course, there are other factors that influence an organization's success or failure, such as the economy. But, generally speaking, if a company's human resources are managed fairly, employees will help employers reach their goals."

Jake smiled and commented, "It seems to me, then, that every organization requires effective human resources management, regardless of the product or service, size, or corporate status."

"Correct," I replied. "Every organization *has* human resources, and, therefore, requires human resources management. The composition and staffing of an HR department, as well as its areas of responsibilities, will vary somewhat, but every business needs to have an HR function."

THE HISTORY OF PERSONNEL/HUMAN RESOURCES

It might surprise some readers to learn that the human resources function dates as far back as the mid-1920s. During that time, managers did their own hiring and firing, while selected office employees handled the few other necessary employee-related tasks. By the early 1930s, the duties and responsibilities of managers were expanding, leaving them little time to focus on the employment process, so most were only too glad to have others recruit, screen, and refer applicants for hire.

Soon, other unwanted tasks, such as record keeping and ensuring compliance with government regulations, were relegated to this new, yet unnamed group (in some places it was unofficially referred to as the central office). Gradually, the scope of responsibility expanded to encompass directing recreational and social programs, organizing athletic teams, and arranging company picnics and dinners.

The department, now called Personnel, lacked organizational authority or cohesion. It was staffed initially by former teachers, who anticipated earning more money, and former supervisors, all of whom had no authority to make decisions. Personnel became known as a refuge for burned-out executives from every field, including sales, production, and accounting. The function had limited influence and provided little direction. With many different

practitioners with various job titles and no formal training, management held the personnel function in low regard.

Gradually, however, the rise of big unions in the 1930s brought with it a high demand for more sophisticated labor relations. Of necessity, personnel staff members became specialists in negotiating collective-bargaining agreements and handling matters requiring arbitration.

World War II marked a turning point for the personnel function. Labor relations required increasing levels of expertise; psychological testing and training became important issues due to the shortage of skilled workers; compensation required monitoring as government wage and price controls were imposed; auditing of social legislation was needed; benefit plans increasingly became a subject of collective bargaining; and safety became a predominant need in plants. All of these tasks fell into the laps of the people in personnel. As a result, the department slowly began to gain credibility and personnel staff began to receive some respect from their peers in other departments.

The greatest period of growth for the personnel function occurred after World War II ended. Due to the rapid industrial development and burst of technology, the need for college-educated and exempt-level employees increased (exempt-level employees are, by definition, exempt from overtime compensation): specifically, engineers and technically trained workers were in demand. When fully qualified people could not be found, personnel offered training and educational opportunities. With this increase in hiring came the need to expand wage and salary programs and benefits administration. Personnel also had to develop and monitor performance appraisal systems. In addition, workers, including those not unionized, were gaining a stronger collective voice, and management no longer had an unqualified upper hand. Consequently, there was a greater need for formalized employer/employee relations programs. A field that was originally marked by mediocrity and staffed by misfits, personnel now began to attract practitioners of a higher caliber.

Up until now, managers had always made employee-related decisions as they went along. If a worker needed time off to tend to some personal need, managers would arbitrarily decide how much time off that worker could take. There was little concern for consistency within a department, and rarely, if ever, throughout the organization. During the 1950s, however, this began to change. Personnel developed policies and procedures manuals both to clearly identify the burgeoning areas of employer/employee relations and to ensure the fair and equitable treatment of all workers. In addition, it issued employee handbooks so that workers clearly understood what was expected of them and what they, in turn, could expect from their employers. This greatly altered the relationship between managers and personnel; whereas previously managers did as they pleased, they were now obliged to abide by uniform policies set by personnel. The balance of power had begun to shift.

The 1960s and 1970s brought major employment-related legislation. Businesses were forced to focus on multiple issues surrounding equal employment opportunity (EEO) and affirmative action, which had an impact on all aspects of employment from recruitment through termination. Not surprisingly, these often thorny issues were turned over to personnel. Once

again, personnel practitioners found themselves performing tasks for which they had no formal training; and, once again, they scrambled to develop sufficient knowledge and expertise to function effectively in this new legal arena.

During this time personnel was also increasingly called on to become more involved with acquisitions and mergers, specifically, the assessment of problems connected with the merging of benefit plans and the difficulties accompanying the acquisition of added labor, now more frequently being referred to as a company's "human resources."

The term *human resources* soon came to replace *personnel* when referring to the function or department. This was partially in recognition of the fact that personnel reflected a more traditional reactive function, primarily concerned only with employee utilization. Human resources, on the other hand, suggested a concern for making the most of human resources potential and a commitment to management by anticipation.

Throughout the 1980s, equal employment opportunity and affirmative action remained HR's primary areas of responsibility. In addition, with the increased role of computers in the workplace, human resources information systems (HRIS) became an important area of HR focus, serving as an electronic filing system and providing information to nontechnical managers. Add to the mix organizational development, career planning, employee grievances, and disciplinary proceedings, and it became clear that HR was emerging as an important function in any work setting.

During the 1990s, HR's EEO responsibilities expanded to encompass such issues as employment- and termination-at-will, and negligent hiring and termination. In addition, workplace diversity occupied much of HR's time. HRIS grew in sophistication, and electronic recruitment took its place next to more conventional methods of recruitment.

Midway into the first decade of the new millennium, HR continues to fine-tune its work in these areas while taking on still more tasks. Employee relations-related responsibilities continue to expand, e.g., increased employee demands for flexible work options have led to HR-managed work/life programs, and an expanding multicultural workforce requires greater attention to diversity. Also, a tumultuous economy demands more focus on increased numbers of employees who are telecommuting, hiring more contingent workers, and combating illiteracy in the workplace. And, while doing all this, HR moves decisively toward becoming more strategically aligned with an organization's business side.

Exhibit 1–1 outlines the history of personnel/human resources.

TODAY'S SUCCESSFUL HR PRACTITIONER

At this time, then, human resources practitioners are positioned to take on a more strategic role in achieving an organization's missions and goals. They are developing a sound working knowledge of various business matters, such as how to impact revenue growth and productivity, and are learning to build organizational capabilities. This is increasingly being accomplished through

E xhibit 1–1

The History of Personnel/Human Resources

The areas of focus for each time frame are in addition to all of the preceding areas of responsibility.

TIME FRAME	PERSONNEL/HUMAN RESOURCES' PRIMARY AREAS OF FOCUS
1920s	Miscellaneous employee-related tasks
1930s	Recruiting, screening, and referring applicants 　Record keeping 　　Compliance with government regulations 　　　Recreational and social programs 　　　　Athletic teams 　　　　　Company picnics and dinners 　　　　　　Collective-bargaining negotiations 　　　　　　　Arbitration
World War II	Labor relations 　Psychological testing 　　Training 　　　Compensation 　　　　Auditing social legislation 　　　　　Benefits 　　　　　Safety
Post World War II	Exempt hiring 　Educational opportunities 　　Wage and salary administration 　　　Benefits administration 　　　　Performance appraisal systems 　　　　　Employer/employee relations programs
1950s	Policies and procedures manuals 　Employee handbooks
1960s and 1970s	Equal employment opportunity 　Affirmative action
1980s	HRIS 　Organizational development 　　Career planning 　　　Employee grievances 　　　　Disciplinary proceedings
1990s	Employment- and termination-at-will 　Negligent hiring and termination 　　Workplace diversity 　　　Electronic recruitment
2000s	In addition to all of the above: 　Work/life programs 　　Diversity 　　　Workplace illiteracy 　　　　Telecommuting 　　　　　Contingent workers 　　　　　　Alignment with business side of an organization

a collaborative effort with an organization's financial professionals. While these two disciplines have very different areas of emphasis traditionally, a recent survey of CFOs conducted by CRO Research Services reports that HR and finance work better together than separately. Thirty-nine percent of respondents said they view HR as "mainly or somewhat as a strategic partner, one-third said they see HR as an even mix of cost center and strategic partner, and 28 percent said they see HR as somewhat or mainly a cost center (*HR Magazine,* September 2003). The majority of respondents said they view "human capital as a key driver of shareholder value," impacting customer satisfaction, profitability, product development, and growth. That's quite a departure from Personnel/HR's early days when the department was seen as a dumping ground for managers who couldn't make it in other departments, and HR managers were viewed as being little more than social directors.

As an example of how HR and finance can work together, consider the HR manager who wants to increase spending for improved staffing: He or she approaches finance for cost options; then, together, HR and finance analyze the findings and present a solid, joint plan reflecting the people and money side to senior management.

Organizations that have linked HR and financial operations include Delta Air Lines, where collaboration has resulted in a successful incentive plan for 16,000 employees targeted for downsizing, as well as a program that resulted in reduced benefits costs; SHI-APD Cryogenics, Inc., of Allentown, Pennsylvania, where the finance and HR managers are considered equals and frequently consult with one another regarding various employee-related issues; and Memphis-based First Tennessee National Corp., where a cooperative effort between HR and finance helped lead to a reduction in turnover.

⸮ Think About It

Is human resources a business partner in your organization? List three issues your organization is currently confronting, or anticipates confronting, and for each, answer the following questions: What is HR's role? Is it equal to that of other departments? If not, what can HR do to elevate its status?

1. _____

_____

2. _____

_____

3. _____

_____

Important Competencies

HR's changing role means a greater voice in the accomplishment of organizational goals and, consequently, increased credibility. Today's ideal HR manager, then, is someone with both HR and operational experience, possessing a keen sense of how a business operates. Indeed, many HR professionals today are earning MBA degrees and gaining line manager experience. They are also acutely aware of industry and national economic trends, are in sync with their company's long-term goals, can develop an HR strategic plan that maps out how they are going to support the company's objectives, and have demonstrated leadership. Additional desirable intangible competencies include a willingness to take risks, conviction, organizational skills, and resiliency.

These qualities are echoed and elaborated in a comprehensive 2002 study conducted by Wayne Brockbank and David Ulrich of the University of Michigan entitled the *Human Resource Competency Study* (HRCS), as reported in the Institute of Management and Administration's (IOMA's) August 2003 *Human Resources Department Management Report.* In it, 27,000 HR professionals and line managers agreed that today's HR professionals need to be both process and content experts, facilitating change, but also helping to set the direction of change. They went on to identify five key competencies HR managers need in order to stay current and make an impact on their organizations:

1. *Strategic contribution.* Survey respondents determined that strategic contribution accounted for 43 percent of HR's total impact on business performance. Specifically, successful HR professionals focus on culture management, facilitate rapid change while simultaneously eliminating "low-value work and information clutter," and identify problems central to business strategy while suggesting alternative solutions.
2. *Personal credibility.* Survey respondents felt strongly that successful HR managers need to establish a successful track record to "HR counterparts and business line managers whom they serve."
3. *HR delivery.* Today's HR managers are expected to deliver in the areas of staffing, development of challenging work experiences, career planning services, and internal communications.
4. *Business knowledge.* This goes beyond knowing the nature of a particular business; it entails "the ability to apply that knowledge—contributing to strategic decision making, developing competitive cultures, making change happen fast, and creating market-driven connectivity."
5. *HR technology.* HR professionals are expected to use technology to deliver HR services and to shift from "transaction processing to strategic functioning." In this regard, technology's impact is more in time savings than cost savings.

An *HR Competency Toolkit,* produced jointly by the University of Michigan Business School, the Society for Human Resource Management (SHRM), and the Global Consulting Alliance, is available at *www.shrm.org/competencies.*

? | **Think About It**

Professor Wayne Brockbank, co-author of the above-mentioned study, suggests that fellow HR professionals should "like business more than we like HR." Do you feel HR practitioners need to go "that far" in order to succeed in today's business world? Why or why not?

HR CHALLENGES

At the same time as they are striving to become more strategically aligned with an organization's business side, HR practitioners continue to address many workplace challenges, including:

- Diversity
- Workplace illiteracy
- Telecommuting and virtual management
- Integrating a contingent workforce
- Work/life programs

Diversity

Savvy HR practitioners recognize that success in today's economy hinges on strengthening the link between diversity and business results, thereby being responsive to the needs and demands of an increasingly diverse workforce. Organizations view diversity differently. For example, Texas Instruments defines *diversity* as their "effectiveness at using the talents of people of different backgrounds, experiences and perspective"; at the company that was formerly BankBoston, diversity includes group differences such as age, race, gender, sexual orientation, and disabilities, and individual differences, such as communication style and career experience; and Harvard Pilgrim Healthcare pays special attention to improving the representation of women and minorities in key positions.

Workplace Illiteracy

The statistics are staggering: the Department of Labor reveals that some 2.5 million illiterate Americans enter the workforce each year; the U.S. Department of Education reports that one in every seven American adults is functionally illiterate, unable to read, write, calculate, or solve even simple problems; and one-half of our nation's industrial workers read at or below the eighth-grade level. The impact of illiteracy on business is far-reaching, including a loss of billions of dollars in profits each year; lowered productivity; declining international competitiveness; and reduced promotability.

HR practitioners in the areas of employment, testing, training, and strategic planning recognize that a strong partnership between employers and educational institutions is helping to reduce the impact of illiteracy on business. For example, the Long Island Works Coalition, a not-for-profit membership organization in New York, strives to bridge gaps and enhance working relationships between employment and education. Specifically, the Coalition's objectives are to identify the critical skills required by employers on Long Island and to develop initiatives that will ensure the region has a properly trained and educated workforce possessing these skills. Officers include elected volunteers from both the employment and educational communities. Another example of a work/school partnership is the 2003 Workforce Development initiated by the Minneapolis Regional Chamber of Commerce (MRCC) in the Twin Cities' metropolitan region. MRCC analyses clearly point to the need for an educated workforce and local public school test scores for reading and math reflect the need for improvement. Concluding that the future of businesses depends on a strong, well-educated workforce, the MRCC is committed to ongoing collaboration between the local business community and school districts, including higher education institutions, to achieve goals of mutual interest.

Telecommuting and Virtual Management

According to the London-based Sulzer Infrastructure Services, by the year 2010 more than half of all American workers will spend more than two days a week working from home, from a remote location, or at several different offices (*Workforce*, June 2003). Technology and telecommuting enables increasing numbers of employees on both a national and international level to form virtual teams to work on a variety of tasks without physically meeting. Recruiters and employment specialists work with managers to identify specific positions and staff best suited for telecommuting, while HR practitioners whose main area of focus is employment law address the legal and tax ramifications connected with telecommuting work arrangements.

Integrating a Contingent Workforce

Contingent workers are noncompany employees who work in jobs structured to last a specified period of time. Most contingent workers hold from one to two assignments within a six-month period, although assignments can last as long as five years. Contingent assignments are available in virtually every field and profession. According to the Bureau of Labor Statistics, employment of contingent workers is expected to increase by nearly 1.4 million jobs by 2006, making the contingent staffing industry one of the fastest growing in the economy. HR specialists dealing with legal issues, employment, compensation, benefits, employee relations, and employee services work at ensuring proper contingent worker status in accordance with the IRS's "20-factor test," and the fair and productive integration of contingent workers into an organization's workplace.

Work/Life Programs

By offering employees flexible hours and more benefits, such as on-site wellness programs, aerobics and yoga classes, and educational advancement opportunities, organizations with work/life programs point to reduced turnover, more highly motivated employees, and improved productivity.

Cendant Mobility Services Corp., in Danbury, Connecticut, recipient of the *HR Magazine* Innovative Practice Award (*HR Magazine*, July 2003), embodies this concept. Their work/life benefits program is credited with a dramatic reduction in turnover, plummeting from more than 25 percent in 1999 to 9.9 percent in 2002. In addition, personal and sick time use decreased more than 70 percent among program participants. Among its most popular offerings is an employee garden at company headquarters; the garden is in such great demand that Cendant must hold a lottery for available planting space.

ESTABLISHING AN HR FUNCTION

When a company starts out, it rarely has or needs a separate HR function. Duties typically performed by human resources practitioners are initially managed by staff from other departments in addition to their other tasks. For example, managers may fill their own job openings, set starting salaries, and decide when to grant increases. Consequently, there is rarely any uniformity or consistency between the different units of an organization in the early stages of its development. Programs such as performance evaluation, tuition reimbursement, career planning, and other areas commonly associated with human resources usually do not exist at all.

It is often not until a company has grown to the point where managers have more to do than they can comfortably handle that certain functions are designated as human resources functions and "given away." Not surprisingly, responsibilities viewed as burdensome or time-consuming are among the first. Processing the paperwork necessary to place new employees on payroll, assigning benefits, and maintaining necessary employee records are the most common tasks defined early on as human resources functions. Since these duties are clerical, the employees chosen to perform them usually have a clerical background.

HR Staff Ratios

Establishing a human resources function because managers simply have too much to do may work—for a while. Even when it operates at an optimum level, however, a human resources function based on clerical responsibilities discarded by management is going to make a limited contribution to the organization. More important, as the organization continues to grow, the HR department will be unable to grow along with it.

A far more logical and proven approach to determining when it is appropriate to establish a human resources function is to think in terms of HR staff ratios. According to the Bureau of National Affair's report, "HR Department

E xhibit 1–2

Ten-Year History of HR Staffing Levels

Year	Ratio of HR Staff Members/Workers
1993	1.0 per 100
1994	1.0 per 100
1995	1.1 per 100
1996	0.9 per 100
1997	1.0 per 100
1998	1.0 per 100
1999	0.9 per 100
2000	1.0 per 100
2001	1.0 per 100
2002	0.9 per 100

Benchmarks and Analysis 2002," the median ratio of human resources staff per number of employees on company payroll is currently slightly less than one percent (0.9 per 100). This number represents the total HR staff size, including professional, technical, secretarial, and clerical employees.

HR practitioners do not worry about slight deviations in HR staff ratios, as seen during the past decade (see Exhibit 1–2). Workforce expansions and reductions-in-force have been met with commensurate adjustments in human resources staff levels. That is, HR department staff tend to expand and contract proportionally with the rest of the workforce, though probably with some lag time.

Human resources staff ratios are not identical across industry classifications. Typically, the numbers tend to be higher in banking and financial institutions, transportation, communication, utilities, and manufacturing sectors, as opposed to health care, education, government, and nonprofit arenas. The size of an organization also affects the ratio between HR staff and total number of workers: the smaller the organization, the higher the ratio. In addition, the professional and technical staff ratios drop as organizational size increases.

HR Budgets and Operating Costs

Once an organization decides to establish a separate HR function, it needs to focus its attention on budgets and operating costs (total operating expenses include labor, materials and equipment, overhead, sales costs, and administration.) According to the Bureau of National Affair's report, "HR Department Benchmarks and Analysis 2002," HR budgets for 2002 represented a median of 0.8 percent of planned organization-wide expenditures. In previous years, HR department costs ranged from a low of 0.8 percent to as high as 1.1 percent of an organization's total operating budgets (see Exhibit 1–3).

E | xhibit 1–3

Ten-Year History of HR Budgets and Operating Costs

Year	HR Department's Percentage of Operating Costs
1993	1.0 percent
1994	1.1 percent
1995	1.1 percent
1996	1.1 percent
1997	0.9 percent
1998	0.9 percent
1999	0.8 percent
2000	1.0 percent
2001	0.9 percent
2002	0.8 percent

Companies planning on establishing or revamping a human resources function should view these statistics as a guide. They should consider their own environment, present needs, projected growth, and budget, and then proceed accordingly.

? | Think About It

How many employees are in your organization? _____

If you currently have an HR function, how many HR staff members do you have? _____

How do your ratios compare with the statistics described? _____

_____

If your numbers greatly exceed or fall short of the statistics, what changes could you realistically make?

_____

_____

_____

What's in a Name?

As you can see from Exhibit 1–4, human resources professionals go by many different titles. Trying to select the most appropriate titles for human resources employees from these lists can make one dizzy. However, two sim-

E xhibit 1–4

HR Titles

General	Specialized
Director of HR	Assistant Director Career Development
HR Administrator	Benefits Administrator
HR Assistant	Benefits Coordinator
HR Consultant	Benefits Manager
HR Coordinator	College Recruiting Coordinator
HR Executive	Compensation Officer
HR Generalist	Compensation Administrator
HR Manager	Director of Organizational and Management Development
HR Officer	Employment Manager
HR Representative	Employee Relations Coordinator
Vice President HR	Executive Recruiter
	Exempt Recruiter
	Hiring Administrator
	HRIS Analyst
	Interviewer
	Job Evaluation Administrator
	Job Evaluation Analyst
	Labor Relations Hearing Officer
	Labor Relations Manager
	Manager Industrial Relations
	Manager Training and Development
	Nonexempt Recruiter
	Recruiter
	Research Assistant
	Salary Administrator
	Senior Trainer
	Skills Trainer
	Survey Analyst
	Training Manager
	Wage and Salary Manager

ple guidelines should help. First, make certain that the title selected accurately reflects the duties to be performed. At the same time, allow room for expansion, so that, as the job grows, it does not become necessary to change the title. Second, make certain that the title is consistent with the titles of other positions of comparable skill and responsibility within the company. This will help establish the credibility and importance of the HR function from the outset. You might want to narrow your list to the following most commonly used titles for first-time human resources positions: director of HR; HR administrator; HR manager; HR officer; and HR representative. Generally speaking, titles bearing the words *director*, *administrator*, and *officer* carry the most weight, with *manager* following closely behind. Carrying the

least amount of impact in this group is the word *representative*, unless, of course, positions on an equal par are referred to as representatives as well.

? Think About It

Think about the HR titles in your organization. Identify three of them in the space provided. Do they accurately reflect the duties performed? Are they consistent with the titles of other positions of comparable skill and responsibility within the company? If not, what titles would be more suitable?

HR Title	Accurately Reflects Duties	Consistent with Other Titles	More Appropriate Title
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____

THE HR FUNCTION IN SMALL AND MID-SIZED VS. LARGE ORGANIZATIONS

All organizations have nine core HR-related areas in common: legal issues, the employment process, testing, compensation, performance management, benefits administration, employee relations, training and development, and HRIS (see Exhibit 1–5). But there are several major factors that differentiate small (up to 500 employees) and mid-sized (up to 1,500 employees) from large organizations. These factors may impact the respective responsibilities of HR and non-HR practitioners.

E xhibit 1–5

Core HR-Related Functions

1. Legal issues
2. Employment process
3. Testing
4. Compensation
5. Performance management
6. Benefits administration
7. Employee relations
8. Training and development
9. HRIS

Degree of Specialization

Because of their size, large organizations require more specialized human resources functions than smaller companies (see Exhibit 1–6). HR generalists well versed in several areas of the field are usually sufficient for very small companies, and a handful of specialists in such broad human resources categories as employment, compensation, employee relations, and training are generally adequate for mid-sized companies. However, large organizations require specialists in many more aspects of human resources, such as career planning, employee assistance programs, employee attitude surveys, and suggestion programs.

Although organizations with fewer than 1,500 employees usually do not require specialists in these areas, growing companies would do well to consider incorporating some of these categories into their human resources functions. For example, career development and human resources planning can help an organization build a solid foundation of employee skills and talents as well as create a highly motivating environment in which to work; employee assistance programs can often prevent minor employee concerns from blossoming into more serious problems; employee attitude surveys can help workers feel that their opinions are valuable as well as revealing correctable problems management may not have been aware of; and suggestion programs can result in creative, cost-effective ways for companies to expand and develop.

Number of Geographic Locations

Most large organizations have more than one location. Some have one central human resources department responsible for the HR activities of all the different locations. More commonly, however, organizations with more

E xhibit 1–6

Degree of HR Specialization

Small Organizations	Mid-Sized Organizations	Large Organizations
Generally well-versed in several areas of HR	Generally well-versed in several areas of HR; and. . . A handful of specialists in areas such as employment, compensation, employee relations, and training	Generally well-versed in several areas of HR; and. . . Specialists in areas such as employment, compensation, employee relations, training, career planning, employee assistance programs, employee attitude surveys, and suggestion programs

than one location have auxiliary HR functions in addition to the central unit. The responsibilities of these satellite departments range from records maintenance to the full scope of HR responsibilities, such as recruiting, interviewing, compensation, benefits administration, and employee relations. Accordingly, even though everyone is working for the same parent company, some of these units operate quite independently. Indeed, simply monitoring the workflow from the several different human resources units of some large companies can be a full-time job.

Unionization

Generally, the larger an organization is, the more likely it is to be unionized. In fact, many large companies must contend with several unions.

The existence of unions within a company automatically means added responsibilities for those in the human resources arena. For example, labor relations experts skilled in the art of contract negotiations and preventing further unionization are essential. Employee relations experts capable of handling union-related grievances and disciplinary matters are needed. Recruiters and interviewers must be aware of the union status of various openings and be prepared to describe accompanying union responsibilities to applicants, exercising care not to express any personal opinions about unions. And training and development specialists must be prepared to train nonunion personnel in the specific tasks ordinarily performed by union employees in the event of a walk-out or strike.

The entire structure and emphasis of an organization's human resources function, then, can be altered by the presence of unions. Small and mid-sized organizations are less likely to be similarly affected.

Variety of Jobs

Not surprisingly, large organizations have the greatest number and variety of jobs. An increase in both generic and specialized positions means that more job descriptions are needed. It also means that grades and salary ranges must be established for more jobs. Of course, there are also more openings to fill. In addition, more employees must be trained, supervised, and dealt with in all HR-related matters. Hence, there is an increase of responsibilities in the areas of compensation, employment, training, and employee relations.

Hierarchy of Reporting Relationships

The larger the organization, the more layers of reporting relationships there are between the bottom and top positions. With regard to human resources, this means:

- It often takes a longer time for decisions, policies, and procedures to be approved, changed, or implemented.
- Numerous signatures are often required before a seemingly simple matter is resolved.
- Employees near the lower end of the hierarchy in human resources often hesitate to express their views to those higher up.

In addition, in a multitiered environment, the person ultimately in charge of making critical human resources decisions is often not an HR specialist. Rather, an executive in charge of several different functions will rely on the expertise of lower-level human resources experts reporting to him or her and make decisions accordingly.

A complex hierarchy can also take human resources back to the "dumping ground" days from decades ago. Instead of being trained, counseled, or terminated, employees who cannot perform adequately at their jobs are placed in HR.

Grievances and Disciplinary Problems

Grievances and disciplinary problems in large organizations usually require more steps and the involvement of more people, and the list of infractions leading to disciplinary action is usually longer. Also, if unions are involved, matters become that much more complicated.

One specific issue relating to grievances and discipline that large companies often face, and smaller companies are less likely to, is ensuring that employees understand acceptable and unacceptable on-the-job behavior. It seems that the larger the company is, the poorer the lines of communication. Hence, employees may find themselves being verbally warned or written up for violating rules they were not even aware of. In smaller companies, with fewer employees and reporting levels, it is more likely that management clearly communicates company procedures and what constitutes an infraction. Open communication can also preclude the necessity for grievances, since employees will have a clearer understanding of what is expected of them and what they, in turn, have the right to expect from their employer.

THE HR FUNCTION IN RELATION TO NON-HR FUNCTIONS

This section is presented as a broad overview. All of the areas mentioned are examined in more detail in subsequent chapters.

An organization's employee-related activities are performed either by HR practitioners, non-HR practitioners, or both. The actual distribution of responsibilities depends, in part, on the company's product or services, degree of specialization, and variety of jobs. That said, and while it is difficult to state absolutely which tasks fall under the heading of HR or non-HR, there is a basic breakdown of responsibilities that works well in most environments.

Helping us to determine this allocation of responsibilities are Grace, an HR director, and Nathan, a marketing manager. Both work for the VDA Corporation, a research and development firm employing approximately 3,500 employees. Grace has identified some employee-related concerns that she feels would best be resolved if there were a clearer delineation of responsibilities on the part of HR and non-HR practitioners. She approaches Nathan as a management representative and asks if he would be receptive to working with her to accomplish this goal. He agrees. They begin the process by identifying nine primary employee-related categories and labeling each as falling

exclusively into the hands of HR practitioners, non-HR practitioners, or both. As you can see, they determine that two-thirds of these categories require a joint effort between HR and non-HR functions:

1. Legal issues   Shared
2. The employment process   Shared
3. Testing   HR
4. Compensation   Shared
5. Performance management   Shared
6. Benefits administration   HR
7. Employee relations   Shared
8. Training and development   Shared
9. Human resources information systems   HR

Nathan has no problem placing testing, benefits, and HRIS into the hands of HR staff nor does he take issue with playing some role in the employment process, compensation, performance management, employee relations, or training. He cannot, however, understand how legal issues have anything to do with him as a manager. "HR people and the lawyers are supposed to deal with the legal side of employment," he says. "I don't know anything about the law and I don't want to!" Grace, however, knows better. She understands that anyone having anything whatsoever to with employees is obliged to have at least a working knowledge of employment-related legislation and its impact on the workplace. Ultimately, she succeeds in convincing Nathan of this and he accepts partial responsibility for legal issues.

Likewise, Nathan cannot see the need for managerial involvement with HR planning until Grace explains that a manager's input is invaluable when it comes to matters of succession planning. In addition, mentoring is an important part of career development, and that is strictly a manager's responsibility.

Nathan and Grace congratulate one another on being able to agree on the major distribution of responsibilities and move on to the next stage. They examine each topic and break it down into subcategories, further labeling each by area of responsibility after a great deal of discussion.

Legal Issues

Nathan has already acquiesced to needing a working knowledge of employment related legislation, but can't see how else he needs to be involved with regard to legal issues. "Well," begins Grace, "for starters you need to understand the possible ramifications of a manager's questions or statements. One illegal question during an interview, for example, can end up costing VDA hundreds of thousands of dollars. Not only that, but you could be held personally liable."

That gets Nathan's attention. "Okay, I'm convinced that I have to be aware of how these laws impact my dealings with applicants and employees, and I guess I need to take it a step further and know how to avoid being sued, but that's it, right?"

"Not quite," responds Grace. "Managers also play an important role in helping VDA create, promote, and maintain a diverse work environment."

Nathan sighs. "Just what is it you're doing over in HR while I'm doing all this?" "Plenty," responds Grace. I'm doing everything you're doing, but to a greater extent. Not only that, but I have to monitor what you and all the other managers are doing to preclude any unnecessary legal problems. In addition, I'm involved with matters of employment- and termination-at-will, negligent hiring and retention, and . . ."

"Stop! I don't even want to know what those are," moans Nathan. "Let's move on to the next topic, if you don't mind!"

The Employment Process

Nathan begins: "Employment—I know what I'm supposed to do here. I interview applicants after you screen them, right?"

"Yes, says Grace, "that's correct. But there are a few other matters managers need to tend to with regard to the employment process, including knowing how to properly document the interview and making the final selection."

"No problem," states Nathan. "Is that it?"

"Not quite," replies Grace. "Managers play a vital role in the orientation of new hires."

"I thought HR ran the orientation program," says Nathan.

"That's the organizational orientation," says Grace. "Managers have to conduct a departmental orientation for their new employees."

"All right, fine," Nathan concedes. "Now let's move on to what HR does!"

"A lot," laughs Grace. "HR is responsible for all the openings throughout VDA. We have to identify productive recruitment sources, conduct the actual search for applicants, interview, help managers choose the best possible candidate, and more. Believe me, HR is very involved with the employment process. Are you ready to move on to the next topic?"

Testing

Nathan knows that testing is not in his bailiwick. "I'll just sit back and let you tell me what HR does in relation to testing," he says.

"Fair enough," replies Grace. "HR has to determine when it's appropriate to give a test to applicants or employees. We then have to decide which test is suitable, administer and score the test, and determine the role the test results should play in the hiring decision. In addition to numerous skills and abilities tests, there are other categories, most significantly drug testing, psychological testing, and personality testing."

"I'm glad that's your job and not mine," says Nathan. "I'm ready to talk about the next category, compensation."

Compensation

Nathan continues, "Obviously this is all about what employees get paid; I know HR is adamant about being the ones to set salaries and grant increases, so I'm not sure where non-HR people get involved here."

"Well," begins Grace, "you're right when you say that compensation is about money; but there's more involved than setting salary ranges and giving

raises, and that's where you come in. For example, in order to accurately assign a job to a particular salary range we have to be clear as to the requirements, duties, and responsibilities of that job. That means preparing job descriptions. We rely on input from a variety of sources when we write job descriptions, including managers. After all, you work with these jobs every day; who knows them better than you and the incumbents? And while it's true that HR sets the actual increases given, we value your observations and suggestions concerning any inequities you may observe in your department or division."

Nathan thinks for a moment and then comments, "That makes sense. Is there more that HR does?"

Grace responds, "Yes; we have to determine the most effective compensation program for our organization, determine position evaluation methods, conduct salary surveys, and more. But that should give you an idea. Shall we move on to our next category?"

Performance Management

Nathan starts by remarking, "John, the new HR rep, just sent me an e-mail reminding me to submit my reviews by the end of the month. So let me guess: my job as a manager is to write up the performance reviews, right?"

"That's part of it, yes, but there's more. We don't want managers to merely fill out the form and send it in. The form is a summary of an employee's performance over the past year and is an important part of the review meeting…"

"Review meeting? What's that?"

Grace clears her throat and continues, "Nathan, are you telling me you've never sat down with an employee when it's time for their annual review and talked to them about their accomplishments and areas requiring improvement? Never mind, don't answer that. Let me continue. The review meeting is also the time for setting mutually agreed-upon measurable objectives and talking about other issues surrounding work. And I hope it goes without saying that you've been coaching and counseling, as needed, through the year."

Nathan is anxious to divert attention from his failure to conduct performance management meetings and being lax at coaching and counseling. He quickly asks, "What does HR do?"

Grace replies, "As usual, plenty. We focus on the many uses and components of a performance management system, and work closely with managers to ensure fair and proper processing. Ready to talk about benefits?"

Benefits Administration

Nathan smiles and says, "I'm just going to sit back and let you talk since this one's all yours!"

Grace smiles back and says, "You're right, benefits administration falls into the lap of HR. This has become a really complex area; every organization needs experts to ensure a program that is fair both to the company and its workers. Fortunately for VDA, we have Justin and Lorraine to handle our benefits function. They answer all the insurance questions, deal with our insurance carriers, handle the non-health- and insurance-related offerings, and help ensure that VDA has an effective, competitive benefits plan."

"It is complicated and I'm very glad someone else has to figure it all out!" says Nathan. "OK, I'm ready for our next topic."

Employee Relations

Grace begins, "Employee relations is filled with opportunities for both HR and non-HR practitioners to get involved. For instance, managers may refer employees to HR for admittance to our employee assistance program. Also, whenever there are grievances or disciplinary action is in order, HR and managers work together toward resolution."

Nathan jumps in with, "And I know how important the policies and procedures manual is. I refer to it all the time and often call Sammy in your department for guidance. I guess you wrote that, right?"

"Well, not me personally, but HR did write it, yes, with input from managers. That's true of the employee handbook, too."

"Hmmm, I'm starting to understand that HR and managers really work closely together in employee-related matters," says Nathan. "What about training and development; do we work together there too?"

Training and Development

Grace responds, "Absolutely. HR relies on managers to help determine when training is warranted, as well as the best approach to take. We work on developing the most effective methods and techniques. Then we turn back to you to help us evaluate the effectiveness of our efforts."

"I like that," comments Nathan. "Does training and development encompass career development?"

"Of course," answers Grace. "We need to estimate future human resources requirements and develop strategies to ensure meeting those requirements. This includes analyzing current skills and succession planning. A manager's input is invaluable in this regard. And it also entails mentoring. That's where you, as a manager, may come in. At VDA we have a formal program whereby we pair up employees with mentors. Have you given any thought to being a mentor?"

Nathan pauses before answering. "I must admit I've been curious about the program, but frankly I thought about it more from the standpoint of being a participant."

"That's certainly a possibility," comments Grace.

"Working together to make certain everyone is meeting their potential makes sense," Nathan goes on to say.

"That's right," replies Grace, "When training and development is done right, the end result is likely to be growth and prosperity for both the individual employees and the organization as a whole. It's a win-win situation for everyone."

Human Resources Management Systems (HRMS)

"HRMS technically falls under the umbrella of HR," begins Grace, "but that doesn't mean we don't still work with information technology (IT) specialists

and managers on its uses and contents. Of course it's our job to select the best HRMS, ensure privacy and security, and maintain the system, but still we want to ensure that its contents are as comprehensive as possible."

Nathan replies, "I know very little about this area, so I'm more than happy to step back and let you manage it!"

✔ Apply What You Learn

The Way It Is. . . The Way It Could Be

Use the allocation of responsibilities in this scenario as a guide to identify the distribution of employee-related tasks between HR practitioners and non-HR practitioners in your organization. For those tasks that are shared, identify the level of cooperation between HR and others as (1) extremely cooperative, (2) somewhat cooperative, (3) not at all cooperative.

	HR	Non-HR	Both	Level of Cooperation
Legal Issues	_____	_____	_____	_____
Employment	_____	_____	_____	_____
Testing	_____	_____	_____	_____
Compensation	_____	_____	_____	_____
Performance Management	_____	_____	_____	_____
Benefits	_____	_____	_____	_____
Employee Relations	_____	_____	_____	_____
Training and Development	_____	_____	_____	_____
HRMS	_____	_____	_____	_____

Next, for every shared task that you identified as "somewhat" or "not at all" cooperative, identify ways in which the relationship could be elevated to "extremely" cooperative. What would HR have to do in order to improve the relationship? What measures would non-HR practitioners have to take to improve the level of cooperation? Is it possible that some of the tasks you identified as shared should, in fact, fall under the exclusive purview of one or the other?

Legal Issues

HR: _____

Non-HR: _____

Apply What You Learn continues on next page.

Apply What You Learn continued from previous page.

Employment

HR: _____

Non-HR: _____

Testing

HR: _____

Non-HR: _____

Compensation

HR: _____

Non-HR: _____

Performance Management

HR: _____

Non-HR: _____

Benefits

HR: _____

Non-HR: _____

Employee Relations

HR: _____

Non-HR: _____

Training and Development

HR: _____

Non-HR: _____

Apply What You Learn continued from previous page.

HRMS

HR: _____

Non-HR: _____

recap

Most people don't realize that today's human resources function dates back nearly eighty years. In its early days, HR, which was then called Personnel, focused on a handful of mundane tasks. It lacked authority, leadership, direction, and clout. Gradually, however, it acquired additional responsibilities and began to attract a higher caliber of practitioners. Soon personnel evolved into human resources in recognition of the fact that personnel reflected a more traditional reactive function, while human resources exhibited a commitment to management by anticipation. Today, HR is moving decisively toward becoming more strategically aligned with an organization's business side.

Organizations seeking to establish an HR function should be guided, in part, by staff ratios. Currently, the median ratio of human resources staff per number of employees is 0.9 per 100.

All organizations have nine key HR-related areas in common: legal issues, the employment process, testing, compensation, performance management, benefits administration, employee relations, training and development, and HRMS. But there are several factors that differentiate how these areas are handled in small and mid-sized companies versus large organizations, including degree of specialization, number of geographic locations, variety of jobs, and hierarchy of reporting relationships.

Likewise, the distribution of responsibilities between HR practitioners and non-HR practitioners may be affected by factors such as a company's product or service, degree of specialization, and variety of jobs. That said, there is a basic breakdown of responsibilities that works well in most environments: Legal issues, the employment process, compensation, performance management, employee relations, and training and development generally require a joint effort between HR and non-HR functions, while testing, benefits, and HRMS are handled by HR practitioners.

 Review Questions

INSTRUCTIONS: *Here is the first set of review questions in this course. Answering the questions follow-ing each chapter will give you a chance to check your comprehension of the concepts as they are presented and will reinforce your understanding of them.*

As you can see below, the answer to each numbered question is printed to the side of the question. Before beginning, you should conceal the answers in some way, either by folding the page vertically or by placing a sheet of paper over the answers. Then read and answer each question. Compare your answers with those given. For any questions you answer incorrectly, make an effort to understand why the answer given is the correct one. You may find it helpful to turn back to the appropriate section of the chapter and review the material of which you are unsure. At any rate, be sure you understand all the review questions before going on to the next chapter.

1. A logical and proven approach to determining when it is appropriate to establish a human resources function is to think in terms of:
   (a) HR staff ratios.
   (b) the number and types of tasks discarded by managers.
   (c) what other companies in your field are doing.
   (d) projected growth.

   1. (a)

2. Six of the nine primary employee-related activities are performed by both HR practitioners and non-HR practitioners. The one that managers are most likely to resist is:
   (a) strategic human resources planning.
   (b) employee relations.
   (c) legal issues.
   (d) compensation.

   2. (c)

3. In the 1970s, the term *human resources* began to replace *personnel* in recognition of the fact that:
   (a) *personnel* reminded people of a time when the function was staffed by non-decision makers and held in low regard by management.
   (b) personnel was concerned primarily with employee utilization while human resources was also committed to making the most of employee potential.

   3. (b)

(c) there was a greater demand for college-educated and exempt-level employees and the term *human resources* sounded more sophisticated than *personnel*.

(d) with the onset of electronic information systems, the term *HRIS* was viewed more favorably than its *personnel* counterpart.

4. The primary purpose of human resources management is to: 4. (b)

(a) help a company make money and grow.

(b) strike a balance between meeting the needs of employees and what best serves the market-driven needs of an organization.

(c) keep employees motivated and productive.

(d) help managers do their jobs.

5. Human resources practitioners are positioned to take on a   5. (d)
more strategic role in achieving an organization's missions
and goals. This is increasingly being accomplished through:

(a) taking on even more responsibilities.

(b) gaining operational experience.

(c) enhancing personal credibility.

(d) a collaborative effort with an organization's financial professionals.

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HR Management and
Legal Issues

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Learning Objectives:

By the end of this chapter, you should be able to:

- Identify federal legislation relating to employment.
- Articulate the impact of employment legislation on the HR function.
- Define employment- and termination-at-will.
- List the steps required to guard against charges of negligent hiring and retention.
- Describe the procedures necessary to avoid discrimination charges.

focus

Cara Chon has just been hired as the HR Director of Peetry, Inc., a manufacturing firm with 487 employees, and will report directly to the president. Having worked for two years as an HR manager in a large financial institution, Cara is eager to move into a smaller environment where she can make a real impact. The president greets Cara warmly when she arrives for her first day of work, and invites her into his office to discuss her new job. After a few minutes of small talk, he presents her with a stack of files, each representing one of nine specific areas of responsibility. Cara confidently thumbs through them, but stops when she reaches the final folder: it's the one marked "legal issues." She looks up and asks, "Does Peetry have legal issues?" The president laughs and responds, "Doesn't everyone?" But the look of dismay on Cara's face suggests to the president that he should continue. "All right, let's see. Last year we had two charges of discrimination brought against us—one was about race and the other concerned religion. Fortunately, we were able to settle both out of court. This year, however, was a bit more complicated. One case concerned employment-at-will—that one wasn't too bad; neither was the one about negligent hiring. But the one concerning sexual harassment was messy."

"Messy?" asks Cara, growing uneasy.

"Well, perhaps messy is a bit strong; suffice it to say we learned a valuable lesson from the situation."

"And that would be . . ." murmurs Cara, starting to wonder if she made a mistake taking this job.

Before she gets any further in her thought process the president smiles and interjects: "Don't get nervous, Cara, this is really a matter of prevention. We hired you, in part, because of your familiarity with employment-related legislation and understanding of how it impacts HR, as well as your knowledge of employment- and termination-at-will. We just need you to help us avoid discrimination charges, and whatever else might come our way, such as guarding against charges of negligent hiring and retention. That said, it might not be a bad idea of you started by looking at the legal folder."

The brief, serious look on the president's face is quickly replaced with a smile as he again welcomes Cara to Peetry. She goes to her office, where she spreads the stack of files representing her nine areas of responsibility across her desk, placing the one marked "legal issues" on top. "All right," sighs Cara, "let's see what we've got here." As she reviews the contents she begins to understand what the president meant when he described the sexual harassment matter as "messy." It concerned her predecessor, Jesse Stanford. Apparently he'd been accused of sexual harassment by an employee and was asked to resign. "Messy, indeed," sighs Cara.

Employment-Related Legislation

Since an HR officer had been implicated in an EEO lawsuit, Cara feels it would be especially prudent for her to improve her knowledge of employment-related legislation. She begins by pulling out a list of electronic resources offering employment law-related information that she brought over from her old job (see Exhibit 2–1). She knows she can readily access these sources for help, but also understands that they are not intended to substitute for legal advice. So Cara jots down the name of Peetry's legal counsel at the top of the list: when in doubt, she won't hesitate to call the firm's attorney.

Next, Cara peruses the legal file, pulling out dozens of pieces of employment-related legislation. She isolates several key federal actions that serve as a solid legal foundation. While most of these actions have to do with discrimination, she includes two others that have a broad-based impact on her work in HR: the Fair Labor Standards Act of 1938, and the Occupational Safety and Health Act of 1970. (A summary of these laws appears in Exhibit 2–2).

Before proceeding, Cara makes a mental note to find out how up-to-date the hiring managers are with regard to these laws. After all, anyone who has anything whatsoever to do with the employment process needs to have a working knowledge of key legislation. Managers also need to understand how one illegal question could cost the company huge sums of money. Cara decides it would be wise to issue an intranet memo to all hiring managers concerning their responsibilities with regard to employment-related legislation.

E xhibit 2–1

Electronic Employment Law Resources

This list represents a sampling of Web sites offering employment law-related information. These sources are not intended to substitute for legal advice.

Web Site	Description
Bureau of Labor Statistics *www.bls.gov/*	Extensive survey data Recent news releases Research papers Access to the Dept. of Labor's *Monthly Labor Review*
The ELAWS Advisor (Employment Laws Assistance for Workers and small businesses) *www.dol.gov/elaws*	Interact with "advisors" Asks questions Provides information Offers direction to appropriate resolution
Human Resources Law Index (fee) *www.hrlawindex.com*	Legal Dictionary Government documents Reports
U.S. Equal Employment Opportunity Commission (EEOC) *www.eeoc.gov*	Employment discrimination Enforcement Litigation information Access to full text of EEOC legislation Access to summaries of key provisions
Occupational Safety & Health Administration (OSHA) *www.osha.gov/*	Laws, regulations, and compliance requirements Extensive links to other information sources Access to most OSHA documents
Americans with Disabilities Act (ADA) Document Center *Janweb.icdi.wvu.edu/kinder/#jan*	Deals exclusively with the ADA Full text Technical assistance documents and manuals prepared by the EEOC, Dept. of Justice, the National Institute on Disability and Rehabilitation Research, and the Dept. of Labor Extensive links to other sources on workplace disabilities

Fair Labor Standards Act (FLSA) of 1938

The FLSA establishes the minimum wage, maximum hours, and overtime pay provisions that employers must provide for covered employees. An employee may be exempt or nonexempt. Individuals who are exempt from the provisions of the FLSA include workers in bona fide executive, administrative, professional, and outside sales positions. All others are referred to as nonexempt: they are the employees covered by the FLSA's minimum wage

E xhibit 2–2

Summary of Selected Employment-Related Legislation

Legislation	Highlights
Fair Labor Standards Act (FLSA) of 1938	Establishes minimum wage, maximum hours, and overtime pay provisions Determines employee exemption status
Civil Rights Act of 1866 Section 1981, Title 42	Supports charges of race national origin discrimination Permits jury trial Allows for punitive and compensatory damages Requires proof of disparate treatment
Civil Rights Act of 1964 Title VII	Prohibits discrimination on the basis of race, color, religion, sex, or national origin Covers companies doing business in the U.S. with 15 or more employees Generally, need to prove disparate effect; not disparate treatment Violators are required to "make whole" Includes the EEOC's guidelines on sexual harassment
Equal Pay Act (EPA) of 1963	Requires equal pay for men and women performing substantially equal work Covers employees with two or more employees Protects women only Related issue: comparable worth
Age Discrimination in Employment Act (ADEA) of 1967	Prohibits employers from discriminating against any one age 40 or older on the basis of age in all employment-related matters Covers private sector employers with 20 or more employees; labor unions; employment agencies; state and local governments
Occupational Health and Safety Act (OSHA) of 1970	Sets standards for the maintenance of safe and healthful working conditions Sets specific standards that must be observed Requires employers to keep records and file reports Provides for inspections Covers all employers engaged in a business affecting commerce
Pregnancy Discrimination Act (PDA) of 1978	Recognizes pregnancy as a temporary disability Prohibits discrimination based on pregnancy, childbirth, or related conditions

Exhibit 2–2 continued from previous page.

Legislation	Highlights
Americans with Disabilities Act (ADA) of 1990	Prohibits discrimination against any qualified individual with a disability, because of that disability Pertains to all aspects of employment Employers must make a reasonable accommodation to accommodate individuals with disabilities unless it creates undue hardship
Civil Rights Act of 1991	Places a greater burden of proof on employers Bans test score "norming" Extends coverage to U.S. citizens employed at a U.S. company's foreign site Allows jury trials Awards of compensatory and punitive damages are permitted in matters of intentional discrimination
Family and Medical Leave Act (FMLA) of 1993	Provides eligible employees with up to a total of 12 weeks leave during any twelve month period for the birth of a child, adoption, an employee's serious health condition, or caring for a spouse, child, or parent Employers may require doctor's certification Employees may be required to first use up vacation and leave time Covers private businesses with fifty or more employees, state and federal employees, public agencies, and private elementary and secondary schools

and minimum hour provisions. The FLSA requires employers to pay nonexempt employees no less than the prevailing minimum hourly wage. In addition, any nonexempt employee required to work in excess of forty hours per week must be compensated at a rate of not less than one-and-one-half times the worker's regular rate. In the public sector, FLSA permits employers to provide compensatory time off instead of overtime compensation. Like overtime pay, however, compensatory time off must be provided at a rate of not less than one-and-half hours for each hour worked over forty hours weekly.

A copy of the Department of Labor's guidelines may be obtained by writing to the Employment Standards Administration, Wage and Hour Division, Washington, D.C. 20210.

Civil Rights Act of 1866

While the Civil Rights Act of 1866 dates back nearly 140 years, it is still an important piece of employment-related legislation in that it is the basis for many of today's discrimination suits that allege disparate treatment (see below). Section 1981, Title 42, of the Act supports charges of race and national origin discrimination. This Act also provides for a jury trial and permits plaintiffs to seek punitive and compensatory damages, such as back pay. Private-sector businesses, regardless of the number of employees, are covered by this Act.

Disparate Treatment, Disparate Effect, and
Bona Fide Occupational Qualification

The awards for violation of the Civil Rights Act of 1866 can be substantial; however, the claimant must establish intent to discriminate on the part of the employer. That is, it is necessary to prove that the employer deliberately denied an individual an opportunity for employment or promotion on the basis of race or national origin. This is called disparate treatment.

Disparate impact, on the other hand, means that, while representatives of an organization did not deliberately intend to deny an individual equal employment opportunity, the effect of a certain employment practice had a discriminatory effect. For example, suppose a company repeatedly uses employee referrals as their primary recruitment source. They reason that it is quick, inexpensive, and reliable, since their employees tend to refer qualified candidates. Unfortunately, it may be that their employees are predominately white males and, as such, statistically refer a disproportionate number of white males as applicants. Accordingly, the company's employment practice has a disparate impact on women and minorities. It is usually more difficult to establish disparate treatment than to show disparate impact.

Acts of disparate treatment and disparate impact are both illegal. The only time the latter may be permitted is if the defendant can demonstrate that the policy having a disparate impact is necessary for the successful performance of a job. An employer may make an employment-related decision on the basis of sex, national origin, or religion in rare instances where such factors constitute a bona fide occupational qualification (BFOQ). BFOQ-based decisions are difficult to defend. In cases of sex, employers must prove that the excluded gender could not perform the relevant work because of its nature. For instance, a hotel could argue that hiring a male national origin and religion attendant to work in a women's bathroom would be inappropriate. The national origin and religion exception must show that the exclusion is essential to the job. A religious organization could, for example, raise a BFOQ defense in showing a preference for hiring employees who are members of that religion. A BFOQ defense based on customer preference is almost always unsuccessful; race is never a BFOQ. The most valid BFOQ defense is safety.

? Think About It

Can you think of any job in your organization where sex, national origin, or religion is a BFOQ? yes ___; no ___. If yes, what is it about the job that makes sex, national origin, or religion a BFOQ?

Civil Rights Act of 1964

This is probably the best-known piece of civil rights legislation and the most widely used, because it protects several classes of people and pertains to many employment situations. Title VII of this act makes it unlawful for covered employers to discriminate against any applicant or employee in any employment-related matter.

Any company doing business in the United States that has fifteen or more employees is covered. Title VII does not regulate the employment practices of U.S. companies employing American citizens outside the United States. Violations are monitored by the EEOC. Plaintiffs in Title VII suits generally need not prove intent; rather, they may challenge apparently neutral employment policies that have a disparate effect. Violators of Title VII are generally required to "make whole," which includes providing reinstatement, if relevant, and back pay.

Sexual Harassment

The EEOC's guidelines on sexual harassment have become an important part of the Civil Rights Act of 1964. Sexual harassment is defined as "unwelcome sexual advances, requests for sexual favors, or other unwanted verbal or physical conduct of a sexual nature that is made a term and condition of employment, or used as the basis for making employment decisions; or which creates a hostile, intimidating or otherwise offensive work environment."

There are two types of sexual harassment. Quid pro quo harassment involves rewards or threats; sex is made a condition of employment. Hostile environment harassment involves regular and repeated offensive conduct that interferes with an employee's ability to work. Examples of hostile environment conduct include: offensive jokes, vulgar language or gestures, sexual slurs and innuendoes, suggestive comments, unwanted physical contact, leering, stalking, sexual pictures, and graffiti. Men or women may be victims of sexual harassment.

The EEOC guidelines state that employers are absolutely liable for acts of sexual harassment if they are committed by a supervisor or manager; if the acts are committed by rank-and-file employees or nonemployees, such as customers or vendors, employers are liable only if they know or should have known about the situation and failed to take action. Corporate officials, supervisors and managers, HR professionals, individuals who falsely claim sexual harassment, and other employees who spread unproved allegations or gossip may face personal liability.

If your company learns of or becomes aware of an act of sexual harassment it must take action. Immediately conduct an investigation, sharing the facts of the case with only those who need the information. Gather relevant information by conducting personal interviews with both the accuser and the accused. Document all aspects of the investigation, reach a conclusion, take appropriate action, and conduct follow-up interviews to ensure that the victim's grievance has been dealt with effectively and satisfactorily, and that the offensive behavior has stopped.

✔ **Apply What You Learn**

Identifying Sexual Harassment

What would you do if an employee confided that her supervisor leered at her every time she entered his office?

_____

_____

_____

Describe the difference between a colleague who compliments his co-worker's attire on occasion, and one who continually comments on her clothes, even after being asked to stop.

_____

_____

_____

Equal Pay Act (EPA) of 1963

The Equal Pay Act of 1963 requires equal pay for men and women performing substantially equal work. This law protects only women. The work must entail comparable skill, effort, and responsibility, and be performed under similar working conditions. Coverage applies to all aspects of the employment process including starting salaries, annual increases, and promotions. Employers with two or more employees are required to comply.

Unequal pay for equal work is permitted in certain instances, for example, when wage differences are based on superior educational credentials or extensive prior experience. However, this pay difference should diminish and ultimately disappear after a number of years on the job.

? **Think About It**

Do you know of two people performing substantially equal work but receiving unequal pay? yes ___; no ___. Does the person earning more money have superior educational credentials or extensive prior experience? yes ___; no ___. How long has this pay difference prevailed? _____. What, if anything, should the organization do about the situation?

_____

_____

Comparable Worth

An important issue related to equal pay is comparable worth. Comparable worth compares different job categories. Several states have implemented programs for comparable worth pay whereby employers are required to compare completely different job categories. Those held predominantly by women (e.g., nursing and secretarial) are compared with those occupied predominantly by men (e.g., truck driving and warehouse work). Point systems determine the level of skill involved in the job, as well as the economic value of each position. If the female-dominated jobs are deemed comparable, pay adjustments are made to reduce the difference in wages. Since there is presently no federal law that deals specifically with comparable worth, women would sue for violation of Title VII.

Age Discrimination in Employment Act of 1967

The federal Age Discrimination in Employment Act of 1967 (ADEA) prohibits covered employers from discriminating against any individual age forty or older on the basis of age in all employment-related matters. ADEA also prohibits discrimination against one person in the protected age group by hiring or promoting another person who is younger, although still within the protected age group. All private sector employers with twenty or more people who work twenty or more weeks per year are obliged to comply with ADEA, as are labor unions, employment agencies, and state and local governments.

ADEA contains an exemption for bona fide executives or high-level policy makers who may be retired as early as age sixty-five if they have been employed at that level for the preceding two years and meet certain criteria, including: exercising discretionary powers on a regular basis; having the authority to hire, promote, and terminate employees; and having a primary duty to manage an entire organization, department, or subdivision.

✔ ## Apply What You Learn

Discrimination Based on Age

Consider this scenario: you reject Hillary for a job, not knowing her age (54), and hire Alvin, who, it turns out, is 42. Hillary was qualified for the job, but you felt that Alvin better met the company's needs, overall. Can Hillary sue for age discrimination? yes ___; no ___. Does she have a legitimate claim? yes ___; no ___. What do you think is likely to happen if Hillary sues?

Occupational Safety and Health Act (OSHA) of 1970

OSHA sets standards for the maintenance of safe and healthful working conditions. The law sets specific standards that must be observed; requires

employers to keep records and file reports of work-related illnesses, injuries, hazards, and deaths; and provides for inspections. OSHA covers all employers engaged in a business affecting commerce.

Numerous standards covering a broad spectrum of occupations have been developed. For the most part, the standards are based on those adopted by the American Standards Institute and the National Fire Protection Association. Some are general, outlining housekeeping responsibilities, fire protection measures, sanitary facilities, and so on. Others are very specific and regulate particular industries, processes, and equipment. Inspections may be made routinely, or to investigate a specific health- or safety-related incident. Sometimes OSHA initiates a specific program geared toward examining a particular industry-wide problem. Employers are responsible for keeping abreast of, and complying with, all changes in OSHA regulations. Companies are also required to provide written operating procedures for all safety systems and operations.

According to a recent Bureau of Labor Statistics (BLS) report, the number of injuries and illnesses is 5.2 out of every 100 full-time workers, the lowest number recorded by the BLS since it began keeping records in the 1970s.

Pregnancy Discrimination Act (PDA) of 1978

The PDA recognizes pregnancy as a temporary disability and prohibits sex discrimination based on pregnancy, childbirth, or related conditions. Women must be permitted to work as long as they are capable of performing the essential functions of their job. Therefore, arbitrarily set dates for beginning maternity leave are not permitted. (Physicians' statements regarding a pregnant woman's health and ability to continue working and to return to work after childbirth may be required.) Likewise, pregnant applicants may not be denied equal employment opportunities if they can perform the essential functions of the available job. If special rules regarding pregnancy are established, organizations must be prepared to prove that they are dictated by business necessity or related to issues of safety or health.

✔ **Apply What You Learn**

Discrimination Based on Pregnancy

You have two equally qualified applicants for a job; one is clearly pregnant, the other is not. Can you hire the applicant who is not pregnant without being charged with discrimination? yes ___; no ___.

Why or why not? _____

_____

Americans with Disabilities Act (ADA) of 1990

ADA updates the Rehabilitation Act of 1973, and prohibits employment discrimination against any qualified individual because of that person's disabil-

ity. In addition, the law requires every kind of establishment to be accessible to and usable by persons with disabilities. Under ADA, the term *disability* is defined as a physical or mental impairment that substantially limits an individual's major life activities. The definition also encompasses the history of an impairment, and the perception of having an impairment. Examples of disabilities that are covered include: impaired sight and hearing; muscular conditions such as cerebral palsy and muscular dystrophy; diseases like cancer, AIDS, diabetes, and epilepsy; cosmetic disfigurements; emotional disturbances; stuttering; smoke sensitivity; tension; and depression. There are over 1,000 different impairments that are covered by this Act. Current users of illegal drugs or alcohol are not protected by the ADA. Also, people with contagious diseases or those posing a direct threat to the health or safety of others are not covered by this Act. In addition, ADA specifically excludes homosexuals, bisexuals, transvestites, transsexuals, individuals with sexual behavior disorders, compulsive gamblers, kleptomaniacs, and pyromaniacs.

Under ADA, employers are required to make a reasonable accommodation for those applicants or employees who can perform the essential functions of the job with reasonable proficiency. Reasonable accommodation includes: job restructuring, allowing part-time or modified work schedules, reassignments, hiring additional workers to aid employees with disabilities in the performance of their jobs, and installing new equipment or modifying existing equipment. An accommodation is considered unreasonable only in those instances where undue physical or financial hardship is placed on the employer. Such hardship is determined according to the overall size of an organization in relation to the size of its workforce, its budget, and the nature and cost of the required accommodation.

Essential functions are loosely defined as tasks that are "fundamental and not marginal." Employers are encouraged to conduct a detailed review of each job to determine just which functions are essential. This should include an assessment of the amount of time devoted to each task.

❓ Think About It

Have you ever worked with someone who had a disability? yes ___; no ___. What was the nature of the disability?

_____

_____

Did you and others feel uneasy around this person? yes ___; no ___. If so, why?

_____

_____

Think About It continues on next page.

Think About It continued from previous page.

Do you think the person with the disability felt uncomfortable? yes ___; no ___. What, if anything, could you have done to make the person with the disability feel more comfortable?

_____

_____
_____
_____

Civil Rights Act of 1991

The Civil Rights Act of 1991 basically fine-tunes Title VII of the Civil Rights Act of 1964. Specifically, it places a greater burden of proof on employers in matters of disparate impact. This means that an employer must demonstrate that the challenged practice is "job related for the position in question and consistent with business necessity." The Civil Rights Act of 1991 also makes it illegal for employers to use race, color, sex, religion, or national origin as a "motivating factor" for an adverse employment decision, even though other factors also motivated the decision. In addition, it bans test score "norming"; that is, employers cannot inflate test scores of protected group members to bring them in line with nonprotected group members. Also, coverage is extended to U.S. citizens employed at a U.S. company's foreign site, jury trials are permitted, and awards of compensatory and punitive damages are permitted in cases of intentional discrimination.

? Think About It

Do you think the Civil Rights Act of 1991 is fair to employers and employees alike? yes ___; no ___. Why?

_____

_____
_____
_____

Family and Medical Leave Act (FMLA) of 1993

FMLA provides eligible employees with up to a total of twelve weeks leave during any twelve-month period for the birth of a child, placement of a child for adoption or foster care, an employee's serious health condition, or caring for a spouse, child, or parent with a serious health condition. To qualify, employees must have worked for at least twelve months and no fewer than 1,250 hours in the past year, and must give thirty days' notice of the leave, when practical. Employers may require a doctor's certification to substantiate the employee's request to tend to family medical problems (these forms are available from the Department of Labor). Employees may also be

required to use up all of their accrued vacation time and personal or sick leave before taking unpaid family leave. Employers may deny leave to salaried employees within the highest-paid 10 percent of the workforce, if such leave would create undue hardship for the company. Upon returning to work, employees are entitled to the same job or one that is equal in status and pay, and continued health and other benefits.

FMLA may not interfere with collective bargaining agreements, more generous company policies, or less restrictive state or local laws.

The Act covers private businesses with fifty or more employees, state and federal agencies, public agencies, and private elementary and secondary schools. The Department of Labor offers a "Fact Sheet on Family and Medical Leave Act" and "Compliance Guide to Family and Medical Leave Act."

✔ Apply What You Learn
Applying FMLA in the Workplace

Suppose two employees in the same department both apply for leave under FMLA: Antonio, to care for the birth of his daughter, and Zoë, to tend to her ailing elderly father. Antonio and Zoë both qualify for the leave according to FMLA's terms, and both have given ample notice. The problem is that having both employees out of the department at the same time will create an undue hardship and hamper productivity. What would you do if you were the HR director in this instance?

Should seniority be a factor? yes ___; no ___. Should the fact that Zoë has exhausted all of her vacation, personal, and sick days be considered? yes ___; no ___.

Requirements for Posting Information

Federal law requires that certain postings be conspicuously displayed in places where all employees can easily see them. Such locations may include the entrance to an organization, the company cafeteria, near water coolers, or above the receptionist's desk. Mandated federal posting requirements include Equal Employment Opportunity (EEO) legislation as it pertains to race, color, religion, sex, and national origin, disabilities, and age; minimum wage, Occupational Safety and Health Act (OSHA), Family and Medical Leave Act (FMLA), and Fair Labor Standards Act (FLSA). Many organizations favor using one poster that covers all five areas, e.g., the "5-in-1 Labor Law Poster."

Additional federal posting requirements may include the following: employers who have government service contracts in excess of $10,000 need to display the Walsh-Healy Public Contract poster; employers who work on federally financed construction projects need the Davis-Bacon Act poster; employers who hold Federal Aid Highway Project contracts must post the D.O.T. Prevailing Wage Rate.

Employers must also be aware of individual state requirements; for example, some states require postings for fair employment, workers' compensation, unemployment insurance, sexual harassment, sexual orientation, leaves of absence, and child labor. It is an employer's responsibility to keep up with posting law changes and updating displays accordingly. Penalties for noncompliance can run as high as $7,500. Also, failure to display certain postings can extend the time employees have to file suit.

THE IMPACT OF EMPLOYMENT-RELATED LEGISLATION ON HR MANAGEMENT

Cara feels a tremendous sense of accomplishment, having spent much of the day reading through key employment-related legislation. Now she is ready to review how all these laws impact various aspects of HR management, such as the employment process. Just then Cara remembers that she's supposed to meet Alex, Lurene, and Nikki, three colleagues from her old job, and decides to discuss the subject of EEO and its impact on HR management with them over dinner. Among the questions she wants to discuss is, "Are managers free to hire whomever they want?"

At the restaurant, Cara greets her friends and after several minutes of exchanging news about their respective jobs, Cara asks, "Can we talk shop? I want your professional opinions about something: Can managers hire anyone they want?"

Nikki was the first to respond: "Sure, why not?"

Alex leans forward and replies, "Are you joking? With all the discrimination laws around, we can't do anything we want."

Lurene joins in: "You're both half right and half wrong: managers have the right to select the candidate considered best qualified to perform the duties and responsibilities of a given job. This does not necessarily mean selecting the most qualified person as long as the front-runner meets the minimum requirements of the job. Other factors should also be considered, however. Managers must make certain not to deny anyone equal employment opportunity, either inadvertently or because of personal bias.

"You mean through disparate treatment or disparate effect," comments Cara.

"Yes," replies Lurene. "And we need to make certain that job requirements are related to the position and not arbitrarily set. That is, previous work experience and educational requirements should always be job-related. Of course there's also the issue of diversity: managers should constantly strive to achieve as diverse a workforce as possible." She goes on to say, "I find the legal side of HR fascinating."

"Do you find lawsuits fascinating, too?" asks Alex, "because that's where all this thinking is likely to lead."

"That's not true," Lurene responds. "You just need to be careful. For example, if you have an opening with specific requirements and find someone you want for the job who does not quite meet them, you shouldn't lower

the requirements and hire the person. If you do, you're leaving yourself wide open to discrimination charges by other applicants. I just remind my managers that standards should never be arbitrary, artificial, or unnecessary. For example, you shouldn't ask for a specific number of years of experience because it's difficult to prove that four years' experience is not adequate and five years is. It's not enough to say that one previous incumbent had five years' prior experience and did a fine job, that another had only four years' experience and required a great deal of supervision. Those were two specific individuals, and it's dangerous to use your experience with them as the basis for hiring. It's best to say that five years' experience is preferred, not required. The same is true with degree requirements. Unless you can show that someone without a degree cannot perform the essential functions of a job, it's best to say that a degree is "desirable."

Nikki isn't sure they've answered Cara's question. "I'm not sure if we've said whether managers can hire whomever they want."

"Lurene's stream of consciousness boils down to this," Alex declares. "Yes, managers can hire whomever they want, as long as they do not violate any laws; try to fully comply with any affirmative action goals; strive to achieve diversity; impartially assess the qualifications of all candidates; and select someone who at least meets the minimum requirements of a job."

"That's just what I said!" declares Lurene with a smile.

✔ ## Apply What You Learn

Fair Practice in Hiring

If you had two candidates with similar backgrounds in terms of education and prior work experience, and one was a white male and the other a member of a protected group, how would you go about deciding whom to hire?

Alex is clearly ready to move on to non-work-related subjects, but Cara wants to talk about the impact of legislation on other aspects of HR, like performance appraisals, promotions, salaries, and terminations. Alex, exasperated, offers this summarizing statement: "It's simple. It's about treating all applicants and employees in a fair and equitable manner in all aspects of employment, and assuming there's legislation to protect employees in the event this doesn't happen." Cara thinks about this for a moment and comments, "you're right; it's all about being fair. Thanks, Alex. I'm ready to order; how about the rest of you?"

EMPLOYMENT- AND TERMINATION-AT-WILL

Cara begins day two of her new job by studying the subjects of employment- and termination-at-will. She opens her file and reads:

> Employment- and termination-at-will is the right of an employer to terminate, at any time, for any reason, with or without cause, the employment of an individual who does not have a written contract defining the terms of employment. In exercising this employment and termination-at-will right, the employer, under previous case law, incurred no legal liability. The employment and termination-at-will doctrine has been seriously eroded by legislation such as Title VII, ADEA, the ADA, as well as other employment-related legislation. Such legislation prohibits employers from denying equal employment opportunities to all individuals and further prevents them from discharging an employee for non-job-related factors.

Cara pauses momentarily before resuming:

> Employees now have additional rights protecting them from arbitrary acts of termination-at-will. The broadest form of protection, implied covenants of good faith and fair dealing, requires employers to prove "just cause" before terminating an employee. Public policy rights may also protect employees from being fired for exercising rights such as "whistle-blowing"—public disclosure of illegal actions taken by one's company—or for refusing to perform illegal acts on behalf of an employer. Moreover, the issue of implied contract rights may arise when the protection provided by statements on the employment application form, in employee handbooks, or in other company documents is interpreted as a binding contract. In this regard, employers are advised to develop at-will policies for inclusion in these documents.

At this point Cara begins to think about what else employers can do to minimize the possibility of wrongful termination allegations. She recalls a list of eight safeguards that enable companies to better defend themselves in such matters, and proceeds to download the reference:

1. Advise prospective employees in writing, at the beginning of the application process that, if hired, they will be at-will employees. This is best accomplished by an at-will statement on the application form. (A sample at-will statement appears in Exhibit 2–3.)
2. Ensure that applicants clearly understand the duties and responsibilities of the position for which they are being considered, prior to extending a job offer.
3. Make certain job descriptions are accurate and job standards consistent with what is required.
4. Give all employees an up-to-date copy of the company's employee handbook, making it clear that the handbook does not constitute an employment contract.

E | xhibit 2–3

Sample At-Will Statement on an Employment Application Form

If accepted for employment with (name of organization), I agree to abide by all of its policies and procedures. I understand that I may terminate my employment at any time without notice or cause, and that (name of organization) may terminate or modify the employment relationship at any time without prior notice or cause. In consideration of my employment, I agree to conform to the rules and regulations of (name of organization), and I understand that no representative(s) of (name of organization) other than (title[s]) has (have) any authority to enter into any agreement, oral or written, for employment for any specified period of time or to make any agreement or assurances contrary to this policy. If hired, I understand that my employment is for no definite period of time, and if terminated, (name of organization) is liable only for wages and benefits earned as of the date of termination.

Date _____   Signed _____

5. Establish and follow a consistent method of evaluating job performance and grant salary increases according to an individual's skills and knowledge, as they relate to a specific job.
6. Ensure that all HR staff, managers, and supervisors are familiar with pertinent EEO and affirmative action laws, rules, and regulations.
7. Grant all terminating employees exit interviews, regardless of the terms or conditions of their termination.
8. Handle all terminations consistently so employees will be less inclined to bring a suit against the company for wrongful dismissal.

? | Think About It

Does your company have a written at-will statement? yes ___; no ___. If so, where does it appear?

_____

_____

Negligent Hiring and Retention

Cara reviews all that she has covered thus far with regard to HR management and legal issues: employment-related legislation, the impact of employ-related legislation on HR management, and employment- and termination-at-will. "That brings me to negligent hiring and retention." She turns to that section of the file and reads:

Negligent hiring and retention may occur when employers fail to exercise reasonable care in hiring or retaining employees. Increasingly, employers are being held liable for the acts of their employees both in the workplace and away from it. Named in such lawsuits are usually the employer, the employee who caused the injury, and the person directly responsible for hiring. Findings of personal liability are not uncommon. Negligent hiring actions have been brought by employees as well as by innocent third parties, such as customers, visitors, and clients injured by the criminal, violent, or negligent acts of an employee. Plaintiffs must prove that the employee causing the injury was unfit for hiring or retention, that the employer's hiring or retention of that employee was the cause of the plaintiff's injuries, and that the employer knew or should have known that the employee was unfit. Generally, the deciding factor is whether an employer can establish that it exercised reasonable care in ensuring the safety of others. "Reasonable care" may include conducting preemployment testing, checking references, investigating gaps in an applicant's employment history, verifying academic achievements, conducting a criminal investigation, checking an applicant's credit history, or verifying the individual's driving record. The type of position an employee is hired for often plays a role in how extensive the investigation should be.

"Well that's pretty straightforward," Cara thinks aloud. "It's apparent that preventive measures are an employer's best defense against charges of negligent hiring or retention. I'm going to recommend that Peetry incorporate certain preventive steps in its effort to combat charges of negligent hiring and retention (see Exhibit 2–4):

? Think About It

Do you have safeguards against negligent hiring and retention charges in your organization? yes ___; no ___. If so, what are they?

Is there anything more your organization can do to protect itself against charges of negligent hiring and retention?

E xhibit 2–4

Preventing Charges of Negligent Hiring and Retention

1. Conduct comprehensive employment interviews.
2. Investigate gaps in employment.
3. Conduct job-related preemployment tests.
4. Conduct thorough reference checks.
5. Keep written notes of information received when checking references.
6. Decide whether a criminal investigation is warranted, based on information received.
7. Immediately investigate any allegations of employee misconduct.
8. When in doubt, consult with legal counsel.

AVOIDING DISCRIMINATION CHARGES

"Well," remarks Cara, "on to the last category: avoiding discrimination charges." She continues, thinking aloud: "It costs more than $100,000 just to go to court to defend yourself against charges of employment discrimination. Even if you win, it's unlikely that you'll recover any of that money. Also, there's lost time, reduced productivity, lowered employee morale, and a tainted customer perception to consider. Not only that, but it doesn't take much for a lawsuit to get started. All a complainant must prove is that (1) a job existed, (2) he or she is a member of a protected group, (3) he or she is qualified for the job but was rejected in spite of those qualifications, and (4) the employer continued to look for someone else to fill the job. With litigation so easy to initiate, our goal should be to prevent lawsuits, not win them. While there's no absolute way of preventing applicants or employees from charging an organization with discrimination, there are guidelines HR and hiring managers can follow to help minimize the chances."

With that, Cara sets to work, combining what she remembers from her last job enhanced by information she locates on-line.

1. Make certain your hiring criteria are objective, uniformly applied, and consistent in effect. By applying job criteria across-the-board that do not have a greater negative impact on any one group, you are demonstrating fair employment practices.
2. Show job-relatedness. Every criterion you set, each question you ask, and every decision you make should be job-related.
3. Focus on making sound hiring decisions that properly match an applicant's skills, knowledge, and interests with a job's duties and responsibilities. This should lead to fewer terminations since firing is the act that triggers many lawsuits.
4. Pay attention to "red-flag" or questionable areas on a candidate's application or resume. Do not proceed with the employment process until you are satisfied that they have been thoroughly explored.

5. Conduct education and employment reference checks. While this is not always easy, or even possible, to do, making the effort may reveal important information that can influence your decision to extend a job offer.

6. Think like a juror. To avoid actions that generate lawsuits, think about how a juror would interpret your actions. For example, did the employee know what the employer expected of her? Did the employer follow policies and procedures known to the employee? Did the employer treat all employees consistently, reasonably, and fairly?

7. Treat all employees fairly. Most lawsuits alleging any form of discrimination are based on failure to treat employees fairly. This includes overt discrimination and other more subtle forms of discrimination, such as stereotyping, patronizing, and favoritism.

8. Respect employees' legal rights. These include: the right to a safe workplace; the right to refuse to perform illegal acts without fear of retaliation; the right not to be defamed; the right to nonharassing treatment; and the right to compensation according to the Fair Labor Standards Act.

9. Honestly appraise employees. Negative performance appraisals can save you a lot of trouble later on. It is hard to justify termination on the basis of poor performance with a file filled with glowing reviews. If an employee exhibits performance problems, identify them and together set goals for improvement. If, ultimately, you end up terminating the employee, an unjust termination lawsuit will be difficult to sustain.

10. Take allegations seriously and act promptly. Whether allegations are of sexual harassment or other forms of misconduct or illegal acts, responding quickly and appropriately will often diffuse a situation and preclude a lawsuit.

She stared at her notes, and came up with a nice short checklist (see Exhibit 2–5).

E xhibit 2–5

Avoiding Discrimination Charges: A 10-Point Checklist

☐ Implement objective, uniform, and consistent hiring criteria
☐ Show job-relatedness
☐ Focus on sound hiring decisions
☐ Pay attention to "red-flag" areas
☐ Conduct reference checks
☐ Think like a juror
☐ Treat all employees fairly
☐ Respect employees' legal rights
☐ Honestly appraise employees
☐ Take allegations seriously and act promptly

✔ Apply What You Learn

Being Sued for Discrimination

Apply the guidelines for avoiding discrimination charges to your organization. For every item, rate how well your organization minimizes its chances of being sued.

	Excellent	Good	Fair	Poor
Implement objective, uniform, and consistent hiring criteria	___	___	___	___
Show job-relatedness	___	___	___	___
Focus on sound hiring decisions	___	___	___	___
Pay attention to "red-flag" areas	___	___	___	___
Conduct reference checks	___	___	___	___
Think like a juror	___	___	___	___
Treat all employees fairly	___	___	___	___
Respect employees' legal rights	___	___	___	___
Honestly appraise employees	___	___	___	___
Take allegations seriously and act promptly	___	___	___	___

Now, for any item that you rated as being "fair" or "poor," identify specific ways in which your organization could elevate that rating to at least "good."

Implement objective, uniform, and consistent hiring criteria: _____

_____

Show job-relatedness: _____

_____

Focus on sound hiring decisions: _____

_____

Pay attention to "red-flag" areas: _____

_____

Conduct reference checks: _____

_____

Apply What You Learn continues on next page.

Apply What You Learn continued from previous page.

Think like a juror: _____

_____

Treat all employees fairly: _____

_____

Respect employees' legal rights: _____

_____

Honestly appraise employees: _____

_____

Take allegations seriously and act promptly: _____

_____

recap

There are ten key federal laws that serve as a solid legal foundation for all employment-related matters. They are: Fair Labor Standards Act of 1938; Civil Rights Act of 1866; Civil Rights Act of 1964; Equal Pay Act of 1963; Age Discrimination in Employment Act of 1967; Occupational Safety and Health Act of 1970; Pregnancy Discrimination Act of 1978; Americans with Disabilities Act of 1990; Civil Rights Act of 1991; and Family and Medical Leave Act of 1993.

Employers are strongly urged to consult with legal counsel when uncertain as to how to interpret or apply these laws. Employers can hire whomever they want, as long as they do not violate any laws, try to fully comply with any affirmative action goals and strive to achieve diversity, impartially assess the qualifications of all candidates, and select someone who at least meets the minimum requirements of a job. Most importantly, employers should treat all applicants and employees in a fair and equitable manner in all aspects of their employment.

In addition to legislation, there are two important doctrines that impact employment: employment- and termination at-will and negligent hiring and

retention. The first of these is the right of an employer to terminate, at any time, for any reason, with or without cause, the employment of an individual who does not have a written contract defining the terms of employment. The latter may occur when employers fail to exercise reasonable care in hiring or retaining employees. Increasingly, employers are being held liable for the acts of their employees both in the workplace and away from it.

It doesn't take much for a lawsuit to get started; accordingly, an employer's goal should be to prevent lawsuits. While there is no absolute way of preventing applicants or employees from charging an organization with discrimination, there are guidelines that will help minimize the chances.

Review Questions

1. One way employers can minimize the possibility of wrongful termination allegations is to:
   (a) give prospective employees a lie detector test.
   (b) advise prospective employees that, if hired, they will be at-will employees.
   (c) ask prospective employees to sign a statement promising they will not sue you for wrongful termination.
   (d) only hire people who have been personally recommended by reliable employees.

1. (b)

2. The primary distinction between disparate treatment and disparate effect is:
   (a) disparate treatment supports charges of race and national origin discrimination, while disparate impact pertains to religious and sex discrimination.
   (b) disparate treatment pertains to matters of equal pay, while disparate impact concerns age discrimination.
   (c) disparate treatment has to do with safe and healthful working conditions, while disparate impact affects pregnant women.
   (d) disparate treatment concerns intentional discrimination, while disparate impact means that the effect of a certain employment practice had a discriminatory effect.

2. (d)

3. When hiring, job standards should never be:
   (a) arbitrary, artificial, or unnecessary.
   (b) arbitrary, unfair, or outdated.
   (c) artificial, unreasonable, or cryptic.
   (d) unnecessary, whimsical, or biased.

3. (a)

4. It doesn't take much for a lawsuit to get started. In addition to proving that a job existed, he or she is a member of a protected group, and is qualified for the job, all a complainant must prove is that:
   (a) the job remained open for at least three months.
   (b) the employer continued to look for someone else to fill the job.
   (c) the employer hired someone in the same protected class.
   (d) he or she was the most qualified candidate.

4. (b)

5. In matters of negligent hiring and retention, plaintiffs must   5. (c)
prove that the employee causing an injury was unfit for hiring
or retention, that the employer's hiring or retention of that
employee was the cause of the injuries, and that the:
(a) employee had a criminal record.
(b) employee had committed the same act before.
(c) employer knew or should have known of the employee's unfit
     condition.
(d) employer failed to give the employee a lie detector test.

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3

The Employment Process
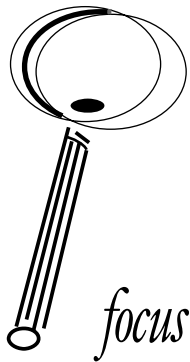
Learning Objectives

By the end of this chapter, you should be able to:

- Identify the three steps that should be completed at the beginning of the employment process.
- Evaluate the numerous recruitment sources available and develop a recruiting strategy.
- Practice five effective questioning techniques.
- Describe the components of effective employment interviewing documentation.
- Plan organizational and departmental orientation programs.

Recently, I was approached by one of the attendees of a seminar I was conducting on employment interviewing. She introduced herself as Dana, an HR administrator with a mid-sized retail firm. She explained that she disagreed with a statement I'd made just before our break: "You said that a commonly held belief is that interviewing is little more than effortless conversation, but, in reality, effective interviewers are in control of the interview, having completed several preparatory steps before meeting their applicants. Where I work, interviewers let applicants do all the talking; this way they learn more."

I thought for a moment and then said, "Dana, you appear to be saying that applicants have control of the hiring process and interviewers are reactive, merely recipients of information. It becomes a matter of chance as to whether employees work out or not. I'd like to suggest that when employers have a more proactive role in the employment process, everyone benefits."

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？ Think About It

Do you agree with Dana and believe that interviewing is little more than effortless conversation that doesn't require any preparation? yes ___; no ___. Explain your answer.

_____

_____

Do you believe interviewers should be proactive or reactive? yes ___; no ___. Explain your answer.

_____

_____

INTERVIEW PREPARATION

Many people believe that interviewing does not require preparation. This is largely based on observations of interviews being conducted by interviewers who can make employment interviews seem like effortless conversation. In reality, these interviewers have put a great deal of work behind this casual front by completing three key preparatory steps at the beginning of the employment process.

Step One: Become Familiar with the Job

The process of interview preparation begins with becoming familiar with the specifications of a job every time it becomes available. Much of this can be accomplished through direct observation, talking with incumbents, and most importantly, meeting with department heads and managers. Hiring managers are an excellent source of information; who knows better than they the particulars of a given job? With the exceptions of establishing a job's exemption status, union status, and benefits, working together on the remaining specifications enables HR and managers to become more in tune with the workings of one another's departments each time there's an opening; consequently, HR will develop a clearer sense of the best possible fit between an applicant and a job.

Duties and Responsibilities
In reviewing the duties and responsibilities of an opening, determine if they are realistic in relation to other factors, such as previous experience and education. Determine, too, if they are relevant to the overall job function, and if they overlap with the responsibilities of other jobs.

Education and Prior Experience

When setting educational and experience prerequisites, ask yourself a series of questions: What skills and knowledge are needed to successfully perform the primary duties and responsibilities of this job? Why are these skills and knowledge necessary? Why couldn't someone without these skills and knowledge perform the primary duties of this job? Are the requirements consistent with the job duties and responsibilities? Are the requirements in accordance with all applicable employment laws?

Intangible Requirements

Intangible criteria can help balance specific educational or experiential requirements. Examples of intangibles include attitude, creativity, initiative, management style, personality, and temperament. These factors can be significant, but only when examined in relation to the requirements of the opening. In other words, they must be job-specific. Intangibles can be particularly helpful if two or more applicants have similar concrete qualifications; you can then compare intangible job-related criteria to help make the final decision. Be careful not to weigh intangible elements too heavily or select someone solely on the basis of any of these factors.

Reporting Relationships

When familiarizing yourself with reporting relationships, ask yourself two sets of questions. The first involves the reporting relationship between two positions: What position will this job report to, both directly and indirectly? What positions report directly and/or indirectly to this job? What is the relationship between this job and other jobs in the department and the organization, in terms of level and scope of responsibility? The second set of questions involves the reporting relationship between two individuals: What is the management style of the person in charge? What are the traits that he or she values in an employee?

Work Environment

A position's work environment encompasses many factors, such as standing for long periods of time, exposure to chemicals or fumes, working in cramped quarters, or working in a very noisy location. Unless logistically impractical, a quick trip to the job site should be part of the interview. This way there will be no surprises and new employees know exactly what to expect when reporting to work on the first day.

Exemption Status

The Fair Labor Standards Act (FLSA) defines the term *exempt* as meaning 'not entitled to overtime compensation'; that is, employers are not required to pay exempt employees for time worked beyond their regularly scheduled work week. This generally pertains to executives, managers, and some supervisors. The term *nonexempt* means 'entitled to overtime compensation'. Nonexempt employees, such as clerical workers, must be paid for any time worked beyond their regularly scheduled work week. As of this writing, in early 2004,

members of Congress are expected to consider changes to the Fair Labor Standards Act, as proposed by the Department of Labor. Specifically, they will examine criteria and salary requirements that determine exemption status.

Union Status
Be prepared to tell applicants whether they will be required to join a union, and to provide information relative to initiation fees or required dues and any other relevant details.

Salary Range
Whether this information is disclosed to an applicant at the initial interview is a matter of company policy; regardless, *interviewers* should know what a job pays so they can determine if the organization and the candidate are financially compatible.

Benefits
Describing your company's benefits package can be an excellent selling point, especially for hard-to-fill positions. Interviewers are advised to prepare a quick summary (under a minute) of company benefits, such as medical and disability insurance, dental coverage, life insurance, profit-sharing plans, stock bonus programs, vacation days, personal days, leaves of absence, holidays, and tuition reimbursement. Be sure, too, to mention any benefits that set your company apart from the competition.

Growth Opportunities
Since most applicants are interested in upward mobility, it's helpful to know about the frequency of performance appraisals, salary reviews and increases, policies regarding promotions, relationship of a position's level and scope of responsibilities to that of others within a job group, policies governing internal job posting, likelihood of advancement, tuition reimbursement plans, and training opportunities. Exhibit 3–1 shows what you should know about a position you are trying to fill.

Step Two: Review the Employment Application or Resume

Have you ever gone on an interview and sat quietly while your interviewer read your application or resume back to you? "Let's see; it says here that you're currently working as an office manager for the law firm of Driscoll, Driscoll, and Driscoll, and you've been there for two years. Before that you worked for a year as an administrative assistant for a publishing company; before that you attended Oakmere College where you received an undergraduate degree in psychology." Right about now the interviewer pauses and looks up. What are you supposed to say? "That's all correct? Impressive, huh?" "Are you going to ask me a question any time soon?"

While the interviewer eventually does ask some questions, these are usually not well-thought-out or job-specific. From the applicants' perspective, listening to an interviewer repeat the information they have provided is frustrating. It's also unproductive for interviewers, because they're not learning anything about the person's qualifications.

E xhibit 3–1

Becoming Familiar with a Position: Step One of Interview Preparation

Duties and responsibilities	Realistic
	Relevant
Education and prior experience prerequisites	Necessary skills and knowledge
	Skills and knowledge consistent with duties and responsibilities
	In accordance with employment laws
Intangible criteria	Job-specific
Reporting relationships	Between positions
	Between individuals
Work environment	Physical features
Exemption status	Exempt or nonexempt
Union status	Union or nonunion
Salary range	Policy regarding revealing salary information
Benefits	Summary of key benefits
Growth opportunities	Performance appraisals
	Salary reviews and increases
	Promotions
	Tuition reimbursement
	Training

This scenario can easily be avoided by reviewing a candidate's completed application and/or resume prior to the interview. Not only will you become familiar with the person's credentials, background, and qualifications as they relate to the requirements and responsibilities of the job, but you can identify areas to question during the interview. The applicant will also perceive you as being prepared and be more responsive.

Ten Checkpoints for Reviewing an Application or Resume
1. *Overall appearance.* Scan the overall appearance of the application or resume and check to see that it is neat and easy to read. The handwriting on paper applications should be legible, resumes should be typed and printed, and electronically generated applications and resumes should reflect cyberspace writing guidelines in terms of organizing the information and highlighting key accomplishments. The contents of applications and resumes should be grammatically correct and the language easy to understand.
2. *Blanks or omissions.* Looking for blanks or omissions on an application form is relatively easy. With a resume, check to see that basic information pertaining to work and education has been included. Make a note of

any missing information so that you can ask the applicant about it during the interview.

3. *Gaps between jobs.* Check for gaps in time between jobs by looking at the applicant's employment history and educational pursuits. Note whether there are any breaks in-between that are unaccounted for and plan to ask the applicant about them during the interview.

4. *Overlaps in time.* Overlaps in time may occur if the candidate attended school and worked at the same time, or worked at more than one job at one time. Make a note of any overlaps and verify the accuracy of all dates during the interview.

5. *Inconsistencies.* At times, some factual information may appear to conflict with other aspects of the resume. To illustrate, say there is an applicant with an extensive educational background who has been employed in a series of nonexempt jobs. This may be because she has degrees in a highly specialized field and cannot find suitable work, or it may be that her educational credentials are misrepresented. It is up to you to find out during the interview.

6. *Frequency of job changes.* Guard against setting arbitrary standards concerning frequency of job changes and drawing inaccurate conclusions, e.g., changing jobs more often than once every two years translates into unreliability. On the other hand, make a note that you want to discuss the pattern of job changes during the interview.

7. *Evaluate salary requirements.* Objectively think in terms of the applicant's experience and abilities in relation to the salary range set for the job.

8. *Reasons for leaving previous jobs.* As with frequency of job changes, look for patterns. For example, if the reason given for leaving several jobs in a row is "no room for growth," it may be that this person's job expectations are unrealistic. This is a key area to explore in the interview.

9. *Duties and responsibilities.* If a person's current or previous duties and responsibilities are not clearly described on the application or resume, make a note to ask for elaboration. Job titles may also require explanation. Some titles are not functional or descriptive and, therefore, do not reveal the general realm of responsibility. Examples of such titles include "administrative assistant" and "vice president." Sometimes, too, titles sound grand, but, after probing, you discover that they entail few substantive responsibilities.

10. *"Red-flag" areas.* "Red flags" refer to information that does not seem to make sense or that leaves you with an uneasy feeling.

See Exhibit 3–2 for an abbreviated version of these checkpoints.

Step Three: Plan Basic Questions

Planning a handful of general questions at the preparation stage will serve as the foundation for your interview. The job description is an excellent source

E xhibit 3–2

10 Checkpoints for Reviewing the Employment Application or Resume: Step Two of Interview Preparation

1. Scan the overall appearance.
2. Look for blanks or omissions.
3. Review the applicant's work history and make a note of gaps in time.
4. Consider overlaps in time.
5. Note any other inconsistencies.
6. Consider the frequency of job changes.
7. Be objective when evaluating salary requirements.
8. Review reasons for leaving previous jobs.
9. Look for clearly defined duties and responsibilities.
10. Pay attention to "red flags" when you come across them.

for this. By reviewing the job description, you can easily identify the skills it requires. Then proceed to formulate the questions you need to ask in order to determine whether the applicants possess these skills and are capable of performing the required duties and responsibilities. Hypothetical situations can also be developed and presented to candidates, enabling them to demonstrate their potential.

Be careful not to list too many questions or become very specific during this stage. If you have an extensive list of detailed questions, you may be inclined to read from that list during the interview. This results in a stiff, formalized session, which could conceivably make the applicant feel ill-at-ease. In addition, with a lengthy list of questions, interviewers often feel compelled to cover the entire list and end up repeating themselves. Again, this can result in applicants feeling uncomfortable and wondering whether you are really listening to their responses.

Limit yourself to preparing about a half-dozen general questions. Once you begin the interview, other questions that need to be asked will follow as elaborations of the applicant's answers. In fact, if your first question is a good, open-ended question, the applicant's response will provide additional questions to ask. Here's an example of an effective first question: "Would you please describe your activities during a typical day at your present (or most recent) job?" As you listen to the applicant's response, note any areas mentioned that you want to pursue further during the interview.

This one question alone will yield enough information to fill an entire interview if you listen closely to the applicant's answer and use portions of it as the basis for additional questions. However, most interviewers feel better prepared if they have additional questions planned; furthermore, applicants without prior work experience cannot provide information about a typical workday. Exhibit 3–3 offers some wide-ranging generic questions that can be prepared prior to the interview.

E xhibit 3–3

Plan Basic Questions: Step Three of Interview Preparation

FOR APPLICANTS WITH PRIOR WORK EXPERIENCE
1. What (do/did) you like most and least about your (present/most recent) job?
2. Describe a situation in your (present/most recent) job involving _____; how did you handle it?
3. What (are/were) some of the duties in your (present/most recent) job that you (find/found) to be difficult and easy? Why?
4. Why (do/did) you want to leave your (present/most recent) job?
5. How do you generally approach tasks you dislike? Please give me a specific example relative to your (present/most recent) job. How does this differ from how you approach tasks you like?

FOR APPLICANTS WITH FORMAL EDUCATION BUT NO PRIOR WORK EXPERIENCE
1. What were your favorite and least favorite subjects in (high school/college/other)? Why?
2. Describe your study habits.
3. Why did you major in _____?
4. How do you feel your studies in _____ have prepared you for this job?

FOR APPLICANTS WITHOUT FORMAL EDUCATION OR WORK EXPERIENCE
1. Here are a series of hypothetical situations that are likely to occur on the job. How would you handle them?
2. What has prepared you for this job?

The exercise below asks you to revisit your answers on page 54. Your responses may be quite different now.

✔ Apply What You Learn

Does Interviewing Require Preparation?

Review your original answers to the questions below. Apply what you have learned since you first answered those questions.

1. Do you believe that interviewing is little more than effortless conversation that doesn't require any degree of preparation? yes ___; no ___. Explain your answer.

_____

_____

2. Do you believe interviewers should be proactive or reactive? Explain your answer.

_____

_____

3. Are your answers the same as they were initially, or have they changed? Explain.

_____

_____

_____

RECRUITMENT

Angela, the HR manager for a retail firm of 1,000 employees, nervously scanned her list of e-mail messages, hoping there wouldn't be another one from Ted, the director of marketing. He was growing increasingly impatient with her efforts over the past month and a half to fill his opening for an assistant. Angela had run out of people to send. Aside from running a newspaper ad and going to an agency, she just didn't know what else to do. Her phone rang, interrupting her thoughts. When she heard the voice on the other end, she swallowed hard: it was Ted. He didn't waste any time getting to the point: "What we need is a recruitment plan," he said emphatically. Ted was right; since the traditional approaches were not working, Angela had to explore other avenues and develop a new strategy for filling his opening. He continued, "Let's sit down together and go over some of our options. I think if we work together we'll succeed."

Recruitment Sources

With all the recruitment sources available, you should never find yourself in the position of saying, "I can't find anyone!" Still, deciding which recruitment source to tap each time you have an opening can prove challenging. Some people take the easy way out and use the same source or sources each time. Aside from the possibility that market conditions and certain internal factors may have changed and made these sources less productive, there is the possibility that this practice could lead to charges of systemic discrimination—the denial of equal employment opportunity through an established business practice, such as recruitment. Even though the discrimination may be inadvertent, the disparate effect it produces may develop into an area of vulnerability for employers.

Selecting the most productive recruitment source becomes all the more challenging during a tumultuous economic market. When unemployment rates rapidly peak and dip, employers are left to wonder how and where to find employees. Sources that worked well one day may yield disappointing results the next. As a result, an increasing number of companies are turning to sources once typically referred to as "quirky" or "unusual," but now considered "creative." These include billboard advertising, banners, movie ads, and bumper stickers.

To select the most effective recruitment source for a given opening, weigh their respective benefits and drawbacks. The pros and cons of more than two dozen traditional and creative recruitment sources are identified in Exhibit 3–4. You do not have to limit yourself to only one source. Many companies use a wide variety of recruitment sources.

xhibit 3–4

Recruitment Sources

Here are some traditional and creative recruitment sources along with their primary advantages and disadvantages.

Recruitment Source	Advantages	Disadvantages
Advertising	Reaches a wide audience Can solicit via blind ads Can cross reference titles	Costly
Banners and Signs	Cost-effective	Require busy locations
Billboards	Eye-catching Visually creative	Limited information Easily missed
Bumper Stickers	Eye-catching	May not be taken seriously
Campus Recruiting	Opportunity to select top students Opportunity to groom future management	Costly Difficult to evaluate potential
Company-Sponsored Social Event	Cost-effective	Attendees may resent "sales pitch"
Contingent Workers (temps and consultants)	Readily available Flexibility Portability	Costly Two-tier labor force (core staff and contingent workers)
Customers and Clients	Applicants are personally recommended	Strained relations with customers and clients
Direct Mail	Personalized Selective	Time-consuming Mail may not be opened
Electronic Recruitment	Cost-effective Speed Reduction in paperwork Scope	Large numbers of unqualified applicants
Employee Referrals	Inexpensive Expeditious Related bonus boosts morale	Systemic discrimination if used exclusively
Employment Agencies	Access to large labor pool Fill positions quickly	Costly Unqualified applicants
Government Agencies	Cost-effective Large numbers of applicants Help with affirmative action	Unqualified applicants
HR Files	Cost-effective Good public relations	Outdated records

Exhibit 3–4 continues on next page.

Exhibit 3–4 continued from previous page.

Recruitment Source	Advantages	Disadvantages
Job Fairs	Large numbers of applicants Opportunity to network	Costly Time consuming
Job posting	Creates openings at lower levels Saves time Cost-effective Boosts employee morale Reveals hidden skills	Managers feel lack of control Resentment of employees who post for jobs levels
Military	Hands-on experience	Lack of general business skills
Movie Ads	Captive audience	Resentment
Newspaper Inserts	Easily removed	Easily lost Easily overlooked
On-Site Recruitment (airports, fast-food chains, etc)	Wide audience Saves time Good public relations	Not taken seriously Unqualified applicants
Open Houses	May fill several openings at one time Good public relations	Costly Time-consuming
Outplacement Firms	Large numbers of applicants	Incomplete picture of intangibles
Preemployment Training	Pool of trained workers apply	Trained workers may apply skills to other jobs
Professional Associations	Personal referrals Cost-effective	Someone else's rejected applicants
Radio and Television	Wide audience Reach prospects not actively looking for a job	Costly
Research Firms (abbreviated search firms, providing roughly half the services)	Greater involvement in the recruitment process	Services end upon contacting applicants
Response Cards	Personalized Selective	Time-consuming Not cost-effective
Search Firms	Access to large labor pool Fill positions quickly	Costly Unqualified applicants
Voice Ads	Easy Cost-effective	Time-consuming to screen responses
Walk-ins	Cost-effective Good public relations	Poorly monitored system can result in lost applications

Web-Based Recruiting

There's no denying the revolutionary impact that the Internet has had on the job market. While it has not replaced traditional and other creative methods of recruiting, according to *The Employee Recruitment and Retention Handbook* (Arthur, 2001), approximately 96 percent of all U.S. employers are going online to recruit for a greater variety of jobs than ever before.

Electronic recruiting sources allow employers to post openings and/or collect resumes from general or specialized job sites. When selecting a site, compare its attributes with your specific needs, e.g., the length of time you can post an opening. Also "test-drive" it from an applicant's point of view before making a commitment. Consider, too, turning to sourcing strategists for help.

More than a third of all U.S. companies currently have their own Web sites or Web-based listings. For companies that already have Web pages, adding a job opportunity section is relatively simple and inexpensive. Starting a Web page from scratch may require the help of a consultant who can provide expertise on content, design, organization, upkeep, and exposure.

Since paper resumes are rapidly being replaced by the duller Internet version, recruiters unaccustomed to reading electronic or cyberspace resumes need to adjust to the automated method of transferring information into an applicant database and then learn to search for measurable, tangible skills and specifications.

With so many resumes being generated electronically, employers need help from applicant tracking or hiring management systems. The former collects information about job candidates and tracks various steps in the process, while the latter focuses on quickly matching applicants with positions. Employers have the choice of purchasing a client/server-based system or renting an application service provider.

Increasingly, interactive voice response is being used with other database technologies to capture competency-related information about potential employees. Despite the fact that the process can help companies find employees quickly and reduce turnover, there is concern that electronic profiling could unfairly exclude those who don't fall within the desired response range, even though they possess valuable skills. Most experts agree that a computer should never substitute for the face-to-face interview.

With more and more companies expanding to include a global presence, Web sites are currently posting jobs in more than a hundred countries. Since English is the most widely spoken language in the world, most sites are produced in English. However, since English is a second language for most people, care must be taken to develop sites that will be clearly understood in terms of word usage, jargon, and clichés.

Finally, despite the numerous advantages of using the Internet, such as speed and saving time and money, there are drawbacks. The use of systems that create additional work, ethical and legal issues surrounding matters such as resume sharing and interpreting psychological tests conducted on-line, and resistance to an electronic invasion are among the concerns often expressed.

Best Practices

There is no single preferred way to recruit qualified employees. Hallmark Cards, Inc., and the Chiron and General Motors corporations handle recruitment in ways that reflect their respective corporate cultures. Each approach is different, and each one is structured to ensure that these companies find employees who will fit well in their organization and provide them with the skills and talents they require to remain successful.

Hallmark Cards, Inc., located in Kansas City, Missouri, employs approximately 19,600 full-time employees. Its staffing strategy is to recruit, develop, and promote a diverse mix of new college talent and seasoned professionals. Potential employees are drawn to Hallmark by its brand name, emphasis on diversity, and reputation for stability.

Despite its fine reputation, the company still approaches recruitment aggressively. Hallmark's college recruitment strategy is to hire diverse, high-quality candidates in the most efficient and effective manner possible. In determining which schools to target, Hallmark considers its past success rate of hiring students from the school, the performance of those individuals hired, and the diversity of the school's student body. Hallmark recruiters go through training, and accountability is a factor in their performance reviews.

The company also actively solicits qualified minority candidates by participating in career fairs and attending minority conventions such as the National Black MBA Conference and the National Society of Hispanic MBA Conference. Hallmark also advertises in *Black Enterprise*, *The Black Collegian*, *Hispanic* magazine, and *Winds of Change*. In this regard, the company has received many honors, including recognition as one of "The 50 Best Places for Blacks to Work" (*Black Enterprise*), one of the top one hundred companies providing opportunities for Hispanics, and one of the best companies for minorities in *The Best Companies for Minorities*.

Hallmark uses a global measurement for evaluating the impact of its recruiting strategy: it looks at the success of the company. It also analyzes more direct measurements of individual performance, namely the promotion and retention rates of those individuals employed through college recruiting (excerpted from *The Employee Recruitment and Retention Handbook* by Diane Arthur, AMACOM, 2001).

The recruiters for Chiron Corp., a Silicon Valley biopharmaceutical firm with 3,700 employees in eighteen countries, frequently find themselves in fierce competition for a small group of applicants with highly specialized skills. To maximize their chances of attracting and hiring suitable candidates, HR works closely with managers from the company's various units to have an in-depth understanding of the nature of the work to be performed as well as the qualifications sought. In fact, Chiron's recruiters actually "work" in the various business units, such as pharmaceutical and manufacturing. By sitting in on meetings and spending extended periods of time with the managers, the recruiters develop a clearer sense of the kinds of people needed. This also results in greater communication and trust between HR and the managers as they work toward the common goal of hiring the best possible

candidates. And there's an additional benefit to this arrangement: applicants find it easier to talk with HR people who can "talk the talk." This, in turn, leads to a greater willingness on the part of an applicant to share information that could lead to a positive hiring decision. To further enhance the working relationship between recruiters and managers, Chiron switched to a suite of Web-based software applications developed by Hire.com, whereby they can quickly access and share information about applicants from their desktops.

Recruiters at Chiron also use focus groups to develop a detailed picture of the ideal candidate. Chiron's director of staffing refers to this picture as a "persona," explaining that it includes aspects of behavior in addition to qualifications. For example, members of one focus group led recruiters to specific radio stations that PhDs frequently listen to. Based on this information Chiron advertised a job fair on a local radio station and more than tripled the number of responses they had hoped to get. Focus group feedback also led Chiron to abandon posting job openings on generic Web sites and to post, instead, on sites frequented by biotech professionals, such as Biospace.com and Medzilla.com. The result was an increase in the quality of applicants.

General Motors Corp. (GM), an automotive giant with its headquarters in Detroit, Michigan and more than 450,000 employees, faced a major recruiting challenge when constructing its information technology (IT) operations from the ground up. The evolving IT Division needed about 300 leaders in technology, telecom, networking, processes (including manufacturing, engineering, sales, finance, purchasing, human resources, communications, quality, and legal), business process engineering, and systems engineering. Three staff members were selected to devote full time to the challenging recruitment effort. In addition to lining up internal candidates, they functioned as liaisons to the recruiting firms with which GM elected to work, reviewing resumes of qualified candidates and arranging interviews.

GM paid particular attention to out-of-town candidates, recognizing that, in addition to selling the job, recruiters had to sell the Detroit area to potential employees, many of whom were considering positions in more desirable U.S. cities. Accordingly, on-site vendors arranged tours of the city and arranged for realtors to show prospective hires various neighborhoods so they could evaluate the housing market. GM also provided information on schools, entertainment, sporting events, cultural activities, and weather patterns.

When it came time to extend offers, GM found that, given the specific requirements of the IT industry and difficulty in finding quality candidates, it had to be flexible with regard to its compensation structure and benefits packages, especially concerning such issues as vacation time and stock awards.

To evaluate the results of its IT staffing efforts, HR examined turnover. The company's focus on retention reflects its effort to remain competitive within the industry, provide challenges and interesting job opportunities for employees, as well as maintain a productive work environment (excerpted from *The Employee Recruitment and Retention Handbook* by Diane Arthur, AMACOM, 2001).

Recruitment Strategy

In order to attract prime candidates, savvy HR practitioners approach recruitment proactively; that is, they start recruitment efforts as soon as they know there will be an opening, thereby avoiding a lengthy gap between the time an incumbent vacates a position and someone new is hired. They also expand the scope of their efforts to encompass more than traditional, reactive sources, such as advertising and employment agencies. While these can be highly effective sources, they entail waiting for applicants to come to you. Proactive recruiters seek out candidates directly, thereby ensuring a clearer shot at attracting the best candidates and being able to make a hiring decision after interviewing a number of qualified applicants.

One effective recruiting strategy asks you to consider four factors every time your organization has an opening: how much money is available, how quickly the opening must be filled, whether a wide audience must be reached, and the exemption level of the available position. Recruitment sources may meet some criteria but not others. When HR and hiring managers work together to explore the ramifications of using each source in relation to these four factors, deciding which are most productive for each job opening, there is a greater likelihood that the most suitable sources will be selected.

Cost

Spending a great deal of money does not ensure a high number of qualified candidates; in fact, some of the most effective recruitment sources are cost-effective, cost very little, or cost nothing at all. If your recruitment budget is tight, consider using billboard ads, bumper stickers, clients and customers, direct mail, electronic recruiting, employee referrals, government agencies, HR files, job posting, military, on-site recruitment, professional associations, voice ads, or walk-ins.

Time

Sometimes, no matter how well you anticipate an opening, one occurs unexpectedly. When this happens, tap recruitment sources that are most likely to yield results in the least amount of time, including electronic recruiting, employee referrals, contingent workers, HR files, job fairs, newspaper inserts, on-site recruitment, open houses, preemployment training pools, radio and television, research firms, and voice ads.

Scope

Employers tend to cast a wide recruiting net for positions that are hard to fill; that is, positions that require a specific set of skills and knowledge that only a limited number of candidates are likely to possess. Sometimes, too, employers are uncertain about the qualifications and background needed for an opening and want to draw from a wide range of candidates, as is often the case with newly created positions. In those instances when you need to reach a wide audience, consider ads, electronic recruiting, employment agencies, open houses, outplacement firms, radio and television, and search firms.

Exemption Level

Recruitment sources that produce qualified nonexempt candidates do not always work as well for exempt applicants and vice versa. Consider the following as resources that may best be used for exempt-level positions: campus recruiting, competitors, consultants, contingent workers, direct mail, electronic recruiting, job fairs, open houses, periodical and magazine advertising, professional associations, research firms, response cards, and search firms.

Here are some recruitment sources that are considered effective for nonexempt-level positions: billboard advertising, bumper stickers, contingent workers, employee referrals, employment agencies, government agencies, HR files, job posting, newspaper ads, on-site recruitment, preemployment training, voice ads, and walk-ins.

✔ ## Apply What You Learn
Recruitment

Your company's customer service manager has just resigned, giving one week's notice. The last time this position was available, eighteen months ago, you recruited via search firms and newspaper ads, at considerable expense. It also took four months to fill the slot. This was due, in part, to how particular the department head was about comparing the qualifications of numerous applicants. While you have a respectable recruiting budget at your disposal, you also know expenses are being closely watched.

Compile a list of ten recruitment sources you would utilize to fill this position, explaining why you chose them. Include a combination of traditional and creative sources.

Recruitment Source	Reason Selected
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

ABC Guidelines for Successful Recruitment

Every time you have a job opening in your organization, apply as many of the twenty-six "ABC Guidelines for Successful Recruitment" as possible, regardless of the recruitment sources you use (excerpted from *The Employee Recruitment and Retention Handbook* by Diane Arthur, AMACOM, 2001):

1. *Attractive.* Promote your organization as the kind of place employees will want to call their place of work. Highlight your most generous and unique benefits, have employees promote your attributes amongst friends, and publicly pat yourselves on the back for accomplishments.
2. *Believable.* If what you're offering sounds too good to be true, repackage your wares. Applicants can't be bothered tracking down prospective employers to find out if they really do offer more vacation time than any of their competitors or will top any offer received in the past two months.
3. *Centered.* Identify three to six critical qualities you're seeking in your employees; clearly communicate and adhere to them in your recruitment efforts.
4. *Diligent.* Effective recruiting requires a steady and energetic application of effort.
5. *Empathetic.* Attempt to understand an applicant's needs and interests in relation to organizational goals in order to strike a balance and find common denominators between the two.
6. *Flexible.* If you've tried one recruitment source and it's not yielding the kind of results you need, move on to others.
7. *Greedy.* Tell yourself that your company is entitled to be staffed by the best possible workforce; seek out those candidates that maximally meet your needs.
8. *Hip.* Stay informed when it comes to the latest developments in recruitment, as well as the sources and techniques your competitors are using.
9. *Informative.* Anticipate what applicants will want to know about the job and your company and be prepared to tell them, either verbally, in the form of some written material, in a CD-ROM, or on-line.
10. *Judicious.* Exercise sound judgment when matching candidates with jobs. Avoid decisions ruled by emotion.
11. *Knowledgeable.* Be thoroughly familiar with the parameters of the job, how it interfaces with other positions, the department, and the company. Also, be aware of how other organizations view this job in terms of responsibility, status, and compensation.
12. *Linear.* Think in terms of a series of straight lines connecting the applicant, the job, and the company. This will help keep you on track and accomplish your goal of filling an opening as quickly as possible with the most suitable employee.
13. *More.* Review your current recruitment efforts and think of whether you could be doing more. In fact, take each of the key words in these guidelines and ask yourself if you can be *more* attractive, *more* believable, *more* centered, *more* diligent, and so on.

14. *Notorious.* Strive to become the organization everyone talks about. Your goal is to become the company that applicants want to work for, the one that other companies want to imitate.

15. *Open-minded.* Whether you're recruiting IT specialists, engineers, or secretaries, view the job from the applicant's perspective. Ask employees in the classifications you're trying to fill to identify what's important to them so you can emphasize those significant aspects to applicants.

16. *Persistent.* Continue exploring various recruitment sources until you find the right employee. Resist pressure to settle or compromise your standards if you don't fill an opening right away. Rather, reexamine the sources you've chosen, applying the methodology described earlier.

17. *Quick.* The moment you discover you're going to have an opening, act on it. Spread the word among employees, run an ad, do whatever you can to spread the word that you have a job to fill.

18. *Realistic.* It's one thing to seek out the best possible candidate for a job, yet quite another to hold out for the ideal employee who may only exist on paper or in your mind.

19. *Sensible.* Carefully determine the best recruitment source based on a number of factors, including the nature of the job and the current job market.

20. *Tireless.* If you relax your recruitment efforts, chances are another organization will grab the candidate you failed to pursue.

21. *Unified.* Make certain everyone concerned with the recruiting effort is working toward the same goal. That is, that they are in agreement with regard to the qualities and skills being sought.

22. *Vocal.* Openly and clearly express the qualities and skills needed in a candidate to agencies or firms assisting your company with a job search.

23. *Watchful.* Look for signs confirming that the recruitment sources you're using are producing the kinds of results wanted, and that the candidates coming forth possess needed qualities.

24. *Xentigious.* I made this word up (the last two syllables rhyme with *litigious*); it means 'keep it legal.'

25. *Youthful.* In order to compete for top performers, especially the scarce but vitally important group of younger workers, be youthful in your thinking and in spirit.

26. *Zealous.* Applicants are more likely to be interested in becoming part of a company if the recruiters are enthusiastic and appear to genuinely enjoy working there.

INTERVIEW QUESTIONING TECHNIQUES

Any thought can be expressed in a number of different ways. The wording you choose will determine how much information you receive and how useful that information is in making a hiring decision. Furthermore, questions should be job-specific and in accordance with applicable employment laws.

There are five effective kinds of questions you can use during interviews: competency-based, open-ended, hypothetical, probing, and closed-ended.

Competency-Based Questions

A competency is a skill, trait, quality, or characteristic that contributes to a person's ability to perform the duties and responsibilities of a job effectively. Competencies are the gauges for job success. Identifying job-specific competencies enables you to assess how effective a person has been in the past and, hence, how effectively he or she is likely to perform in your organization. Accordingly, competency-based questions relate past job performance to probable future on-the-job behavior by exploring four key areas: tangible or measurable skills, knowledge, behavior, and interpersonal skills. Most jobs emphasize the need for one category over the others, but every employee should be able to demonstrate competencies in all four categories.

Competency-based questions require specific examples concerning what the applicant has done in the past in relation to job-specific competencies. They are easily formulated, beginning with lead-ins such as, "Tell me about a time when you . . . ," "Give me an example of a specific occasion when you . . . ," or "Describe a situation in which you . . . ." For instance, if a job requires the ability to oversee a project, you would ask, "Tell me about a time when you had to oversee a project. What did the task require?"

Competency-based questions should constitute approximately 70 percent of the interview.

Open-Ended Questions

Open-ended questions require full, multiple-word answers. The answers generally lend themselves to discussion and result in statements on which you can build additional questions. Open-ended questions further encourage applicants to talk, allowing you to actively listen, assess their verbal communication skills, observe their pattern of nonverbal communication, and provide time to plan subsequent questions.

The question, "Could you please describe your activities in a typical day at your current job?" is a classic, generic, open-ended question. Here are additional examples, this time for a job requiring customer service: "What is the process that someone with a complaint is supposed to follow?" "What is your role in the process?" "What do you do when a customer is not satisfied with the answer you have given?"

Open-ended questions should make up about 15 percent of the interview.

Hypothetical Questions

Hypothetical questions are based on anticipated or known job-related tasks for an available position, phrased in the form of problems and presented to the applicant for solutions. The questions are generally introduced with words and phrases like: "What would you do if . . . ," How would you handle . . . ," or "Consider this scenario . . . ." They are, effectively, the opposite of competency-based questions, which draw from past experiences, in that they look to the future.

Hypothetical questions allow for the evaluation of individuals' reasoning abilities, thought processes, values, attitudes, work style, and approach to

different tasks. They are especially helpful when asked of applicants with limited or no prior work experience.

Hypothetical questions typically comprise approximately 5 percent of an interview.

Probing Questions

Probing questions allow the interviewer to look more thoroughly for additional information. Best thought of as follow-up questions, they are usually short and simply worded. Applicants who have trouble providing full answers to questions usually appreciate the extra help that comes from a probing question. These also show the applicant you are interested in what he or she is saying and want to learn more.

Examples of probing questions include, "Why?," "How often?," "What caused that to happen?" They usually consitute about 5 percent of the interview.

Closed-Ended Questions

Closed-ended questions may be answered with a single word, generally "yes" or "no." They are most useful when seeking clarification or verification of information in that they result in concise responses. Closed-ended questions should not be used instead of open-ended or competency-based questions.

Here are some examples of effective closed-ended questions: "How often do you travel in your current job?," "Based on what you have told me so far, can I assume that you prefer working independently rather than as part of a team?," "What did you major in while in college?" Closed-ended questions should make up no more than 5 percent of an interview.

✔ ## Apply What You Learn

Asking Questions That Get Results

You are interviewing an applicant for a sales position involving extensive customer contact. Prepare five questions representing the different questioning techniques:

1. Competency-based question: _____

_____

2. Open-ended question: _____

_____

3. Hypothetical question: _____

_____

Apply What You Learn continued from previous page.

4. Probing question: _____

_____

5. Closed-ended question: _____

Striking a balance among these five questioning techniques not only ensures the greatest opportunity for finding the most suitable candidate for a job, but also provides HR and hiring managers with a common ground for discussion when it is time to make the final selection. Both managers can discuss their reasons for wanting to hire or not hire, based on the applicants' answers to key questions as well as their interview notes (discussed in the next section). Generally, HR and the hiring manager agree on who constitutes the best fit; however, if they don't, it is typically the hiring manager's decision as to whom to hire.

DOCUMENTATION

Notes taken during and after an interview become a permanent record of that interview. Whether you use a separate preprinted form or a blank piece of paper, the same guidelines apply. These notes will prove useful to the original interviewer as well as others considering rejected applicants for future job openings. In addition, post-interview documentation is often scrutinized as potential evidence in employment discrimination suits.

Objective and Subjective Language

Use objective language and avoid subjective language, even if complimentary. For example, saying that an applicant is attractive, while complimentary, is a subjective statement. On the other hand, writing that "the applicant's appearance is consistent with the employee image desired by the organization" is objective.

Examples of subjective language to avoid include *abrasive, boring, chip-on-the-shoulder, diligent, energetic, ideal candidate, lacks luster, narrow-minded, perfect, personable, rude, sarcastic, smart, uptight,* and *vain.* Note that subjective language includes positive terms as well as negative ones.

For comparison, here are some examples of objective language: "This job requires prior customer service experience; applicant has two years' experience as a customer service representative"; "This job calls for excellent verbal skills; applicant has made a number of presentations to senior management and clients in his current job"; "This job includes working with highly confidential matters; applicant has never worked with confidential matters before;" and "This job requires employees to be on-call; applicant said one of the reasons he was leaving his current job was because he was on-call and found it disrupted his personal life."

Avoid Recording Unsubstantiated Opinions

Avoid recording your opinions without sufficient job-related backup. Opinions that stand alone without concrete support imply that the interviewer has drawn some conclusions, but failed to identify the information these conclusions were based on. These statements generally begin with phrases such as: "I feel . . . ," "In my opinion . . . ," "I believe . . . ," and "I think . . . ."

Such broad, summarizing statements do not refer to specific requirements and matching qualifications. Interview notes containing statements such as these would not be useful in determining the applicant's job suitability.

Here are some expressions that illustrate the ineffectiveness of recording opinions: "I feel Ms. Jenkins would make an excellent manager of product planning"; "In my opinion, Mr. Martin does not have what it takes to be a sales representative"; "I believe Ms. Salamander is just what we're looking for"; and "It is apparent to me that Mr. Brock can't do this job."

These statements become objective and job-specific when they are followed by job-related information. For example, "I feel Ms. Jenkins would make an excellent manager of product planning" becomes effective when written as, "I feel Ms. Jenkins would make an excellent manager of product planning based on her experience in her present capacity as manager of product planning at Avedon Industries."

✔ ## Apply What You Learn
Using Objective Language

Rewrite the following statements so that they are objective and job-specific.

1. "I don't think Mr. Martin has what it takes to be a sales rep." _____

_____

2. "I believe Ms. Salamander is just what we're looking for." _____

_____

3. "It is apparent to me that Mr. Brock can't do this job." _____

_____

Refer to Job-Related Facts

As soon after the interview as possible, refer directly to each duty and requirement of the position and then indicate whether the applicant has the necessary skills and experience. You may also want to record statements made by the applicant verbatim. This is especially helpful when comparing several candidates with similar backgrounds and qualifications.

E xhibit 3–5

Selection Guidelines

Review:
- Goals and objectives
- Duties and responsibilities of the job
- Tangible and intangible skills required
- Knowledge required
- Salary range

Compare candidates based on:

- Education
- Experience
- Responses to key questions
- Reasons for leaving previous jobs
- Salary requirements
- References

Documentation for Jobs Without Tangible Requirements

Even with applicants who lack prior work experience, post-interview documentation can be objective, factual, and job-related. If you pose hypothetical questions relative to the specific tasks of the job, you can then record the applicant's replies. For example, the opening for a messenger calls for picking up presorted mail from the mailroom and distributing it to each employee. During the interview ask the applicant, "What would you do if a manager told you that she was expecting an important letter, but it wasn't included in the mail you had just delivered?" The applicant might reply, "I would give her the name and extension of my supervisor to check on it." Your notes for this interview would then refer to a job-related activity: "When asked how she would handle missing mail, said, 'Tell manager to check with supervisor.'"

All those involved in the employment process should share their notes and impressions of the candidates under final consideration. Exhibit 3–5 offers some selection guidelines that are especially helpful when there is disagreement over who should be hired.

ORIENTATION PROGRAMS

Starting any new job can be unnerving. Even former employees returning after a lengthy leave of absence report a sense of uneasiness during the first several days back on the job. Until such time as new employees become familiar with the surroundings, feel comfortable with the details and routine of a typical day, and develop an understanding of company and departmental expectations, it will be difficult for them to focus on performing their job.

For these reasons, all organizations should conduct orientation programs for new hires. A comprehensive orientation program consists of both a

formal organizational orientation program managed by the human resources department and a departmental orientation program.

Organizational Orientation Programs

The organizational orientation program generally runs from a half day to a full day, although in large organizations it can last as long as a week. It is meant to provide new employees with an overall view of their new employer and to help them become accustomed to their surroundings, acquire a sense of belonging, learn what the organization has to offer, and determine what is expected of them. This broad perspective can benefit new employees in their present jobs as well as help them develop a sense of commitment to the organization and plan a future with the company.

In some companies, new hires in all job classifications participate in the same program. In others, one presentation is offered to exempt employees, and another is provided for nonexempt employees. This is usually done when there is a substantial difference in the specific information offered, such as managerial benefits and policies pertaining to executives.

Because discussion is an important element of an effective orientation program, the number of participants should be limited to a maximum of twenty. The ideal group size is from twelve to fifteen; this encourages an exchange among the new hires and allows them to ask questions.

There are six main topics that should be covered in the organizational orientation program:

1. An overview of the organization's history and overall function
2. A description of the company's philosophy, goals, and objectives, and how important each employee is in achieving them
3. General industry information
4. An explanation of the organization's structure and unique features
5. An outline of company standards of performance, rules, expectations, policies, procedures, and safety and security practices
6. A description of benefits and employee services

Someone from human resources should be in charge of the overall program. This responsibility entails:

- Planning the specific content
- Scheduling the speakers
- Preparing the presentation media and supplemental material
- Reserving space
- Scheduling employees
- Making opening and closing remarks, and usually speaking on selected topics
- Introducing each speaker
- Conducting tours

Because of this wide range of responsibilities, the HR representative selected should have an in-depth knowledge of the organization and possess

presentation skills. The latter is important for generating enthusiasm and interest among the attendees. Orientation information can be imparted in a variety of ways: lecture, visual presentations (PowerPoint, transparencies, and the like), printed handout materials, videos, question-and-answer periods, and tours.

Departmental Orientation Programs

Managers are responsible for providing a separate orientation program for all new employees in their departments. This plays an important role in shaping a new employee's attitude toward the company and the specific job, since first impressions have been shown to greatly influence employee turnover, attendance, and performance. Thus, managers should be as encouraging, supportive, and sincere as possible.

HR practitioners can help managers prepare the format of their departmental orientation programs. Topics may include the department's structure, specific responsibilities of the department, relationships between departments, reporting relationships, specific job duties and responsibilities, work schedule, and department rules. HR can also prepare a checklist of what to show new hires (see Exhibit 3–6).

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*E*xhibit 3–6

Departmental Orientation Checklist

Show the employee . . .

- ☐ His or her office, desk, or work area
- ☐ Where supplies are located
- ☐ How the phone system works
- ☐ The location of rest rooms
- ☐ How to use shared equipment, such as photocopy and fax machines
- ☐ Where food services are located
- ☐ Lounge or break rooms
- ☐ Exercise facilities
- ☐ Child care facilities
- ☐ Medical services

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recap

Many people believe that interviewing does not require any real preparation. In reality, there are three key preparatory steps that, if completed, can make the interview seem like effortless conversation. These steps are: (1) becoming familiar with the job, (2) reviewing the employment application or resume, and (3) planning basic questions.

Deciding which recruitment source to tap each time you have an opening can prove challenging. Still, with more than

two dozen traditional and creative sources from which to choose, employers should never find themselves in the position of saying, "I just can't find anyone!" To zero in on the most effect source, weigh their respective benefits and drawbacks. In addition, consider four factors: (1) how much money is available, (2) how quickly the opening must be filled, (3) whether a wide audience must be reached, and (4) the exemption level of the job. Also, apply as many of the "ABC Guidelines for Successful Recruitment" as possible.

When interviewing, consider which of five effective questioning techniques will elicit the most meaningful information. Choose from among competency-based, open-ended, hypothetical, probing, or closed-ended questions. Competency-based questions require specific examples concerning what the applicant has done in the past in relation to job-specific competencies and, consequently, tend to yield the most specific and useful information.

Following the interview your documentation should consist of objective language and refer to job-related facts. In addition, it should be free from subjective language and unsubstantiated opinions.

All organizations should conduct orientation programs for new hires. A comprehensive orientation program consists of both a formal organizational orientation program managed by the HR department and a departmental orientation.

Review Questions

1. Of the five recommended questioning techniques, the one that   1. (d)
   is effectively the opposite of a competency-based question is the:
   (a) open-ended question.
   (b) probing question.
   (c) closed-ended question.
   (d) hypothetical question.

2. The statement, "This applicant's experience with computers is   2. (b)
   consistent with the requirements of this job," is an example of:
   (a) an unsubstantiated opinion.
   (b) objective language.
   (c) subjective language.
   (d) notes taken on a blank piece of paper.

3. The three key preparatory steps at the beginning of the   3. (b)
   employment process are:
   (a) preparing key questions, planning the orientation program,
       and documentation.
   (b) becoming familiar with the job, reviewing the application or
       resume, and preparing key questions
   (c) exploring various recruitment sources, becoming familiar
       with the job, and reviewing the application or resume.
   (d) exploring various recruitment sources, reviewing the applica-
       tion or resume, and preparing key questions.

4. Three of the topics covered by organizational orientation   4. (a)
   programs are:
   (a) an overview of the organization's history and overall function,
       general industry information, and a description of benefits
       and employee services.
   (b) a description of benefits and employee services, tips on how to
       get a promotion, and a description of the company's goals.
   (c) a description of the company's goals, an explanation of how to
       use the company's phone system, and an outline of company
       standards of performance.
   (d) an outline of company standards of performance, rules, and
       vacation policies.

5. In order to attract prime candidates, savvy HR practitioners   5. (c)
   approach recruitment:
   (a) reactively.
   (b) defensively.
   (c) proactively.
   (d) constructively.

Do you have questions? Comments? Need clarification?
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4

Testing
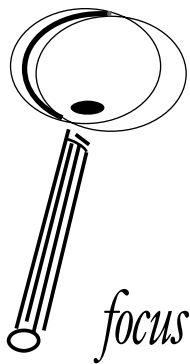
Learning Objectives

By the end of this chapter, you should be able to:

- Explain how preemployment and employment tests are used.
- List testing advantages and disadvantages.
- Describe the test validation process.
- Identify the components of test administration.
- Select from an array of different types of tests.

focus

Following World War II, testing was used extensively as a means for selecting new hires. The popularity of testing as a selection tool continued for several decades, only to decline toward the end of the 1990s. However, due in part to a globally competitive economy, heightened security concerns, and a shortage of skilled labor, preemployment tests are once again becoming a favored means for selection. For HR practitioners, this may mean reexamining existing or previously used tests to support an increasing array of on-line test options, while remaining sensitive to certain applicant populations, e.g., older workers, who may be more comfortable with traditional paper-and-pencil tests. It may also mean revisiting areas to be tested: Quantifiable skills, such as computer knowledge, and personal qualities, like honesty, are among the most common testing categories, but also popular are interest tests and tests that purport to measure learning and thinking ability. HR test givers must also be vigilant about possible adverse impact, job-relatedness, and over-reliance on test scores as the basis for selection.

Can tests accurately predict how individuals are likely to perform in any given job? Even the strongest supporters of tests agree that not all tests are equal and care must be exercised in their selection, implementation, and interpretation. The purpose of this chapter, then, is to review key testing-

related issues: how preemployment and employment tests are typically used, testing advantages and disadvantages, validation, and test administration.

HOW PREEMPLOYMENT AND EMPLOYMENT TESTS ARE USED

Mystic Marketing, Inc. is having trouble finding qualified workers. Of the eight employees hired in the past six months, one quit, another requested a transfer, one has been written up for chronic absenteeism, and another has been referred by the employee assistance program to a drug rehabilitation program. Mystic does not currently use testing as a selection device, but, given the hiring problems it is encountering, three members from the HR department are meeting to explore testing as a possible solution to their problems. It quickly becomes apparent that the three HR representatives do not agree on the overall role of testing in the employment process. Michelle believes she knows if a person is right for a job based on the interview, information on a completed application or resume, and thorough reference checks. Therefore, she declares that tests are unnecessary and unreliable. Don feels very differently. He maintains that tests produce an accurate and unbiased evaluation of a job candidate's ability to perform on the job, and that they are near-absolute predictors of job success. He has little use for subjective interviews. Josh falls somewhere between his two colleagues, asserting that testing should constitute one phase of the employment process, but that no test should ever be used in isolation to evaluate job suitability.

❓ Think About It

Do you believe that a proper job match can be determined solely as a result of interviews and reference checks? yes ___; no ___. Explain your answer.

_____

_____

Should a battery of test scores determine whether a job offer should be extended? yes ___; no ___. Explain your answer.

_____

_____

Is the combination of interviewing, checking references, and testing most likely to yield positive results? yes ___; no ___. Explain your answer.

_____

_____

_____

Preemployment Testing

Employers typically use preemployment tests to accomplish two primary objectives: (1) eliciting a candidate's undesirable traits and (2) identifying characteristics that most closely match the qualities required for the available job. Specifically, tests given to prospective employees may help:

- Predict acceptable or unacceptable on-the-job behavior.
- Minimize or eliminate bias in the interview and selection process.
- Allow employers to identify potentially unfit workers.
- Identify responsible individuals, capable of working with minimal supervision.
- Reduce the cost of recruiting, hiring, and training.
- Identify future "super stars."
- Identify additional job factors that should be taken into account.
- Safeguard against "professional applicants" who pride themselves on being able to mislead interviewers.
- Identify workers who will need extra assistance or training.
- Flush out factors that could prove to be detrimental on the job.

Advocates of preemployment testing believe that employers can acquire this information through the use of a wide range of tests, including skills and aptitude, integrity, personality, psychological, drug, and physical. The exams may be conducted at any point in the selection process, depending on the extent of an employer's commitment to test scores. Firm believers in testing generally require applicants to complete one or more tests as the first step. If the applicants achieve a predetermined minimum score, they will be interviewed and given further consideration. Otherwise, they are rejected. Employers who place a greater value on the face-to-face meeting usually require tests only after the interview process is completed. These employers place little weight on test performance unless it conflicts with information acquired during the interview or through reference checks. Those employers who place an equal emphasis on each of three main aspects of the selection process—interviewing, testing, and references—usually first discuss various aspects of the job with the candidate, then conduct tests, talk further with the applicant, and, finally, conduct reference checks. At this point, the results of each phase are studied and a hiring decision is made.

Employment Testing

Employment tests are commonly used to evaluate existing employees' promotability or to identify hidden skills and talents for purposes of career pathing. Additionally, they may be used to ferret out certain suspected traits, such as drug use or a propensity toward theft. Specifically, these tests may:

- Improve employee/job matches
- Indicate capabilities for greater efficiency
- Determine promotability on a fair, impartial, and equitable basis
- Improve employer/employee understanding of job requirements
- Help replacement planning

- Reduce training and development costs
- Reduce performance errors
- Create a motivating environment by promoting from within
- Validate training and development programs
- Reduce selection on the basis of favoritism
- Improve employees' sense of confidence
- Help formulate new standards of performance

As with preemployment testing, employers tend to place varying degrees of emphasis on the testing of existing staff members. They may regard scores on tests for evaluating promotability as the first step in the evaluation process, ruling out anyone who fails to achieve a certain level. On the other hand, scores may play a lesser role, being used along with a current manager's evaluation, the employee's past performance appraisals, and a survey of the employee's interests. When used for career planning, test results are often evaluated along with questionnaires that target employee on-the-job accomplishments and demonstrated job-related skills and knowledge, as well as short- and long-term goals. Managers must also take into account organizational and departmental objectives and managerial recommendations.

Employment tests used to confirm suspicions about undesirable activities, such as on-the-job drug or alcohol use, are often controversial. Although some see them as an invasion of privacy, others argue that they are a way to protect the health and safety of other employees, customers, and the general public. When such testing is done randomly, it becomes even more controversial.

HR practitioners are urged to work closely with their hiring managers and come to an agreement as to the role preemployment and employment testing plays in the selection process.

TESTING ADVANTAGES AND DISADVANTAGES

Michelle, Don, and Josh are frustrated. They can't agree on how tests should be used and dread the prospect of discussing the remaining topics. Josh suggests that each of them modify their thinking somewhat: If Don were willing to acknowledge that testing has certain disadvantages, and Michelle were willing to concede that testing offers several benefits, they should be able to move forward. (See Exhibit 4–1.)

Testing Advantages

The threesome agrees to begin with testing advantages. Since Don is a staunch supporter of testing, he clears his throat, and begins: "Proponents of workplace testing maintain that the process enables employers to match an individual's abilities and potential with the requirements of a given job. It also identifies certain desirable and undesirable traits. Among the positive traits are honesty, reliability, competence, emotional stability, integrity, and motivation. Negative characteristics to be screened out include substance

Exhibit 4–1

Testing Advantages and Disadvantages

ADVANTAGES
- Enables employers to match an individual's abilities and potential with the requirements of a given job
- Identifies certain desirable and undesirable traits
- Protects against charges of negligent hiring
- Substitutes for reference checks
- Is inherently objective, if validated
- Distinguishes among otherwise similarly qualified candidates

DISADVANTAGES
- Substitutes for effective interviewing skills
- Attempts to predict who will do well
- Screens out qualified individuals who do not test well
- Attempts to evaluate future job suitability
- Substitutes for on-the-job training in jobs requiring minimal learning
- Viewed as solving virtually every employment problem

dependency and a propensity to steal. In security-sensitive jobs ferreting out such traits becomes particularly important." Michelle and Josh agree; Don continues.

"Another good reason for workplace testing is to protect against charges of negligent hiring, the charge sometimes faced by employers who fail to exercise reasonable care in hiring or retaining employees. Increasingly, employers are being held responsible for the criminal, violent, or negligent acts of their employees, both in and away from the workplace. Generally, the deciding factor is whether an employer can establish that reasonable care in ensuring the safety or others was exercised. One way of accomplishing this is through preemployment and employment testing."

"Proponents also support workplace testing as a substitute for reference checks. Fear of being charged with invasion of privacy and defamation of character has led many employers to refuse to divulge all but the most basic information about former employees, such as dates of employment and job titles. This is unfortunate; more information than is commonly given could, in fact, be shared, not only because truth is a complete defense, but because the common law doctrine of qualified privilege states that an exchange of job-related information is in the best interest of both employers and the general public. Still, the fact remains that the sharing of reference-related information is limited; consequently, employers are turning to other ways, like testing, to determine job eligibility."

Michelle and Josh agree that reference-checking can be challenging. They will not concede, however, that testing should be viewed as a substitute for references. Don ignores their protestations and presents additional advantages.

"Another advantage of workplace testing is its overall objective nature. Assuming it's been validated, a test can help employers make unbiased

job-related decisions. When tests are fair representations of the skills and knowledge needed in a given job, employers are likely to be seen as impartial; this, in turn, can enhance the overall image of an organization."

Josh says, "That may be true, *if* certain factors are in place."

"I agree," Don replies. "Just let me give you one more advantage and then we can talk about those factors. Tests can also help distinguish among otherwise similarly qualified candidates. Although no two applicants may ever be perceived as identical in terms of skills, abilities, and potential, it is sometimes difficult to choose the one person likely to be the best. Tests may help with the final decision."

"That wasn't as distressing as I thought it would be," said Michelle. "But I'm interested in hearing about those factors Josh mentioned."

Now it is Josh's turn to speak. "HR needs to take five steps before testing: (1) complete a thorough job analysis, (2) develop a sound testing policy, (3) select the most suitable tests in terms of validity and reliability, (4) ensure that test givers are qualified and testing conditions are equitable, and (5) make certain that test results are scored and interpreted in an unbiased manner."

"That's the second time you two have referred to validation; what's that all about?" asks Michelle.

Josh replies, "I can explain that in a minute, but first I think it's only fair that you talk about testing disadvantages."

Testing Disadvantages

Michelle begins: "One of the greatest concerns expressed by testing opponents is a tendency to rely too heavily on tests. Certainly this is true when employers conduct tests prior to interviewing applicants, immediately dismissing those who do not score at a minimum level. This occurs frequently when the interviewers are not confident in their ability to ask questions and interpret answers because of a lack of training or experience. Also, it is often seen in organizations that have been 'burned,' that is, involved in some sort of legal action that could have been avoided by a more thorough selection process."

Don interjects, "Are you suggesting that I don't know how to interview?"

Michelle answers, "I'm saying that some interviewers use testing as a substitute for effective interviewing skills. Why not just administer the test at the end of the interview?" Don doesn't say anything, so Michelle continues.

"Another common complaint about preemployment and employment testing grows out of the tendency to believe that tests can point to people who *will* do well, as opposed to those who are *likely to* do well in a given job or work environment. The predictive abilities of any exam are limited; results can only indicate which individuals are most likely to succeed. This is true even if a test is well designed and properly used."

Josh nods in agreement; Don remains silent.

"Opponents to testing point out that many people react negatively to the mere idea of a test," continues Michelle. "There are individuals who may, in fact, be qualified but do not do well on tests, resulting in a distorted or incomplete picture of their abilities if test scores are overemphasized. Rejecting such a candidate is a disservice to the person and, possibly, to the organization."

Don has to admit that Michelle's last point has merit, and he does so.

Michelle moves on to another testing disadvantage. "Concern that tests may be misused is also on the negative side of the testing ledger. Test misuse may occur when employers are interested in seeing what abilities a candidate possesses beyond those called for in a given job. This is usually done to help evaluate potential and future growth; after all, what employer doesn't want its employees to stay for a long time? This motivation cannot be faulted, but the method is inappropriate; tests should be given only to evaluate the specific skills, abilities, and traits the available job requires."

Josh is quick to agree with that statement. "You can consider potential, but you can't test for future job skills."

Don grunts, then asks, "Are you finished?"

"Almost," replies Michelle. "I have two more disadvantages to cite. First, testing may be inappropriate when the qualities being sought can be acquired through a minimal amount of on-the-job training or education. In such instances, testing is an unnecessary expenditure of time, money, and energy. Finally, testing is too commonly viewed as the solution to virtually every employment problem. Sometimes workplace problems are best addressed by improved employer/employee relations."

Michelle has finished listing testing disadvantages. After a moment, Don speaks: "All right, I agree that there are some disadvantages to testing."

"And I agree that there are some advantages," says Michelle.

Josh grins and states, "Of course I knew there were advantages and disadvantages all along. Glad the two of you are now on board so we can continue!"

✔ **Apply What You Learn**

Weighing the Advantages and Disadvantages of Testing

Select a test given by your organization and consider it vis-à-vis the six testing advantages and disadvantages listed in Exhibit 4–1. Do the advantages outweigh the disadvantages? yes ___; no ___. Explain your answer.

_____

_____

_____

Should your organization continue using the test? yes ___; no ___. Explain your answer.

_____

_____

_____

TEST VALIDATION

The next testing-related item on their agenda is validation. "Finally," says Michelle. "Will someone please explain what *validation* means as far as testing is concerned?"

Josh begins, "In 1978 the Uniform Guidelines on Employee Selection Procedures were adopted by the U.S. Equal Employment Opportunity Commission, the U.S. Civil Service Commission (renamed the Office of Personnel Management), the Office of Federal Contract Compliance of the U.S. Department of Labor, the U.S. Department of the Treasury, and the U.S. Department of Justice. The primary purpose of the Uniform Guidelines is to provide a framework for determining the proper use of tests and other selection procedures when they are to be the basis for any employment decision. The term *test* covers all formal, scored, quantified, or standardized techniques of assessing job suitability. 'Other selection procedures' refers to application forms, interviews covering education and work experience, reference checks, performance evaluations, and training programs, as well as any other means for determining job suitability. The guidelines are also intended to preclude the use of any selection procedure that has an adverse impact on the hiring, promotion, or other employment opportunities of members of either sex of any race or ethnic group. When two or more substantially equal selection procedures are available, employers are expected to use the procedure that has been shown to have the lesser adverse impact on members of any protected group. These guidelines apply to private employers with fifteen or more employees, to state and local governments, and to most employment agencies, labor organizations, and contractors and subcontractors of the federal government."

"That's quite a mouthful," comments Michelle. "Can you sum it up in a couple of sentences?"

"I believe I can," said Don. "Validation studies are required as a means of 'proving' that a certain test or other selection procedure really works and does not unfairly discriminate against groups of protected individuals. The keys to proving validity are job-relatedness and evidence that the test is a proven indicator of job success."

"Interesting. How does one actually go about validating a test?" asks Michelle.

Josh now takes over. "In broad terms, validation begins with a thorough job analysis to identify the requirements of a job. The next step entails identifying selection devices and standards that isolate applicants or employees who meet the job requirements. Employers should then prepare a detailed validation report that outlines and documents the steps taken. The last part of the study is a summary explaining the study's conclusions and stating that the study found the selection procedure used to be valid and nondiscriminatory. Validity studies should be carried out under conditions ensuring the adequacy and accuracy of the research and the report."

Types of Validity Studies

The Uniform Guidelines recognize three specific methods of determining validity:

1. *Criterion-related validity* refers to a statistical relationship between scores on a test or some other selection procedure and the actual job performance of a sample of workers. There must be evidence that the selection procedure is predictive of job performance. For example, a study proving that college graduates perform a particular job better than high school graduates would be criterion-related.

2. *Content validity* pertains to selection procedures that test a sample of significant parts of a particular job—that is, a demonstration that the content of a selection procedure is representative of important aspects of job performance. For example, the analysis of computer skills for an administrative assistant's position would constitute a content validity study.

3. *Construct validity* describes a relationship between something believed to be an underlying human trait or characteristic and successful job performance. Honesty, for example, might be such a characteristic, the presence and measure of which might be measured by a given selection procedure.

For all three methods, the guidelines specify that cutoff scores must be "set so as to be reasonable and consistent with normal expectations of acceptable proficiency within the workforce."

Although the Uniform Guidelines do not state a preference for one validity method over the others, it is generally agreed that the criterion-related process, though effective, can be a long and expensive procedure. Construct validity has been the source of much debate and is considered to be the most difficult of the three to establish. Consequently, most employers rely on content validation, believing that it most accurately predicts job success.

The guidelines do not specify how frequently or under what conditions validity studies should be reviewed for currency. They do, however, urge employers to keep abreast of changes in the labor market, relating such changes to the validation strategy originally used, and revising their validation studies accordingly.

Employers may use tests and other selection procedures that have not been validated provided a legitimate validation study is under way. Until it is completed, however, employers are discouraged from making hiring decisions based on invalidated test results.

TEST ADMINISTRATION

"I now know more about validity than I want to," joked Michelle. "No, actually, Josh, that was all very informative. If it's all right with the two of you, I'd like to move on to the subject of test administration. I think we need to break down this topic into several subcategories, beginning with who should take tests." (See Exhibit 4–2.)

Test Takers

Don begins this segment of the discussion by asserting, "This is easy. You've both got to agree that it's most equitable to require testing across the board; that is, a test for every applicant applying for every job. Each external job

E **xhibit 4–2**

Components of Test Administration

Test Takers	Applicants and employees who need to demonstrate specific skills and knowledge essential for the successful performance of a particular job
Test Administrators	• Professionals on staff • Send someone on staff for professional training • Hire outside professionals

Test Standardization	• Same environment
	• Same conditions:
	  • Duration
	  • Instructions
	  • Materials
	  • Physical factors
	
	• Eliminate distorting influences:
	  • Tools in poor repair
	  • Excessive noise
	  • Interruptions
	  • Uncomfortable seating
	  • Poor lighting
	  • Poor ventilation

Test Security	• Keep separate those who have taken tests from those who have not yet been tested • Limit access to tests and answer sheets • Keep tests locked • Assign random seating
Language Consistency	Avoid unfamiliar words or word usage

applicant should be tested, as should each internal candidate under consideration for transfer or promotion. Across-the-board testing precludes claims that certain individuals have been singled out."

Josh responds, "This method may seem fair on the surface; however, it is actually laden with bias, since not all positions require tests. It's far better to identify the specific skills required to perform a particular job in a prepared job description. Next, ask yourself a simple but crucial question: 'What do I hope to accomplish by conducting a test?' The answer—'I hope to identify those individuals who possess specific skills and knowledge deemed essential for the successful performance of a given job'—should help determine who should take tests. Oh, and one more thing: You need to clearly define who is an applicant."

"Well, that's rather obvious, isn't it," asks Don?

"There are lots of definitions floating around," replies Josh. "In fact, there's a taskforce consisting of representatives from the same federal agencies that published the Uniform Guidelines on Employee Selection Procedures who are

working, as we speak, on a proposed definition for submission to the Office of Management and Budget (OMB). If accepted, it will likely become regulation. In the meantime, I like the definition of *applicant* supported by the Society for Human Resource Management (SHRM): '… only individuals who have applied for a specific, open position for which an employer is seeking candidates and who meet the pre-defined and documented minimum qualifications related to the specific, open position. Additionally, the definition of *applicant* should include only those individuals who apply for the position during the period that the applicant flow log remains open and who comply with the hiring organization's formal recruitment practices.'" ("Who Is an Applicant?" Produced by the SHRM Governmental Affairs Department, May 2003. Available on-line at *www.shrm.org/government/ppp_published/GAPubPolicy/CMS_005511.asp*)

"I couldn't agree more," says Michelle, turning toward Don.

"Hmmm, I never considered the possibility of test bias before; it makes sense to think in terms of testing for the skills required to do a particular job, and not just testing everyone," concedes Don. "I also like the idea of having a definition of *applicant.* This all makes sense."

Test Administrators

"Please tell me you believe that in order to ensure that tests are both effective and legal, it is crucial that all testing be carried out by competent individuals who possess expertise in employment testing," Michelle says to Don. "It says right here, in the material you gave us, according to the American Psychological Association's (APA) Standard 6.6: 'Responsibility for test use should be assumed by or delegated only to those individuals who have the training and expertise necessary to handle this responsibility in a professional and technically adequate manner.'"

"Relax, and don't sound so defensive; I have no problem with requiring that the level and type of expertise of the tester should be commensurate with the complexity and level of the job in question and with the type of test involved," responds Don. "Can I assume you agree that tests vary in the degree of training required of their administrators? For example, multiple-choice tests can generally be conducted by individuals with a minimal degree of training and test administration knowledge. On the other hand, administering tests that assess personality or mental ability usually requires extensive training. Test publishers generally indicate the degree of psychological training required to administer and interpret their tests. A third type of testing, work sample tests, may be conducted and rated by individuals who are knowledgeable about the details of the job. This may include line supervisors as long as they are also familiar with basic testing procedures, including how to set up for the test, give instructions, and score."

Josh chimes in, "Depending on the type of test in question, employers may select a professional already on staff to manage their testing programs, send someone on staff for professional training, or hire outside professionals. We need to carefully evaluate the credentials of outside vendors and should check their reputation in the field. In addition, it is prudent to review the test's underlying research and its relevance for meeting our goals."

"Well, what do you know, exclaims Michelle. "It sounds as if we all agree on who should administer tests! Let's see if we're as compatible when it comes to test standardization."

Test Standardization

Josh begins: "I'd like to talk a bit on this subject, if you don't mind. Each time a test is administered it must be given in exactly the same way, in the same environment, and under the same conditions, including duration, instructions, materials, physical factors, and any other aspect that might affect testing outcome. It is only when precise standards are adopted and all candidates are allowed to react to the same set of stimuli that legitimate conclusions can be drawn about test scores and job suitability. A possible exception may be made for certain on-line tests that are computer-adaptive, meaning that answers to the current question determine what the next question will be. But this method of testing is more difficult to design in an equitable way and may be challenged for being invalid or having an adverse impact."

Michelle and Don look at one another, turn to Josh, and say in unison, "No problem."

Josh continues, "Every effort should also be made to eliminate or minimize distorting influences. This includes test administrators who mumble or speak with a pronounced accent, using tools that are in poor repair, excessive noise, interruptions during the test, uncomfortable seating, or poor lighting or ventilation. Of course, if a particular job is routinely performed in a noisy atmosphere, then simulating that environment as part of the test would be appropriate."

Josh waits for a reaction from his colleagues. When there is none he announces the next topic of discussion: security.

Test Security

Don thumbs through the papers before him until he finds the reference he is looking for:

> The APA's Standard 15.3 calls for "reasonable efforts to be made to assure the validity of test scores by eliminating opportunities for test takers to attain scores by fraudulent means." Such efforts may include (1) keeping separate those individuals who have taken a test from those who have not yet been tested, (2) limiting the number of people who have access to copies of the tests and answer sheets, (3) keeping all exams locked away in a safe location, and (4) assigning seats randomly so that people who know one another are unable to sit together. Although such measures may, unfortunately, create negative feelings on the part of some test takers, they are often necessary for fair and meaningful test results.

Michelle and Don agree with Josh's statements concerning test security. Michelle adds one comment: "I'm especially concerned about on-line testing. Applicants can take tests from virtually anywhere; accordingly, the security of our database becomes all the more critical."

Language Consistency

Michelle starts by expressing concern that linguistic factors may adversely affect the test performance of speakers of dialects or those who are unfamiliar with certain terms or situations. "Unfamiliar words or word usage may prove to be a distraction or may create negative attitudes toward the test and testers, and consequently have a negative impact on test results," she observes.

Josh adds, "Then employers must make every effort to ensure that there is no bias in the language of their tests. For example, is there any terminology with which members of certain protected groups are unlikely to be familiar?"

"I'd like to add something," says Don. "I think maintaining consistency of language helps ensure equitable testing conditions."

Testing Policies

"You know," says Michelle, directing her attention primarily to Don, "we're not really that far apart on how we view testing. I'll bet we can come up with a testing policy that we can all support and sell to management."

"Let's get our thoughts down and see where we stand," suggests Josh.

They started with a list of key information that they felt should be in a written statement of the testing policy (see Exhibit 4–3) and they had come up with language that they all could agree upon.

- *The primary objective of testing.* A general statement will usually suffice: "As part of _____ company's commitment to hire qualified individuals to fill positions as they become available, selected preemployment or employment tests may be conducted. Resulting test scores will contribute to making the final selection."
- *The organization's commitment to compliance with employment laws.* A clear and concise statement will express the company's position: "It is _____ company's policy to employ qualified individuals regardless of race, creed, religion, national origin, sex, age, or disability status. When an equally valid means of assessing candidates is known to be available, it will be used if it has less of an adverse impact on groups that are subject to discrimination."

E xhibit 4–3

Testing Policies

Certain key information should appear in every organization's testing policy:

- The primary objective of testing
- The organization's commitment to compliance with employment laws
- Which candidates and employees will be tested
- Who will conduct and interpret test results
- A description of testing conditions
- A description of all tests currently used

- *Which candidates and employees will be tested.* First, a statement regarding the testing of similarly situated applicants or employees should appear: "All job candidates and employees applying for a position identified as suitable for testing will be given the same test. Such tests will be job-related and relevant to the selection process. Reasonable accommodations will be made for disabled individuals." This statement should then be followed by a list of those positions that currently require tests.
- *Who will conduct and interpret test results.* A general remark concerning the competency of test administrators should begin this section: "All testing will be carried out by those individuals having the training and expertise necessary to assume this responsibility in a professional and technically competent fashion. The actual degree and type of expertise will be commensurate with the complexity and level of a given job."
- *A description of testing conditions.* Begin by addressing the issue of standardization: "Each time a test is administered it must be given in exactly the same way, in the same environment, and under the same conditions. This includes identical duration, instructions, materials, and physical factors." Next, either provide a detailed description of where tests are administered, or, if tests are not always conducted in the same place, describe the ideal testing environment. Include such factors as type of seating, lighting, ventilation, tools, and materials. In addition, this section should address the issue of security to ensure fair test results, as well as the importance of eliminating any linguistic factors that may adversely affect test performance.
- *A description of all tests currently used.* Begin with an introductory comment concerning the validation status of tests in the organization: "All tests used by this organization have been found to be valid and nondiscriminatory, both in content and in practice." Then identify all of the tests presently being used, noting that these tests are reviewed on a regular basis for currency.

"I think we need to make this testing policy part of our policies and procedures manual," said Don.

"And everyone concerned with conducting or interpreting tests, in addition to all those involved in any stage of the employment process, should become familiar with the policy through training workshops in which all the components of our testing program are fully discussed and explained," added Michelle.

"And we should congratulate ourselves on a job well done and move on to our last topic," concluded Josh. "Ready to discuss different types of tests?"

✔ Apply What You Learn
Test Administration

Consider your organization's testing policy; check all the statements that apply:

1. ___ Objectives are clearly stated.
2. ___ Consistent with relevant employment laws.
3. ___ Contents clearly communicated.
4. ___ Supported by senior management.
5. ___ Clearly identifies which candidates will be tested.
6. ___ Clearly identifies who conducts and interprets tests.
7. ___ Describes testing conditions.
8. ___ Describes tests currently being administered.

What steps need to be taken to ensure that all eight statements apply to your organization's testing policy?

_____

_____

_____

If you don't currently have a testing policy, how would you go about convincing senior management of its necessity?

_____

_____

_____

TYPES OF TESTS

Michelle, Don, and Josh were pleased with what they had accomplished. All that remained was to select tests for use at Mystic. They began looking through some of the books, articles, and brochures from test publishers and quickly discover a vast array of tests from which to choose. On closer examination, they learned that several tests are classified in more than one way. For example, some achievement tests measure physical abilities and could, therefore, be categorized with physical testing; other achievement tests measure knowledge, placing them under the heading of psychological testing. Similarly, motor work samples may be considered a form of physical testing; however, they are also a type of achievement test and could therefore be classified as psychological. Drug and alcohol tests are clearly physical tests; however, because of their popularity, they are frequently treated as their own category. The same holds true for integrity testing: Although technically a form of personality testing, integrity tests usually stand on their own.

E xhibit 4–4
Test Formats

1. Individual tests vs. group tests
- Individual tests allow test administrators to closely observe how potential employees handle simulated work situations.
- Group tests save time and are best used as screening devices to narrow the field of candidates.

2. Structured tests vs. unstructured tests
- Structured tests require specific responses that are either correct or incorrect.
- Unstructured tests encourage candidates to express individual approaches to solving problems.

3. Nonverbal tests vs. oral tests
- Nonverbal tests:
  - Written exams
  - Performance tests (simulations; "hands-on" exercises)
- Oral tests:
  - Direct responses to specific questions
  - Open-ended essay-type questions

4. Power tests vs. speed tests
- Power tests have no time limits, e.g., in-basket exercises.
- Speed tests have specific time limits, e.g., tests for keyboarding skills.

5. Fact-oriented tests vs. judgment-related tests
- Fact-oriented tests consist of a series of multiple-choice or true-false questions and evaluate a candidate's knowledge of specific information.
- Judgment-oriented tests assess how knowledge is applied and are projective in nature.

"What are we supposed to do?" queries Don. "We can't possibly examine everything. See this list of different testing formats? Let's agree to discuss these some other time." Josh and Michelle take a look (see Exhibit 4–4), and agree to postpone inquiry into testing formats.

"But that's just a small aspect of testing that's off the table for now. How are we going to decide which tests to look at?" Michelle asks.

Josh responds: "Let's consider what senior management is most concerned about."

"Well, I know they're worried about an increase in employee drug use and want us to look at setting up a drug testing program," Michelle responds. "Also, they're concerned with turnover rates and want us to do a better job of identifying and evaluating specific traits, like stability and ethics."

"Along those lines," adds Don, "management wants to make sure employees are properly matched with their jobs."

"Agreed," says Josh. "So why don't we focus on tests that address those three areas? First, we'll examine drug tests; that category is self-explanatory. Next, we'll look at psychological tests. This is a broad grouping that includes general intelligence, aptitude, achievement, job knowledge, and work sample

tests. Finally, we'll explore personality tests. Unlike aptitude and achievement tests, which measure a person's ability to perform a specific task, personality tests focus on a person's intangible qualities."

Michelle nods in approval. "When we're done, Mystic Marketing will be well on its way to achieving its goal of a workforce that is free of substance abuse, matched with the right jobs, and well-adjusted. Let's each take a stack of reading material and prepare a summary to present at our next meeting in three days, same place and time. At that point we can decide if we want to look at additional types of tests, like integrity and physical ability. Agreed?" (Exhibit 4–5)

E xhibit 4–5
Types of Tests

1. Drug
  - Urine (screening; confirmatory)
  - Blood
  - Hair analysis
  - Critical tracking (assesses on-the-spot employee fitness by measuring fine hand-eye coordination and reaction time)
  - Papillary reaction (tests pupil reaction to light)

2. Alcohol
  - Breathalyzer
  - Blood
  - Urine
  - Critical tracking

3. Psychological
  - General intelligence
  - Aptitude (what a person can accomplish on the basis of what he or she knows)
  - Achievement (measure current skills, knowledge, and accomplishments)

4. Personality
  - Projective tests (describe, interpret, or attach meaning to certain unstructured stimuli)
  - Personality inventories (seek to uncover personal characteristics, thoughts, feelings, attitudes, and behavior)
  - Graphology (handwriting analysis)

5. Integrity testing
  - Polygraphs and other mechanical lie-detector tests (these have been all but banned from use by private-sector employers as a result of the Employee Polygraph Protection Act of 1988. They are still legal in some security-sensitive jobs.)
  - Written honesty tests
  - Overt tests (target an applicant's attitudes about specific aspects of dishonesty)
  - Veiled-purpose tests (pose seemingly irrelevant questions)

6. Physical testing
  - Preemployment physical exams
  - Tests of physical ability (psychomotor tests)

"There's just one more thing," comments Josh. "As a precaution, let's have our labor attorney review the tests and testing procedures we decide on before presenting our findings to senior management."

Drug Testing

The controversy over whether to test applicants and employees for drug use remains unresolved. Sound arguments may be made both for testing and not testing. Proponents point to the risks linked to substance abuse and maintain that testing will ferret out offenders, thereby ridding the workplace of numerous ills. But those who oppose drug testing are quick to point out that a "zero tolerance" policy, designed to deter drug use off the job as well as on the job, has been criticized by some courts as an unwarranted invasion of privacy. Popular methods used for detection, such as urine analysis, may also be considered invasive, thereby violating an individual's privacy.

Opponents also object to drug testing because they fear it will subject companies to potential legal liability. Applicants or employees who have been accused of drug use may allege that positive test results do not prove any act of wrongdoing. For example, urine can retain traces of drugs for anywhere from a few days, in the case of cocaine and amphetamines, to a month, as with the drugs classified as cannabinoids. Consequently, although a urine test may indicate use of an illegal drug, it cannot establish with certainty that the drug was used during working hours, impaired the employee's ability to perform his or her work, interfered with the work of others, or endangered the safety of others. Lawsuits may also stem from false positive test results caused by the use of legitimate, over-the-counter drugs. This is most likely to occur when urine screening tests are used, since they frequently report "drug detected" without distinguishing which drug is involved. To reduce this possibility, it is advisable to ask test takers to identify all drug products used in the weeks prior to the test.

In addition, no matter how sophisticated a test may be, it does not always correctly identify all individuals who use drugs. Temporary abstinence, faked samples, and false negatives are all obstacles to accurately identifying drug abusers. Additionally, few tests are able to differentiate users from abusers, an important distinction. Hence, the relationship between testing positive for substance abuse and job performance is debatable.

To help you determine whether testing is appropriate for your company, consider these questions: Are there safety- or security-sensitive jobs in which substance abuse might endanger lives or property? Are other companies in the field conducting drug testing? How successful have other companies with drug testing programs been? How receptive are members of management and of the workforce to drug testing? If my organization decides to implement a drug testing program, will it be part of an overall workplace antidrug program? If we make a job offers conditional on passing a drug test, will word spread, thereby affording applicants ample opportunity to "test clean"?

Drug Testing Options

The least controversial form of employee drug testing is "reasonable suspicion" or "for cause" testing: giving a test when there is reason to believe that an employee's job performance is impaired because of the influence of illegal drugs. *Reasonableness* is difficult to define, and may vary among industries and circumstances. In many instances, the reasonable cause issue is closely related to safety. Hence in post-accident situations or when employers are acting out of concern for the health, safety, or welfare of the public, drug testing programs are less likely to be challenged. Testing in conjunction with a scheduled physical exam and during or after an employee's participation in a drug abuse program is also generally considered "safe."

More complex is the issue of random testing. The primary benefit of random testing is obvious: It takes away an individual's ability to alter his or her drug intake. A random testing program can have a substantial deterrent effect, particularly if the company has a strict disciplinary policy with respect to those who test positive. However, random testing is clearly the most intrusive form of testing. It can easily generate employee resentment, seriously lowering morale and productivity. If a company does decide to do random testing, it is important to include representatives from every job classification, including senior management, every race, religion, national origin, and both sexes, to rule out allegations of bias.

Many employers find that exercising different testing options for different employees works best. For example, all job applicants may be routinely tested for drug use as a condition of employment; employees in sensitive positions may be required to undergo mandatory, random testing; some employees may be tested on the basis of reasonable cause; and still others may not be tested at all. The objective in each instance is to consider the purpose to be achieved and then select the most appropriate form of testing.

Drug Testing Policies

Employers electing to implement drug testing should have a written policy. Some states mandate that employers establish a written policy delineating when and how drug testing will take place and how employees' privacy will be protected. Even if a statutory requirement does not exist, establishing a policy sends a clear message throughout the organization that drug abuse will not be tolerated.

All drug policies should contain a statement concerning the objectives; expectations of employees; validity of testing procedures; relevant laws; types of tests to be conducted; who is to be tested; circumstances under which testing will be conducted; who will conduct the tests; grounds for retesting; security measures to ensure samples are not substituted or tampered with; meaning of test results; ramifications for refusal to take a test; possible disciplinary action if test results are positive; employee assistance programs; efforts to ensure confidentiality; commitment to education of management regarding such matters as how to detect problems and what is actionable; and a description of prohibited conduct. The policy should be reviewed on a semiannual or annual basis and revised as needed.

? Think About It

Does your organization conduct drug testing? yes ___; no ___. If it does, describe the program in terms of:

"For cause" testing: _____

_____

Random testing: _____

_____

Drug Test Consent Forms

Prior to conducting drug tests, HR should acquire the permission of applicants or employees. Applicant consent forms can be simple and straightforward:

> I agree to submit to drug testing as part of the Mystic Marketing, Inc.'s employment selection process. I understand that positive test results, refusal to be tested, or any attempt to tamper with test samples or results will result in the withdrawal of my employment application, offer of employment, or termination of employment, depending on when the results are made known.

> Employee consent forms may read as follows: "I agree to submit to random or reasonable suspicion drug testing by Mystic Marketing, Inc., and consent to the results being made known to Mystic's HR manager." These forms might also call for the applicant or employee to list current medications, including over-the-counter drugs. Additionally, they could include a statement whereby the applicant or employee agrees not to file any action against the company or its laboratory testing service. Consent forms should be reviewed by legal counsel.

Psychological Testing

Psychological tests, defined here as measures of general intelligence or mental ability, are seen by proponents as tools for identifying and predicting behaviors that are relevant to a given position. For example, many industrial psychologists believe that an individual's propensity to leave an organization prematurely may be anticipated through testing. Similarly, in evaluating candidates for sales positions, a psychological test instrument might be used first to identify the characteristics judged most valuable in a sales representative and then to assess the likelihood that each applicant will exhibit those traits.

Psychological tests are also increasingly being used to evaluate specific traits, such as managerial effectiveness, business ethics, company loyalty, stability, cooperation, and independence. Employers need to ask themselves:

Can these tests really identify traits and predict behavior? Are they effective measures of intelligence or ability? Most important, can employers rely on their projections?

Opponents and Advocates of Psychological Testing

Consider the most commonly voiced objections to psychological testing in the workplace: the tests are intimidating; they invade the privacy of individuals; they set a negative tone for the workplace; they cannot accurately measure intelligence because intelligence defies definition; they promote labeling, i.e., referring to someone as "bright" or "slow"; they may contain questions on topics with which test takers are uncomfortable; the results may be misleading or misused; and they promote reliance on testing, to the exclusion of other selection factors.

On the other hand, employers, who are fearful of charges of negligent hiring, unsuccessful at obtaining comprehensive references, or uncomfortable with the subjective nature of interviews, are turning to psychological tests as a means of "knowing" a person before making a hiring decision. They argue that responsibly administered psychological tests designed to select employees whose abilities match the requirements of a job can be more objective than other selection procedures; be more cost-efficient than other screening devices; have a deterrent effect on deviant conduct among those hired; produce a more productive workforce; reduce turnover; provide employers with peace of mind; and provide employers with a competitive edge.

Types of Psychological Tests

Employers may choose from numerous types of psychological tests including: general intelligence tests, which measure a wide range of traits; aptitude tests, which predict what a person can accomplish on the basis of what he or she knows; achievement tests, which measure current skills, knowledge, and accomplishments; job knowledge or trade tests, which require applicants to demonstrate their degree of existing knowledge on how a given job is performed by answering written or oral questions; and work sample tests, which require test takers to demonstrate their existing level of skills using actual or simulated job-related equipment.

Employers must make certain that the tests selected comply not only with federal and state laws, but meet appropriate ethical principles as well. The ethical use of tests can be controlled to some extent by a code of ethics to which professional testers and publishers subscribe. Both the American Psychological Association (APA) and the American Personnel and Guidance Association (APGA) are bound by ethical codes pertaining to test administration and other psychological services. These codes cover such issues as test validity, reliability, standardization, and administration. Test publishers must also control the release of tests to qualified persons only, those trained to use tests for their intended purposes alone. Publishers and distributors of psychological tests must make certain that the tests they market are designed properly and are of potential value to a particular organization and society as a whole.

Employers obtaining test results must understand exactly what is being measured by the tests given to prospective and current employees as well as what is not being measured. It is especially important for employers to realize that test scores are not fixed measures of an individual's mental status; rather, tests of general intelligence and special aptitudes reveal only the probability that a test taker will succeed in a particular job or field. In addition, test scores are susceptible to errors of measurement and to changes in abilities and achievements.

? Think About It

Does your organization conduct psychological testing? yes ___; no ___. If it does, describe the program in terms of:

The types of tests administered:

_____

_____

How the tests results are used:

_____

_____

Personality Testing

Should personality, defined as that combination of qualities and characteristics distinguishing one individual from another, be a consideration when making a hiring decision? The answer to this question varies with each job. Clearly, some tasks will be carried out more effectively if the incumbent possesses certain intangible traits. For example, a friendly receptionist is certainly more desirable than one who is abrasive or abrupt, because a receptionist is generally the first contact a client or visitor has with a company. Similarly, an interviewer who appears disinterested or judgmental could make an applicant feel uneasy and hesitant about revealing important background information. In these instances, certain aspects of an applicant's personality may be job-related. On the other hand, for a programmer who has little interaction with any of his or her co-workers, or for a person hired to conduct research, personality has little, if any, relevance.

Consequently, job-relatedness is the key to whether personality should be a consideration when making a hiring decision. But how can the job-relatedness of an intangible be determined? One way is to ask yourself if one applicant without certain traits can perform a given job as effectively as another

possessing those traits. If the answer is "no," and you can go on to document why, then the personality requirements are probably valid. If the answer is "yes," but an applicant with certain characteristics could probably do a better job, then the answer is less clear. If the answer is "yes," but you would prefer to hire a particular personality, then the requirement is probably invalid.

Even when personality traits are job-related, employers are cautioned that judgments about personality are subjective and, as such, susceptible to challenge. Care must be taken to avoid weighing personality too heavily or to use it as the sole basis for selection or rejection. Intangibles are most useful when there are two candidates with similar tangible skills or when there are no concrete requirements at all.

Advocates and Opponents of Personality Testing

Advocates of personality testing view it as a valid indicator of job success, maintaining that a workforce composed of individuals who have been selected, in part, because of their responses to personality test questions will work harder and more efficiently, improving productivity. Additionally, having been properly "matched" with their jobs, members of such a workforce are more inclined to stay with one employer for a longer period of time. Proponents also argue that personality tests provide employers with a more complete picture of a candidate than do other selection criteria, such as application forms, resumes, face-to-face interviews, or reference checks. In addition, supporters of personality testing maintain that information may be gathered in such a way that applicants are unaware of exactly what is being revealed. Hence, there is little potential for allegations of discrimination and resulting lawsuits. Finally, supporters claim that personality tests reduce recruitment costs, in that tests can accurately identify those workers best suited for specific jobs, virtually eliminating waste in time, effort, or money.

Opponents of personality tests strongly disagree with these claims. They argue that personality is extremely difficult to measure and that labeling personalities is an imprecise process. Even if it is shown that a particular quality prevails over others, this may be the result of unusual circumstances, perhaps a significant event in the applicant's life that, after a certain period of time, ceases to be influential. Opponents express concern over the assumption that personalities do not change over time and reject the idea that matches deemed appropriate or otherwise at one time will necessarily remain so. Opponents also voice concern that employers who conduct personality tests might erroneously assume that a given job can be successfully performed by only one specific personality type. This kind of thinking not only discriminates against qualified applicants, but may also hurt the company.

Personality Testing Caveats

Employers who decide to use personality tests should make certain the tests are developed in full compliance with the Uniform Guidelines on Employee Selection Procedures, and are validated and administered by individuals skilled and knowledgeable in matters of personality testing. Test questions should be constructed so that they minimize the potential for violating an individual's privacy and protection against self-incrimination.

❓ Think About It

Does your organization conduct personality testing? yes ____; no ____. If it does, describe the program in terms of:

The types of tests administered:

_____

_____

How the results are used:

_____

_____

recap

Employers typically use preemployment tests to accomplish two primary objectives: eliciting a candidate's undesirable traits and identifying characteristics that most closely match the qualities and skills required in the available job. Employment tests are commonly administered to evaluate existing employees' promotability or to identify hidden skills.

There are numerous testing advantages and disadvantages that should be weighed before using any test. Proponents argue that testing is inherently objective, and that, in addition to matching an individual with a job and identifying specific traits, tests can protect against charges of negligent hiring. Opponents maintain that there is no substitute for effective interviewing; in addition, tests cannot predict who will do well or evaluate future job suitability. Furthermore, tests may screen out qualified individuals who do not test well.

Tests and other selection procedures must be validated. The keys to proving validity are job relatedness and evidence that the test is a proven indicator of job success. Proper test administration includes identifying who should take tests and who should administer and evaluate them, standardization of testing conditions, security, and language consistency. All of this should be covered in an organization's testing policy.

There is a vast array of tests from which to choose, including aptitude tests designed to measure a person's potential ability, achievement tests intended to measure current skills, and physical tests that may ensure performance of tasks without threatening the health or safety of others. Within each of these broad testing categories there are several significant types of exams, including drug, psychological, and personality. These, in turn, are broken down further into hundreds of specific tests.
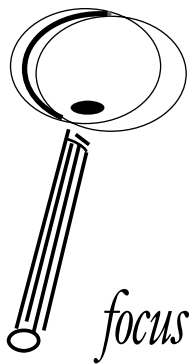
Review Questions

1. Every organization's testing policy should include: 1. (b)
   (a) the primary objective of testing, the names of anyone who has failed a drug test in the past, and the organization's commitment to compliance with employment laws.
   (b) a description of testing conditions, a description of all tests currently used, and who will conduct and interpret test results.
   (c) information about which candidates and employees will be tested, the primary objective of testing, and advice to employees on how to prepare for tests.
   (d) a list of testing advantages and disadvantages, a description of testing conditions, and a statement of what happens when employees fail tests.

2. One of the keys to proving validity is evidence that the test   2. (a)
   is a proven indicator of job success. The other is:
   (a) job-relatedness.
   (b) documentation.
   (c) uniformity.
   (d) consistency.

3. The least controversial form of employee drug testing is   3. (d)
   "for cause." More complex is the issue of:
   (a) testing executives.
   (b) finding cost-effective labs.
   (c) privacy.
   (d) random testing.

4. _____ is considered by testing proponents to be a key   4. (b)
   advantage to workplace testing.
   (a) Screening out applicants who don't do well on tests
   (b) Being able to identify certain desirable and undesirable traits
   (c) Substituting for a minimal amount of on-the-job training or education
   (d) Having anyone administer, score, and interpret test results

5. Administering a test the same way, in the same environment,   5. (c)
   and under the same conditions is part of:
   (a) adverse impact.
   (b) management control.
   (c) test standardization.
   (d) validation.

Do you have questions? Comments? Need clarification?
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5

Compensation

Learning Objectives

By the end of this chapter, you should be able to:

- Define the characteristics of an effective compensation program.
- Write effective generic and specific job descriptions.
- Conduct position evaluations.
- Differentiate among various compensation programs.

focus

Joanna and Marcus work as senior compensation analysts in the HR department of a mid-sized bank. Lucy, the vice president of compensation, has asked them to conduct a thorough review of the bank's compensation program. The reason: The bank has just been hit with a salary discrimination class action suit alleging inequitable monetary treatment of men and women performing comparable jobs.

 The two analysts meet in the conference room, each with a stack of files they were asked to bring along. The door opens and in walks Lucy. She begins, "The bank, admittedly, has a problem with some job classifications when it comes to pay equity, and we need to fix that, but overall we're in pretty good shape. We just have to pull everything together to prove it. Besides, we're not the only ones with inequity issues. Take a look at this recent study by Cheri Ostroff and Leanne E. Atwater (*Journal of Applied Psychology*, August 2003). It states that female managers are paid about 9 percent less than their male counterparts. Also, pay for male and female managers is lower when the managers' subordinates, peers, or supervisors are mostly female. For example, on average, a manager who heads a group with 80 percent female employees receives about $7,000 less in annual pay than a manager who leads a department that is

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80 percent male. The study is extensive, involving nearly 2,200 managers from over 500 companies industry-wide."

Lucy continues: "Look, I'm not trying to sugarcoat this; I'm just saying we're not alone. At any rate, here's what you need to do: Gather research on job descriptions, position evaluations, and compensation programs; then see how we compare. Be sure to get the managers involved in the process; they can be especially helpful with job descriptions and have definite views as to how their people should be paid, especially when they see inequities in their departments." That said, Lucy leaves the room.

CHARACTERISTICS OF AN EFFECTIVE COMPENSATION PROGRAM

Marcus starts by saying, "Looks like we've got quite a bit of work ahead of us. Let's begin by addressing a key question: What is a compensation program?"

"All right," replies Joanna. "I'd say a compensation program identifies the salaries paid employees, excluding benefits and perquisites such as vacations and personal days. These salaries reflect the duties and responsibilities performed by employees. A structured program can enhance productivity, while preventing morale problems and precluding charges of discrimination."

"Yes," comments Marcus, "but the bank has a structured program and we're still being charged with discrimination."

"True," says Joanna, "having a program doesn't mean it's judgment-proof; but consider what can happen when managers pay individual employees whatever they think is fair. On learning what their co-workers are earning—and rest assured, they will find out—employees making less money but performing similar tasks usually end up quitting or suing. Besides, we're obliged to abide by the Equal Pay Act of 1963, which requires equal pay for men and women performing substantially equal work of comparable skill, effort, and responsibility, performed under similar working conditions."

"Granted," comments Marcus. "What about the primary goal of a compensation program?"

"That's easy," responds Joanna. "It's to attract, retain, and motivate maximally productive employees. Actually, this is a good starting point for our report: Let's identify the characteristics of an effective compensation program."

After some discussion and collection of information, Joanna and Marcus come up with what they identify as "The Twelve Characteristics of an Effective Compensation Program."

1. It should offer competitive rates for comparable jobs with salary levels and practices equivalent to those that prevail in the labor market in which an organization competes.
2. It should be internally equitable.
3. It should take into account the level of talent needed or wanted by the organization.

4. The time, cost, and energy devoted to its development and maintenance should be reasonable and in proportion to the other priorities and time demands of an organization's resources.
5. It must be supported by senior management, with this support clearly communicated to employees.
6. Employees must understand the basis for the organization's salary policies and believe that they are being impartially administered.
7. It should contribute toward motivating employees to perform their responsibilities as effectively as possible and in a manner that supports organizational goals.
8. It should allow for the growth and development of employees.
9. It should be easy to administer and flexible enough to change over time without requiring a major overhaul.
10. It should be defensible against legal challenges.
11. The ranges should be broad enough to recognize varying levels of performance.
12. It should instill a sense of confidence that salaries are not established at the whim of management.

After reviewing their list of characteristics, Joanna says, "We should explain that, although these goals may be shared by all organizations, each workplace should examine its own objectives before establishing a compensation plan. Such objectives will act as specific guidelines for developing a pay system that facilitates day-to-day salary-related decision making."

"True," agrees Marcus. "In addition to having its own specific set of goals, each organization is unique in terms of its products, hierarchy, management style, economics, and operating characteristics. And, while there is no one compensation plan appropriate to every environment, all organizations should focus on developing comprehensive job descriptions and position evaluations so that realistic and applicable salary survey information can be identified. It can then design and implement a customized compensation plan reflecting its growth objectives. Employees' performance evaluations and recommended pay increases will then relate to the compensation system."

? Think About It

Check off those characteristics of an effective compensation program that apply to your organization's system.

Characteristics of an Effective Compensation Program	Applies	Doesn't Apply
Provides competitive rates for comparable jobs	_____	_____
Is internally equitable	_____	_____
Accounts for talent needed or wanted	_____	_____

Think About It continues on next page.

Think About It continued from previous page.

Characteristics of an Effective Compensation Program	Applies	Doesn't Apply
Is reasonable to develop and maintain	_____	_____
Is supported by senior management	_____	_____
Is understandable by employees	_____	_____
Contributes toward motivating employees	_____	_____
Allows for growth and development	_____	_____
Is easy to administer and flexible enough to change	_____	_____
Is defensible against legal challenges	_____	_____
Includes broad ranges to recognize varying performance levels	_____	_____
Instills a sense of confidence	_____	_____

Does your organization have any characteristics that don't apply? yes ___; no ___. Why do you think this is so?

_____

_____

Is the senior management of your organization receptive to improving its compensation program? yes ___; no ___.

JOB DESCRIPTIONS

"Well," says Joanna, "That was a productive beginning. Now let's get into some of the details, beginning with job descriptions."

Marcus moans. "I hate job descriptions," he confesses. "They take forever to write and by the time you're done you have to turn around and update them."

Joanna sits back in her chair and thinks before speaking, then says: "They can be a pain, no question about it. But not if you begin with a thorough job analysis: the process of gathering data that will later be used for preparing the actual job description. There are many ways to collect the required data, including distributing questionnaires to incumbents, their managers, and anyone whose work is directly affected by the available position; asking incumbents and their managers to maintain logs over a period of time; directly observing incumbents as they work; and interviewing incumbents, their managers, and others who interact with the incumbents. Since written job descriptions form the foundation for an organization's compensation program, outlining the primary duties and responsibilities of a job and identifying the required skills and knowledge so that the overall meaning of a job is clearly and accurately communicated, is worth the time it takes."

"I know," says Marcus. "Sorry—I'm just tired, I guess. I realize that every position in an organization should have a written job description. Should we talk about the categories recommended for inclusion in all job descriptions?"

"Not yet," advises Joanna. "First, let's identify some critical questions employers should ask themselves before writing job descriptions."

Before Writing Job Descriptions

Before writing a job description, employers should ask themselves the following questions and then proceed.

- Will the job holder supervise the work of others? If so, provide job titles and a brief description of the responsibilities of those supervised.
- What duties will the job holder perform regularly, periodically, and infrequently? List these in order of importance.
- What degree of supervision will be exercised over the job holder?
- To what extent will instructions be necessary in assigning work to the job holder?
- How much decision-making authority or judgment is to be allowed the job holder in the performance of required duties?
- What are the working conditions?
- What skills are necessary for the successful performance of the job?
- What authority will the job holder have in such matters as training other people or directing the work of others?
- At what stage of its completion will the job holder's work be reviewed by the manager in charge?
- What machinery or equipment will the job holder be responsible for operating? Describe the equipment's complexity.
- What would be the cost to management of serious errors that the job holder might make in the regular performance of required duties?
- What employees within the organization, and customers or clients outside the organization, will the job holder interact with on a regular basis?

"Now can we talk about the categories recommended for inclusion in all job descriptions?" queries Marcus.

"Soon," answers Joanna. "In addition to asking these questions, it is also important to determine whether a generic or specific job description is called for."

Generic and Specific Job Descriptions

Generic job descriptions are written in broad, general terms and may be used for several similar positions in different departments of the same company. For example, there may be one generic job description for the position "secretary" rather than a separate secretarial job description for each department in a company. When preparing generic job descriptions, be careful to list only those duties that all positions of the same title have in common.

Specific job descriptions define the duties and tasks of one particular position, such as "director of human resources." They are written when a position has unique responsibilities that distinguish it from other jobs.

All job descriptions, whether generic or specific, should be concise and straightforward, using easily interpreted, uncomplicated language.

Job Description Contents

"Are you finally ready for us to identify the categories recommended for inclusion in all job descriptions?" asks an exasperated Marcus.

"Sure," responds Joanna. "That won't take long, and it will serve as a helpful checklist to ensure that we're covering all relevant topics. Basically, all job descriptions should identify the who, what, where, when, and how of a job."

Marcus began to speak, and Joanna interrupted him to add, "They should also use action words; that is, words that describe a specific function, such as *organizes*. Action words don't leave any room for confusion. Within any sentence, a single word should stand out as the most descriptive: a word that can essentially stand alone. I actually have a list of action words that I keep in my desk drawer. That way, when I'm writing job descriptions, I can refer to my list and identify the most appropriate action words for each task."

"Why don't we prepare a checklist of job description contents as an attachment to our report?" asks Marcus.

"Great idea," responds Joanna. "We'll call it Exhibit 1. And then we can prepare a second attachment, Exhibit 2, Sample Action Words." (See Exhibits 5–1 and 5–2.)

Guidelines for Writing Job Descriptions

"There's one more thing we should include in our report concerning job descriptions," said Marcus. "I think guidelines for writing job descriptions will be helpful. How about something simple and straightforward, like the following?"

1. *Arrange duties and responsibilities in a logical, sequential order.* Begin with the task requiring the greatest amount of time or carrying the greatest responsibility. Include the percentage of time devoted to each task.
2. *State separate duties clearly and concisely.* Anyone should be able to glance at the description and easily identify each duty.
3. *Try to avoid generalizations or ambiguous words.* Use specific language and be exact in your meaning; to illustrate: "handles mail" might be better expressed as "sorts mail" or "distributes mail."
4. *Do not try to list every task.* Use the phrase "primary duties and responsibilities include . . ." at the beginning of your job description and close with "performs other related duties and responsibilities, as required."
5. *Include specific examples of duties wherever possible.* Being specific will enable readers to more fully understand the scope of responsibility involved.
6. *Use nontechnical language.* A good job description explains the responsibilities of a job in terms that are understandable to everyone using it.
7. *Indicate the frequency with which each duty should be performed.* One popular way to provide this information is to have a column on the left of the list of tasks with corresponding percentages that represent the estimated amount of time devoted to each primary duty.
8. *List duties individually and concisely rather than using narrative paragraph form.* A job description is not an English composition.

Exhibit 5–1

Checklist of Job Description Contents

Are each of the following items included in this job description?

☐ Job title
☐ Division and/or department
☐ Reporting relationship
☐ Location of job
☐ Work schedule
☐ Exemption status
☐ Grade and salary range
☐ Brief summary of the job's primary duties and responsibilities
☐ Detailed list of primary duties and responsibilities in ascending order
☐ Estimated percentage of time devoted to each task
☐ Education, prior work experience, and specialized skills and knowledge required
☐ Physical environment and working conditions
☐ Equipment and machinery used
☐ Other, such as access to confidential information

9. *Do not refer to specific people.* Refer to titles and positions. Incumbents are likely to change positions long before the positions themselves are revamped or eliminated.
10. *Use the present tense.* Prose written in the present tense reads more smoothly.

Exhibit 5–2

Sample Action Words

Administers	Edits	Negotiates
Advises	Evaluates	Notifies
Analyzes	Examines	Observes
Assigns	Files	Obtains
Assists	Follows up	Operates
Audits	Formulates	Organizes
Balances	Generates	Performs
Classifies	Identifies	Prepares
Collects	Informs	Proposes
Compiles	Initiates	Receives
Constructs	Interviews	Recommends
Coordinates	Itemizes	Records
Creates	Lists	Reports
Decides	Locates	Researches
Delegates	Maintains	Reviews
Designs	Measures	Revises
Determines	Modifies	Schedules
Develops	Monitors	Screens

11. *Be objective and accurate in describing the job.* Be careful not to describe the present incumbent, yourself when you held that particular job, someone who may have just been fired for poor performance, or someone who was recently promoted for outstanding work. Describe the job as it should be performed, not as you would like to see it performed.

12. *Stress what the incumbent does, instead of explaining a procedure that is used.* For example, say "records appointments" rather than "a record of appointments must be kept."

13. *Be certain that all requirements are job-related and are in accordance with relevant employment laws.* This will preclude the likelihood of legal problems developing later on.

14. *Eliminate unnecessary articles, such as* a *and* the. Do not make the description too wordy. Most job descriptions can be completed in one or two pages. The length of a job description does not increase the importance of the job.

15. *Use action words.* Words that describe a specific function as an action provide a clearer job description.

Using everything you have learned so far, complete the exercise below. Be sure to use action words (see Exhibit 5–2).

✔ **Apply What You Learn**

Writing a Job Description

Using the format provided, select a position in your organization and prepare a generic or specific job description.

JOB DESCRIPTION

Job Title: _____   Location: _____   Work Schedule: _____

Department: _____   Division: _____   Reporting Relationship: _____

Salary Range: _____   Grade: _____   Exemption Status: _____

Summary of Duties and Responsibilities:_____

_____

_____

Apply What You Learn continues on next page.

Apply What You Learn continued from previous page.

Primary Duties and Responsibilities:

(E) = Essential Functions; (N) = Nonessential Functions

Percentage of time on task	Function	Essential/ Nonessential
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
7. _____	_____	_____
8. _____	_____	_____
9. _____	_____	_____
10. _____	_____	_____

Performs other related duties and assignments as required: _____

_____

_____

Education, prior work experience, and specialized skills and knowledge required: _____

_____

_____

Physical environment/working conditions: _____

_____

Equipment/machinery used: _____

_____

Apply What You Learn continues on next page.

Apply What You Learn continued from previous page.

Other (e.g., access to confidential information): _____

_____

Job Analyst: _____

Date: _____

POSITION EVALUATIONS

After developing their guidelines, Marcus and Joanna decide to look at how to evaluate a position's worth. They begin with a definition. *Position evaluation* is the systematic measurement of a job's duties against a predetermined yardstick so that its relative worth can be determined. The process measures the contribution made by a position to the organization or a specific organizational unit; it does not evaluate the incumbents' skills.

Many evaluation programs consist of a combination of internal measures of job worth and the outside market value of similar jobs. In order to be effective, an organization's position evaluation system should be applicable to a wide range of jobs. Position analyses serve as the foundation for compensation plans and accompanying salary ranges. Both management and employees should perceive the resulting rates of pay as reasonable and equitable. These rates should also reflect pay scales for comparable jobs in similar organizations, so that the organization's rates of pay stay in reasonable alignment with the labor market.

Position Evaluation Process

They next decide to outline the position evaluation process. Joanna suggests, "We can use the Hay Guide Chart Profile Method as the basis for our plan. It asks us to take the following steps:

1. Prepare accurate, complete, and up-to-date job descriptions.
2. Identify where a position fits within the organization, both in a hierarchal sense and with regard to its interrelationships with other positions.
3. Measure each position's critical components. For example, for exempt-level jobs this could entail know-how (depth and range of job-specific knowledge, breadth of managerial and operational know-how, and interpersonal skills); problem solving (approach to problems and thought processes); and decision making (nature and scope of impact).
4. Assign points to the critical components. The Hay Master Chart uses a geometric numbering system with values increasing in steps of approximately 15 percent. These step differences are critical in that they provide a framework for making consistent, quantified judgments on the basis of the minimum perceptible differences between jobs.

5. Rank the positions based on the sum of the points tallied in step 4.
6. Validate the rankings by comparing the evaluations with benchmark positions.

Benchmarking

Benchmarking provides a constant standard against which to evaluate positions, making them a key tool for ensuring accuracy of position evaluations. Benchmarked positions are usually grouped according to job function and by level in descending order of total points. In selecting benchmarks, HR evaluators need to know the nature and function of a given job and where it fits in the organization.

Strive to identify a benchmark that fits the critical components identified in step 3 on page 116. Generally, two or three benchmark comparisons are sufficient for testing the validity of an evaluation.

Gathering Information on Benchmarked Positions via Salary Surveys

Salary surveys typically reference benchmark jobs. They may be conducted by one organization or sponsored by associations to which an organization belongs, by an industry of which a company is a member, or by a group of firms that are willing to share and compare data. Survey reports may also be obtained from the Bureau of Labor Statistics, as well as other government agencies.

When collecting and compiling salary information, be sure that the data refer to jobs with similar content and are essentially comparable for each job. Similar job titles are not enough of an indicator; the specific content of the job—including duties, responsibilities, and prior experience required—must be examined before you can determine that the two jobs are comparable.

If your organization wants to conduct its own salary survey, follow these five steps:

1. Carefully select the industry and specific organizations to be included in the survey. The greater the similarities are, the more likely it is that an accurate comparison can be made.
2. List key jobs and positions common to most work environments. Include brief job descriptions so that comparisons will be valid.
3. Prepare a schedule of information to be obtained. This might include base salary, hours worked, shift premiums, other salary supplements, and methods of payment
4. Proceed to collect accurate salary data on essentially similar jobs via questionnaire or interview.
5. Compile the data gathered for each job, showing the range of rates paid and supplementary salary data.

Knowing which companies to include in a survey can be difficult. No two companies are alike, not even two companies of comparable size in the same business. In addition, many businesses operate in more than one labor market. Consider asking certain questions before deciding whether a particular company should be included in your survey.

- Does this organization compare with ours in the backgrounds and skills of its employees?
- Have any of our employees left to work for this company?
- Are this company's operations similar to ours?
- Do we have enough jobs in common to make this survey valid?
- Is this company reasonably competitive in terms of economic and operating characteristics?
- Can the company be counted on to supply accurate and reliable data?

Once suitable companies have been chosen, the surveying firm needs to select key jobs for comparison. These should represent a good cross-section of the company's pay structure, including at least one job from each pay grade. These jobs should represent the various operating and functional units within the company.

? Think About It

Does your organization participate in salary surveys? yes ___; no ___.
Does your organization conduct salary surveys? yes ___; no ___.

1. If your answer is "yes," do you:
- Carefully select the industry and organizations to be included in the survey? yes ___; no ___
- List key jobs and positions common to most work environments? yes ___; no ___
- Prepare a schedule of information to be obtained? yes ___; no ___
- Collect accurate salary data on essentially similar jobs? yes ___; no ___
- Compile the salary gathered for each job, showing the range of rates paid and supplementary salary data? yes ___; no ___

2. If your answer is "no," do you think your organization could benefit from conducting salary surveys? yes ___; no ___.

What steps would you have to take in order to implement a salary survey program?

1. _____

2. _____

3. _____

Todd v. *Exxon*
A recent opinion issued in *Todd* v. *Exxon* by a federal court of appeals in New York has resulted in some concern about benchmarking to the extent that some companies have abandoned its use ("The Antitrust Implications of Compensation Benchmarking in the Wake of *Todd* v. *Exxon*" by John W. Treece and Thomas A. Lambert, SHRM Legal Report, November–December 2002). The case involves an exchange of information among a

dozen or so competitors in the oil industry. They allegedly exchanged detailed compensation information, benchmarked to Chevron's compensation system, relating to their managerial employees. Participants were able to use the exchanged information to gauge the extent to which their compensation packages diverged from what their competitors were paying for similar jobs. The court reinstated a class action lawsuit that alleged that the regular exchange of detailed compensation information could violate federal antitrust laws. The court did not decide that the defendant companies had, in fact, violated the law; rather it concluded that, if the plaintiffs prove the facts alleged, the companies would be liable.

The facts in *Todd* v. *Exxon* pivot around antitrust law, the objectives of which are "to maximize consumer welfare by promoting vigorous competition among rival firms." While significant, it is not likely to impact most organizations engaged in benchmarking. The question employers might want to pose is: "Could the benchmarking activity arguably deprive employees of the benefits of free and vigorous competition for their services?" If the answer is "yes," then there is an antitrust risk. Otherwise, an exchange of information for the purposes of strengthening internal position analyses is valid.

SPECIFIC COMPENSATION PROGRAMS

Joanna and Marcus felt a real sense of accomplishment. They had identified the characteristics of an effective compensation program, assessed the role of job descriptions, and discussed position evaluations. All that remained before they prepared their report was a review of selected compensation programs (Exhibit 5–3).

"How do you want to approach this?" asks Joanna. "There are so many different types of programs, we can't include a discussion of all of them."

"I agree," says Marcus. "Let's identify the most commonly used programs and highlight how they work, Okay?"

"Fine," responds Joanna, "as long as we first agree that, in order to be successful, a compensation program must: (1) align employee performance with business performance, and (2) be flexible enough to expand as the company grows and changes."

"Sounds good," says Marcus. "In fact, let's lead with that statement in our report. Then, we can begin by discussing base pay. I know it sounds obvious, since all employees get paid, but I think we need to distinguish base pay from other forms of compensation programs."

"I agree," replies Joanna. "Then let's look at merit increases, single rates, variable pay, skill-based pay, competency-based pay, banding, gainsharing, and long-term incentive compensation."

Base Pay

Base pay is the fixed rate of compensation an employee receives for performing the standard duties and tasks of a job. Base pay programs should be designed to reflect market practices within their identified competitor group. This can be accomplished by considering the nature of the industry,

E xhibit 5–3

Types of Compensation Programs

COMPENSATION PROGRAM	DEFINITION/CHARACTERISTICS
Base Pay	Fixed rate of compensation for performing standard duties and tasks of a job Programs should be designed to reflect market practices within their identified competitor group Salary structures typically consist of a series of pay ranges that reflect competitive rates of pay
Merit Increase System	Manager's evaluation of each employee's performance determines the rate of increase Salary ranges are wide enough to accommodate annual growth of an average employee Utilizes three factors: the frequency of merit reviews, the number of employees receiving increases, and the amounts of merit increases
Single Rates	Used in conjunction with step rates Used when many employees perform jobs of similar difficulty Individual performance is not credited
Variable Pay	Links the amount of an employee's salary and subsequent increases with measurable accomplishments A percentage of an employee's pay is risked: if certain goals are not met, salary does not rise above a certain rate
Skill-Based Pay	Compensates employees for the level and proficiency of their skills, rather than for the specific job performed Employees who have learned a new skill and have demonstrated that they can perform it are eligible for another pay increase
Competency-Based Pay	Employers isolate the traits that contribute to successful job performance, labeling those traits as "competencies" Compensation for all employees performing that job is based on how well they meet the established competencies
Broadbanding	Base-pay systems that cluster many different jobs and salary ranges into a few broad categories with no job titles Pays individuals for what they contribute, instead of relying on a salary grade to determine an individual's worth Encourages upward, lateral, and even downward movement without the "stigma" of grades and job classifications
Gainsharing or Team-Based Pay	Entire workforce is offered a bonus as incentive to improve organizational performance
Long-Term Incentive Compensation	Vehicles such as stock-option plans are used based on company performance over the long term Can be valuable retention tools

geographic location, total employment, and annual revenue; conducting a survey of market pay practices for similar jobs within the identified competitor group; and developing a salary structure for managing competitive base pay levels for all jobs throughout the organization. Salary structures typically consist of a series of pay ranges or bands that reflect competitive rates of pay.

Merit Increase System

In a merit increase system, the manager's evaluation of each employee's performance determines what increases will be granted. Merit increase systems are designed so that the salary ranges for all positions have a spread wide enough to accommodate the annual growth of an average to above-average employee. Some organizations assign increase percentages according to an employee's position within the applicable range (lower third, middle third, or upper third).

The HR department should regularly review the ranges to make sure that they are still appropriate; this generally means a percentage increase in the minimum and maximum, either annually or every other year. These adjustments allow an employee to remain in a given salary grade for many years without having to be "frozen" at the maximum for that range.

Occasionally, due to extenuating circumstances, employees are hired or transferred near, at, or above the maximum for their range. When this happens, employers need to find other, nonmonetary ways to reward the incumbents. Some choose to bestow personal and public recognition for outstanding work in one of many forms, including memos to their files, plaques, awards, and certificates, and luncheons or dinners in their honor. Another favored approach is to award certificates in amounts that could be as little as $25 or as much as several hundred dollars. These certificates can then be converted by the recipients into gifts of their choosing. There are several Web sites that are helpful in this regard, including incentivemag.com, which offers ideas for award programs and information about the rewards industry, and Incentivemarketing.org, www.recognition.org, giftcertificates.com, and giftpoint.com.

A merit pay system utilizes three factors: the frequency of merit reviews, the number of employees receiving increases, and the amounts of merit increases. The frequency of merit reviews is usually based on the level of an employee's job, since it takes longer to observe and evaluate performance in higher-level jobs than in lower-level jobs. Therefore, employees in higher pay grades are generally reviewed less frequently than employees in lower pay grades. The more often an employee is reviewed, the lower the maximum percentage of salary increase should be.

The length of time on the job is also an important factor since performance progress generally follows a curve: Employees learn most rapidly during the first several months on the job, with their rate of improvement then slowing down considerably. Hence, employees usually receive more frequent reviews when they are new to a job.

Most organizations using a merit increase program grant increases to between 80 percent and 90 percent of their employees. The employees who

don't receive increases (between 10 percent and 20 percent) are either above the maximum for their range and are thus "frozen," or are ineligible for an increase because of below-standard performance.

The actual pay increases granted to employees under a merit increase system depends on a number of factors. These include: economic changes in the marketplace, departmental and organizational budgets, salaries paid by competing organizations for comparable positions, ability to attract and retain qualified employees, short- and long-term goals of the department and organization, and the prevailing cost-of-living index.

A merit increase system is generic in nature and therefore is suitable for most positions in varied work environments.

Single Rates

The single-rate system of pay is customarily used in conjunction with step rates. For example, employees are given a starting rate while they are learning a job. Their pay then progresses by steps as performance increases to meet specified job standards. Increases in the form of single rates of pay may be issued when many employees perform jobs of similar difficulty, employees work at approximately the same pace to reach preestablished goals and standards, routines are very specific, or schedules are so set that there is little opportunity for individual effort to affect output.

Single rates are frequently used in factory or manufacturing environments, where there are well-prescribed standards for quantity and quality of performance. Additionally, organizations apply this practice to office operations, since many operations positions have characteristics similar to factory and manufacturing jobs: They require a relatively short learning time, and standards of performance are well prescribed.

The primary drawback to the single-rate system is that individual performance is not credited. This can have an adverse impact on employee motivation and incentive to remain with a company. The single-rate system of pay increase should not be applied to jobs in which employee output can vary significantly.

Variable Pay

Variable pay links the amount of an employee's salary and subsequent increases with certain measurable accomplishments. A percentage of an employee's pay is risked: If certain goals are not met, salary does not rise above a certain rate. When companies do well financially, so do the employees. Conversely, employees failing to apply themselves will see that lackluster performance reflected in their paychecks.

Consider a customer service representative earning a base salary of $50,000. If the representative succeeds in reducing the number of customer complaints by 10 percent at the end of the calendar year, an additional $10,000 bonus would be paid. The base pay of $50,000 would start the next year with new objectives, designed to lead to an additional year-end bonus.

While variable pay has been a common practice applied to members of senior management for some time, it is becoming increasingly common for employees at all levels. Generally speaking, executives risk a higher percentage of their pay, usually up to 35 percent. This contrasts with a rate of about 5 percent for lower-ranking positions. A portion of this percentage is based on the performance of an employee's department or division; the balance is based on individual performance. Typically, this split is 60/40, with 60 percent allocated for departmental achievements and 40 percent left for individual accomplishments.

Variable-pay programs are not without problems. Emphasizing team awards can alienate individual achievers, and high individual incentives may conflict with team objectives. Also, long-time employees accustomed to a traditional merit increase system may find adjusting to variable pay difficult. On the plus side, with variable-pay programs companies can weather business slowdowns without terminating workers. Most significantly, variable pay communicates to employees that their work is valued, and that, when the company does well, they will share in the rewards.

Skill-Based Pay

Skill-based pay plans compensate employees for the level and proficiency of their skills, rather than for the specific job performed at any given time. Pay increases are given when the employees add to or improve their existing set of skills, as opposed to when a certain level of responsibility is achieved. Skill-based pay plans contrast with traditional approaches to pay that are job-based and preclude employees from progressing in areas of responsibility or salary until there is a specific job opening available. With skill-based pay, employees who have learned a new skill and have demonstrated that they can perform it are eligible for another pay increase.

Skill-based pay programs are most typically found in manufacturing environments that utilize high-performance work teams where employees are required to learn and perform many different jobs. The system is prevalent at the nonexempt level because it is easier to identify skills utilized by hands-on workers than it is to identify knowledge required at a managerial level.

Various methods are used to determine what a certain skill is worth. While most companies assign prices to skills based on their relative worth to the company, others price each skill equally. Still others allow employees themselves to determine the relative worth of each skill: The employer tells the workers what skills are needed to perform particular tasks, and then allows the employees to select the jobs they want to perform. For example, the first three skills that an employee acquires might be worth $1.75 per hour per skill, the next three skills would be worth $1.00 more an hour, per skill, and so on. It does not matter which skills are learned first.

One problem with skill-based pay systems is what to do with employees who develop many new skills in a short period of time and then "max out" on the pay scale. According to the American Compensation Associa-

tion it takes an average of just three years for an employee to maximize in a skill-based pay system. Ways of motivating after that include instituting a variable-pay program that provides bonuses for exceptional individual or team work.

Competency-Based Pay

A *competency* can be defined as an important job trait or characteristic that an incumbent is expected to perform well. In a competency-based pay program, employers examine the characteristics of their top performers in any given position. Once the traits that contribute to successful job performance have been isolated, employers proceed to label those elements as "competencies."

It's easiest to think in terms of four categories of competencies: technical, knowledge, behavior, and interpersonal skills. Technical competency addresses what a person can do, for example, the ability to tailor technical information for different audiences or the ability to apply technical expertise to solving problems. Knowledge competency refers to how a person thinks. This may include the ability to focus on critical elements of a project or the ability to use resources effectively. Behavior competency has to do with how a person acts, for instance, following up with customers to ensure customer satisfaction, and incorporating customer views in future decision making. Interpersonal competency addresses how a person interacts and reacts. This could refer to respect for other people's ideas and being receptive to constructive criticism.

Once relevant competencies have been isolated, all employees performing a given job will be compensated based on how well they meet these established competencies.

Broadbanding

Broadbanding is a base-pay system that clusters many different jobs and salary ranges into a few broad categories with no job titles. This is accomplished by identifying the major skills and behaviors that are needed by employees, and grouping those characteristics into a broad job-family structure. Employers then look at how the market prices those skills; managers use that information, coupled with an individual's level of performance, when examining their budget and make pay decisions accordingly. This contrasts with traditional compensation systems that consist of many different job titles and numerous salary grades with accompanying ranges consisting of minimum to maximum salaries.

The primary objective of broadbanding is to pay individuals for what they actually contribute, instead of relying on a narrow salary grade to determine an individual's worth. The system is also used to manage employee career growth and increases the likelihood of cross-departmental transfers. The emphasis, then, is on skill development.

Broadbands eliminate narrowly defined job titles and encourage traditional upward, lateral, and even downward movement without the stigma of grades and job classifications. With fewer promotional levels, the primary

means for an employee to advance is a bonus based on improved performance.

Organizations with multitiered levels of management find broadbanding beneficial in that they can eliminate several levels, widen the salary ranges of the remaining levels, and assign each manager to one of the ranges. Broadbanding also allows employees to broaden their bank of skills and abilities, thereby contributing to increased levels of employee motivation and job satisfaction. However, broadbanding decreases opportunities for promotion to the next salary range since each range is so broad.

Broadbanding works best in work environments that have a multitude of job classifications. Colleges and universities, as well as state governments, favor the system..

Gainsharing

Gainsharing is a form of pay-for-performance compensation. Reportedly, more than 25 percent of the *Fortune* 1000 companies use this system as well as many smaller companies and public sector organizations. The system works by offering a company's workforce a bonus as incentive to improve organizational performance. This may include a company's entire workforce or selected groups, e.g., top management or salespeople. A goal in dollars is set—a goal based on what employees cost in total versus the value of what is sold or produced. If employees can contain costs below the targeted amount, the company shares the cost improvement. If costs are not contained, there will be nothing to share. Typically, employees need to receive an average monthly bonus of $100 or more to remain motivated.

To make gainsharing successful, then, productivity must improve. For this reason, during a downturn in the economy, some employers use gainsharing in conjunction with other compensation programs.

Long-Term Incentive Compensation

Long-term incentive compensation vehicles, such as stock-option plans and other deferred-compensation plans, are based on company performance over the long term (typically three to five years). Stock-option plans are a prevalent form of long-term compensation in public workplaces. At private companies, incentives that mirror stock plans, but are based on internal values or deferred compensation, are often granted to key employees.

Long-term incentive compensation plans can be valuable reward and retention tools, especially for executive talent in mid-sized or large corporate environments. At their most effective, employees focus on both personal and company-wide financial advancement.

✔ Apply What You Learn

Finding Effective Compensation Programs

How would you go about determining the most effective compensation program for your organization?

_____

_____

Would you consider having more than one form of compensation program? yes ___; no ___. Explain your answer.

_____

_____

_____

Marcus and Joanna lean back in their chairs. Joanna begins, "It's been a long, productive day. All we have to do now is relate this information to our bank's compensation program. Should we stop for now and resume tomorrow morning at 10:00?"

Marcus is already on his feet, "I'd say tomorrow morning is soon enough, but we'd better make it 9:00; Lucy is anxious for us to finish. Tell me something: Do you think *we're* getting paid enough to do all this?"

recap

The primary goal of a compensation program is to attract, retain, and motivate maximally productive employees. Characteristics of an effective system include offering competitive rates for comparable jobs, internal equity, and support by senior management.

Job descriptions form the foundation for an organization's compensation program, highlighting the primary duties and responsibilities of a job, as well as identifying the required skills and knowledge. Generic job descriptions are written in broad, general terms, and may be used for several similar positions in different departments of the same company. Specific job descriptions define the duties and tasks of one particular position. They are written when a position has unique responsibilities that distinguish it from other jobs.

A position evaluation is the systematic measurement of a job's duties against a predetermined yardstick so that its relative worth can be determined. Most evaluation programs consist of a combination of internal measures of job worth and the outside market value of similar jobs. Benchmarking pro-

vides a constant standard against which to evaluate positions, making it a key tool for ensuring position evaluation accuracy.

In order to be successful, a compensation program must align employee performance with business performance and be flexible enough to expand as the company grows or changes.

Review Questions

1. *Position evaluation* can be defined as: 1. (d)
   (a) determining the true meaning of a job.
   (b) linking the amount of an employee's pay with certain measur-
       able accomplishments.
   (c) grouping many different jobs and salary ranges into a few
       broad categories with no job titles.
   (d) the systematic measurement of a job's duties against a prede-
       termined yardstick so that its relative worth can be deter-
       mined.

2. A *compensation program* can be defined as: 2. (c)
   (a) resulting from compiling job descriptions for every position in
       an organization.
   (b) providing a long-term incentive for employees.
   (c) matching the salaries paid employees with the duties and
       responsibilities they perform.
   (d) paying individual employees whatever managers think is fair.

3. All job descriptions, whether generic or specific, should be: 3. (a)
   (a) concise and straightforward, using easily interpretable,
       uncomplicated language.
   (b) written by someone in the human resources department.
   (c) limited to one page in length.
   (d) comprehensive, and should mention every task.

4. Merit increase systems are designed so that the salary ranges   4. (c)
   for all positions have a spread wide enough to accommodate
   the annual growth of:
   (a) top performers.
   (b) below-average performers.
   (c) average to above-average employees.
   (d) all employees.

5. Benchmarked positions are usually grouped according to: 5. (b)
   (a) departmental goals.
   (b) job function.
   (c) survey results.
   (d) validation studies.

Do you have questions? Comments? Need clarification?
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Performance Management

6
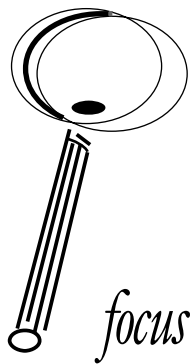
Learning Objectives

By the end of this chapter, you should be able to:

- Articulate the objectives and uses of performance management.
- Identify the components of an effective performance management system.
- Differentiate among several performance management methods.
- Determine how performance management responsibilities are best allocated.
- Effectively use performance management forms.
- Prepare for and conduct performance management meetings with employees.

Maya is the training manager for HealthMax, a mid-sized company providing health-related products and services. She is in the process of going through a final review of the contents of the performance management workshop she is about to conduct for the company's HR staff and many of its hiring managers. She leans back in her chair and reflects on what has led up to this seminar. Vincent, the HR manager for HealthMax, had approached her several weeks ago to complain about the quality of some of the performance evaluations his staff was receiving from the managers.

"In some instances, they're recommending huge increases for borderline employees; in others, they're downplaying the accomplishments of star performers. Not only that, the reviews are often filled with ineffective and, in some instances, inappropriate language. And many of them are past the employees' anniversary dates. They just send the forms in to HR and expect us to rubber-stamp them, as is," Vincent had lamented. He continued, "Some

of the managers don't seem to understand what performance management is all about and what their role is in that process. They don't seem to get that it's a joint responsibility between them and HR."

After agreeing that a training session on performance management would be helpful, Vincent and Maya determined the contents. Together, they agreed on six key areas: (1) objectives and uses; (2) components of an effective system; (3) different performance management methods; (4) allocation of performance management responsibilities; (5) performance management forms; and (6) performance management meetings with employees. Then Maya sent out an announcement via the office intranet, announcing the purpose, time, and location of the workshop. To her delight, each of the three HR assistants agreed to attend, as did sixteen hiring managers.

Maya looks at her opening statement:

> The key to a successful performance management system is to structure it in such a way that both the appraiser and the employee view the process as problem solving rather than faultfinding. A poorly planned or subjectively implemented system, or the absence of a performance management system altogether, can greatly weaken an organization and, ultimately, its ability to perform.

"This is good," Maya murmurs aloud. "The workshop is going to be informative and should further enhance relations between managers and HR. It's been a while since we talked about their respective responsibilities and those of HR when it comes to performance management, so a review is in order. And, of course, employees should benefit overall from a more productive performance management system."

OBJECTIVES AND USES

The workshop is about to begin. Four tables are arranged team-style, with one member of HR seated among the managers at each of them, as Vincent had suggested. Following a brief introductory icebreaking activity, Maya reviews the purpose of the workshop, identifies the components, and makes her opening statement. Then she presents the objectives and uses for performance management.

The primary objective of a performance management system is to ensure the maximum utilization of every employee's skills, knowledge, and interests. Additional objectives include:

- Developing a mutual understanding between managers and employees with regard to performance expectations, goals, and measurement criteria
- Providing feedback on past performance according to established standards of performance and specific job responsibilities
- Planning developmental and promotional opportunities by identifying employee strengths and areas requiring improvement
- Identifying specific ways to maintain or improve performance
- Helping to evaluate an individual's potential

- Motivating employees to achieve personal goals that are compatible with organizational goals
- Encouraging employees to openly express themselves with regard to performance-related issues
- Identifying an organization's top employees for future human resource planning purposes
- Allowing for more productive uses of an organization's human resources
- Encouraging managers to examine their own strengths and areas requiring improvement
- Identifying "mismatches" in hiring
- Strengthening the overall working relationship between managers and employees

If used properly, performance management systems will prove beneficial to managers, HR, employees, and the organization overall. The organization will be able to generate data useful in the establishment of an equitable compensation program, the identification of training and development needs, and the decision-making process relating to transfers, promotions, and other employee-related activities. Managers will be able to utilize staff more productively, gain greater awareness of unusual performance, both positive and negative, and develop a keener understanding of levels of responsibility and work distribution in their departments. Employees will benefit through a clearer understanding of their duties and responsibilities, greater knowledge of how well these are being performed, and gain an increased opportunity to openly express their opinions and concerns with regard to work-related matters.

❓ Think About It

Do you have a formal performance management system in your organization? yes ___; no ___.

If you answered "yes," is its primary objective to ensure the maximum utilization of every employee's skills, knowledge, and interests? yes ___; no ___.

List three ways your organization's performance management is used:

1. _____

2. _____

3. _____

If you answered "no," your organization does not currently have a formal performance management system. Discuss what having such a program could accomplish.

_____

_____

_____

_____

COMPONENTS OF AN EFFECTIVE SYSTEM

Maya begins the next unit by saying that in order to ensure that a performance management system is developed fairly, applied consistently, and evaluated objectively, organizations should make sure it meets seven key criteria.

1. *It should be job related.* A program should be founded on criteria that are directly related to the primary duties and responsibilities of a particular job. The criteria should be specific, observable, and measurable. The nature and responsibility level of each position should determine the amount of weight assigned to each factor measured.

2. *It should be reliable and valid.* To be reliable, a performance management system should yield consistent data regardless of who does the appraising or when it is done. For the system to be valid, there must be a direct correlation between the factors being measured and the critical elements of a particular job. Elements critical to one job may not be relevant at all in another job.

3. *It should be standardized.* A performance management system should be standardized in its design and consistent in its administration. All managers and HR practitioners using the system should be given written guidelines and training in its implementation. Organizations should develop effective techniques for monitoring the degree of consistency in implementation.

4. *It should be practical and workable.* To be effective, a performance management system should be practical, workable, and viewed by all concerned as a helpful tool. It should not be so complex or time-consuming to administer that managers view it as a burden. This can easily occur when forms take a lot of time to complete, multiple approval steps are required, or the system requires a forced distribution of results, such as 20 percent unsatisfactory, 60 percent average, and 20 percent outstanding.

5. *It should be acceptable to senior management, managers, HR practitioners, and employees.* A performance management system should be deemed acceptable by the appraisers and the appraised. Ideally, everyone concerned should have some role in developing the system; many organizations involve employees in the development of criteria for measuring their own performance.

6. *Managerial style should be conducive to employee growth.* In order to create the right climate for a successful performance management system, managers must be encouraging and supportive of their employees' efforts. In addition, they should display confidence in their employees' ability to progress. Managers should ask themselves three key questions about how their style relates to performance management: (1) Do I know how my employees view me? (2) Do I have sufficient confidence in my own skills to encourage the growth and development of others? (3) Do I show interest in my employees and exhibit encouragement for greater accomplishment? If these three questions can be answered affirmatively, the managerial style is considered conducive to employee growth.

7. *Employees should be receptive to suggestions for improving performance.* There is a strong correlation between the overall manager–employee relationship and an employee's receptiveness during the performance management meeting. If this relationship is poor, the employee is not likely to be receptive to even the most well-intentioned suggestions for performance improvement.

✔ Apply What You Learn
Criteria for Judging Performance Management Systems

If you worked for an organization that was having problems with ensuring that its performance management system was developed fairly, applied consistently, and evaluated objectively, which of the following criteria would you focus on first?

Job-related
Reliable and valid
Standardized
Practical and workable
Acceptable to all concerned
Managerial style conducive to employee growth
Employees receptive to suggestions for improvement

Explain your selection: _____

_____

Isolate the criterion you identified and list three specific actions you would take to bring about change:

1. _____

2. _____

3. _____

PERFORMANCE MANAGEMENT METHODS

"There are numerous ways to evaluate employee performance, and Health-Max is in the process of considering the implementation of one or a combination of several methods," began Maya. "These methods are essay evaluation, a graphic rating scale, a weighted checklist, a behaviorally anchored rating scale (BARS), forced choice, critical incident, ranking, forced distribution, 360-degree evaluation, and self-evaluation." (see Exhibit 6–1.)

Essay Evaluation

The essay format requires the evaluating manager to highlight in paragraph form employee strengths and areas requiring improvement. This system

E xhibit 6–1

Performance Management Methods

Method	Characteristics
Essay Evaluation	Paragraph format Lists a series of questions about the employee's behavior and performance, projected training needs, and potential for advancement
Graphic Rating Scale	Lists various work factors along with a series of boxes, each with a descriptive word May have point values Overall summary rating
Weighted Checklist	List of descriptive statements defining effective and ineffective behavior, rated from poor to outstanding Number values are assigned to each item Total evaluation is the sum of the scores
Behaviorally Anchored Rating Scale (BARS)	Based on the characteristics of a specific job Primary duties and responsibilities are identified, as well as the most and least effective ways for accomplishing these functions Employee's behavior is matched with the most accurate descriptions
Forced Choice	Evaluators identify which of four statements are most and least relevant Number of statements in each category are added up to develop an effectiveness index
Critical Incident	Based on a log of positive and negative behavior Helps avoid "recency bias"
Ranking	Evaluates employees in comparison with one another
Forced Distribution	Employees are rated on the basis of percentage categories
360-Degree Evaluation	Performance input is received from more sources than the manager Raters generally remain anonymous Provides a well-rounded evaluation
Self-Evaluation	Allows employees to assess their own strengths and areas requiring improvement Allows employees to compare how they believe they're doing with their manager's evaluation.

depends heavily on the evaluator's ability to write clearly. The typical essay evaluation lists a series of open-ended questions about the employee's behavior and performance, projected training needs for the future, and potential for advancement.

Graphic Rating Scale

The graphic rating scale lists various work factors, such as quantity of work, attendance, job knowledge, and quality of work. Accompanying this list of factors is a series of boxes that the evaluator checks off, each with a descriptive word generally ranging from *outstanding* to *unsatisfactory*. Sometimes a

point value is assigned to each of these words; for example, *outstanding* might receive 4 points, while *unsatisfactory* might receive 0 points. Finally, there is an overall summary rating at the end, either in descriptive terms, e.g., *outstanding*, or in point form.

Weighted Checklist

The weighted checklist system relies on a list of descriptive statements defining effective and ineffective behavior in a particular job. These items are then rated anywhere from poor to outstanding. Number values are also assigned to each item. In order to ensure maximum objectivity, managers receive the checklist without knowing the point values or weighted scores assigned to each statement. The total evaluation is the sum of the scores.

Behaviorally Anchored Rating Scale (BARS)

BARS is based on the characteristics of a specific job or job family. The primary duties and responsibilities of a job are identified on a form, as well as the most and least effective ways for accomplishing these functions. The manager then matches the employee's behavior to the most accurate descriptions.

Forced Choice

The forced-choice method was originally designed to reduce the chance of bias by setting up a system of four possible statements from which the evaluator must choose. The choices are grouped in such a way that the evaluating manager cannot easily determine which describes the most effective behavior. For example, four items in one group might be (1) hard worker, (2) effective group leader, (3) works well under stress, and (4) focuses on details. HR generally determines which attributes describe effective or ineffective behavior for a particular job.

Critical Incident

This method requires the evaluating manager to keep a log of all the positive and negative behavior of each employee. At the employee's scheduled performance review, this log is used to develop a detailed picture of the employee's performance. This technique helps managers avoid the "recency bias," in which greater weight is assigned to more recent incidents.

Ranking

This technique evaluates employees in comparison with one another. The evaluating manager is asked to rank his or her employees from highest to lowest, based on some overall criteria. These criteria are usually determined by HR.

Forced Distribution

Forced distribution is similar to grading on a curve. Managers are asked to rate employees on the basis of percentage categories: for example, the top

10 percent of the group, the next 20 percent, the middle 40 percent, the next 20 percent, and the bottom 10 percent.

360-Degree Evaluation

With the 360-degree evaluation method, performance input is received from more sources than the manager. Employees are also rated by their peers and, if relevant, direct reports and clients, customers, and outside vendors, according to predetermined job-specific competencies. Employees may also do a self-evaluation as part of the process. Raters generally remain anonymous. All of this is supposed to provide a well-rounded evaluation, allowing the employee to identify strengths and areas requiring improvement, and set developmental goals accordingly.

Self-Evaluation

Self-evaluations allow employees to compare their own assessments with those of their managers. Employees may be asked to comment, in writing, on several categories including: strengths; areas requiring improvement; areas in which greater experience and/or education is desired; aspects of their work environment that they find helpful; changes in their work environment that would help improve performance; aspects of their work that they enjoy and, conversely, dislike; projects or tasks they would like to work on; immediate career goals; long-term career plan; and steps needed to achieve immediate and long-term goals.

Choosing the Most Appropriate
Performance Management System

When selecting the most appropriate appraisal system for your organization, take the following factors into account.

- *Specific purpose of the program.* If the primary purpose is to evaluate employee growth and development, then the BARS system might work well.
- *Cost considerations.* If money is a major concern, then an essay or BARS system might be considered.
- *Level of employees being evaluated.* If you have a workforce consisting primarily of nonexempt employees, a graphic rating scale might be appropriate.
- *Management climate.* The performance management system selected must be compatible with your organization's overall management style. For example, in traditional climates, a weighted checklist or the forced choice method might be selected.
- *Experience level.* Consider the length of time an employee has been in a particular job and how well he or she has mastered its basic requirements. The most effective technique for measuring the performance of experienced employees may not be the same one you use for beginners.
- *Organizational growth.* An organization's performance management system should be flexible enough to expand as it grows. For example, a small but rapidly growing company would very quickly outgrow the ranking system.

Apply What You Learn
Choosing a Method of Performance Management

How should your organization decide on the performance management method that will best meet its needs?

ALLOCATION OF PERFORMANCE MANAGEMENT RESPONSIBILITIES

Maya joins Vincent and several managers during lunch. She asks, of no one in particular, "So, how's it going?"

One of the hiring managers replies: "This has been informative, but I'm especially interested in the topics we're covering after lunch: the breakdown of performance management responsibilities, using forms, and conducting meetings with employees."

Vincent chimes in, "Me, too. This is going to be a great opportunity for us to clarify what each of us is supposed to be doing." That said, the group begins to discuss the upcoming company picnic.

Maya kicked off the afternoon session with a statement:

> An effective performance management system requires the cooperation and input of both human resources practitioners and managers. Each has a specific set of responsibilities. For example, HR is generally responsible for establishing the most appropriate method of evaluating employee performance and for designing the form to be used during the face-to-face meeting. The planning and preparation stage is an important responsibility of the manager conducting the review. This includes completing the form and preparing the employee for the actual meeting. The emphasis during the meeting should be on the employee's success in meeting agreed-on goals and objectives, areas requiring improvement, how these improvements can be achieved, and goals for the upcoming review period. Human resources can then review and process the completed performance management form. Furthermore, the HR department is responsible for formally monitoring the performance management system to make sure that employees are reviewed on time and that all recommended salary increases are consistent with the overall evaluation. Any inconsistencies should be discussed between HR and the evaluating manager. Oh, and one more thing: Understanding and applying applicable employment laws must be accomplished by everyone concerned; no one is exempt from this.

E xhibit 6–2

Allocation of Performance Management Responsibilities

Task	Responsibility of
Applying employment laws	Managers HR practitioners
Establishing an appropriate method for evaluating performance	HR practitioners
Designing appropriate performance management forms	HR practitioners
Reminding managers when their employees are due for their reviews	HR practitioners
Planning for the meeting	Managers
Filling out performance management forms	Managers
Preparing the employee for the face-to-face meeting	Managers
Conducting the face-to-face meeting	Managers
Recommending salary increases	Managers
Reviewing and processing completed performance management forms	HR practitioners
Approving recommended salary increases	HR practitioners
Formally monitoring the performance management program	HR practitioners
Coaching and counseling	Managers

A summary of the components of an effective performance management system, showing the allocation of responsibilities, appears in Exhibit 6–2.

Coaching and Counseling

Two of a manager's most important responsibilities are coaching and counseling.

Coaching

Coaching may be defined as the day-to-day interaction between an employee and his or her manager. In order to be an effective coach, a manager should make certain that his or her employees:

- Know what is expected of them at all times
- Have the opportunity to make the best use of their skills, knowledge, and interests
- Know what the manager thinks of their performance
- Know where to go for assistance
- Receive assistance as needed
- Are rewarded on the basis of their job performance

To succeed at this, managers should strive to:

- Set realistic goals and objectives
- Delegate tasks according to the knowledge, abilities, and interests of employees
- Provide ongoing feedback on performance
- Provide assistance and support
- Provide a motivating environment
- Create a supportive working relationship
- Emphasize the importance of continued growth and development
- Provide opportunities for future growth and advancement

These coaching guidelines will enable managers to help employees improve the performance of their current assignments and increase their opportunities for growth and advancement.

According to the authors of *Coaching: How Is It Used in Your Company?* (Lee, Hecht, & Harrison, 2000), in addition to relying on coaching as an ongoing communication tool, managers also reportedly provide coaching for leadership development, overall skill development, retention of top talent, as part of management succession planning, and to ensure success after promotion or with a new hire.

Counseling

Counseling may be defined as interaction between an employee and his or her manager focusing on a specific work-related issue. When attempts to alter an employee's performance through coaching fail, managers must shift their role to that of counselor. Effective counseling enables employees to examine their behavior, explore alternative ways of behaving, and review the possible consequences of each alternative. Counseling may be preventive or corrective in nature. In either instance, the ultimate goal is for employees to function more effectively on the job and to pursue their career goals successfully The counseling process enables managers to help employees bring about changes themselves.

Managers may utilize both directive and nondirective approaches to counseling sessions. With the directive approach managers determine, in advance, the specific items to be discussed during the meeting and control the course of the conversation with the employee. The nondirective approach encourages greater input by the employee. It does not preclude the use of specific or directive input by the manager, but instead permits the employee a greater freedom of expression. The more the employee is permitted to participate in a counseling interview, the more likely is a positive outcome.

Nondirective counseling interviews generally follow three stages: (1) the presentation of facts by the manager, (2) a discussion with the employee, and (3) problem solving. By the time the third stage is reached, the employee should be ready to examine various alternatives and, together, the manager and employee can select the route most likely to result in improved behavior. It is important for managers to note that the employee must agree to and ultimately bring about the change.

The counseling process is likely to function more smoothly if managers follow these steps:

1. Prepare for the discussion.
2. Advise the employee of the purpose of the meeting in advance.
3. Begin the meeting by stating the purpose of the discussion.
4. Define the problem.
5. Listen to the employee's side.
6. Clarify the problem.
7. Help the employee develop a solution.
8. Follow up.

Effective coaching and counseling by managers will preclude any surprises during the performance management meeting, thereby enabling managers to summarize past performance and, with the employee, focus on setting mutually agreeable goals.

✔ Apply What You Learn
Choosing a Counseling Method

Consider the following scenario: Nick has been with his organization for three years. Over the past several weeks, his work has started to decline. Nick has showed up late for work four times, has missed an important deadline, and submitted a report with several errors. Up until now, his work has been rated "outstanding." John, Nick's manager, has spoken to Nick about his tardiness, but has not approached him concerning the missed deadline or the mistakes in his last report. John knows counseling is in order but is unclear as to how to proceed.

In this scenario, should counseling be preventive or corrective? Support your answer. _____

_____

_____

Should John utilize a directive or nondirective approach? Support your answer. _____

_____

_____

From an HR standpoint, what advice would you offer John? _____

_____

_____

_____

_____

PERFORMANCE MANAGEMENT FORMS

As Maya is beginning her discussion of performance management forms, one of the managers raises his hand: "I've got to tell you that many of us find the performance management form too difficult to complete and hard to understand. Honestly, I think you'd get a lot more cooperation from us if you gave it an overhaul."

"Fair enough," comments Maya. "Vincent, would you like to comment on this?"

Vincent turns to face the group and replies, "I'm open to suggestions. Let's see if we can pick up some tips from Maya; then we can form a committee consisting of HR and managers to recommend some changes."

Uses of Performance Management Forms

Performance management forms should be used for three primary purposes: (1) to highlight an employee's performance from the last review to the present, in relation to established goals and objectives; (2) to discuss areas requiring improvement and agree on methods for improvement; and (3) to establish new goals to be met by the time of the next performance management review.

Other uses include (see Exhibit 6–3):

- Helping human resources ensure consistency between evaluations and salary increase recommendations
- Making decisions about promotions, transfers, demotions, and terminations
- Helping resolve disciplinary matters
- Documenting the need for training
- Allowing employees to write comments about their evaluation

A well-designed form can greatly facilitate the performance management process; a poorly designed or misused form can render the system

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Exhibit 6–3

Uses of Performance Management Forms

- Highlight an employee's performance from the last review to the present, in relation to established goals and objectives
- Discuss areas requiring improvement and agree on methods for improvement
- Establish new goals to be met by the time of the next performance management review
- Help human resources ensure consistency between evaluations and salary increase recommendations
- Make decisions about promotions, transfers, demotions, and terminations
- Help resolve disciplinary matters
- Document the need for training
- Encourage employees to write comments about their evaluation

---

virtually useless. The time and energy required to design an effective performance management form is an important investment in any organization's future. For this reason, using another organization's form for your own is not recommended, no matter how similar the other organization may be in composition, size, goals, and so on. Your form should reflect your organization's unique work environment.

Instructions and Training

One of the most common errors organizations make when designing their performance management forms is to omit adequate, clear instructions to the evaluators. Written instructions accompanying any performance management form should focus on the following information:

- The purpose of the performance management review
- How the form is to be used
- The respective roles, responsibilities, and relationships of everyone concerned in the performance management process
- The exact period of time the review is to cover
- Specific definitions of rating terminology
- To whom appraisers can go with questions

In addition to written instructions, training should be offered to all managers who are responsible for conducting performance management meetings. Even the most clearly written set of instructions is inadequate preparation for a manager conducting a review. The opportunity to ask questions and actually fill out practice forms is essential for the successful use of any organization's performance management form.

Numerical Ratings

Performance management forms tend to rely too heavily on numerical ratings, usually because ratings are easy for appraisers to use. For example, with numbers ranging from 1 to 5, many evaluators play it safe and go down the middle, checking off a series of 3s. Some, however, give in to the halo (or horns) effect, and check off a series of 1s or 5s. This is rarely an accurate portrayal of an individual employee's actual performance.

Accordingly, numerical ratings should require accompanying supportive statements. Room for comments should be provided for every factor being evaluated, not just at the end of the form.

A legend of what the numbers mean should also accompany each factor being evaluated. For example, if the factor being evaluated is productivity— the quantity of work produced—then the legend might look like this:

1 = far exceeds the required quantity of work
2 = exceeds the required quantity of work
3 = meets the required quantity of work
4 = needs to improve the quantity of work
5 = produces an unsatisfactory quantity of work.

? Think About It

Identify three uses of performance management forms in your organization.

1. _____

2. _____

3. _____

Does your organization's form provide instructions to evaluators? yes ___; no ___.

Does your organization provide training to managers on how to prepare performance management forms? yes ___; no ___.

Misuses of Performance Management Forms

Performance management forms do not guarantee good performance management. Like many other things in life, they can be misused (see Exhibit 6–4). One of the most common misuses of performance management forms occurs when the appraiser completes the form and submits it to human resources without discussing the contents with the employee. The employee may informally be told that the overall evaluation was good or otherwise; however, he or she never gets the chance to discuss in detail the various categories being evaluated or to review means for improving performance. In addition, the manager and the employee do not have a chance to set performance objectives together for the next review period. This renders the review useless for several of its intended purposes and represents a major opportunity lost for the employee, the manager, and the organization.

To prevent this, the form should have a line for the employee's signature. This signature should mean that the employee has read and understood the contents, although he or she may not necessarily be in agreement. There

E xhibit 6–4

Misuses of Performance Management Forms

- Manager completes the form and submits it to HR without discussing the contents with the employee
- Manager meets with the employee to discuss his or her performance with a blank appraisal form
- Manager completes the form and submits it to the employee to review, comment on in the space provided, and sign, without a face-to-face meeting
- Manager changes his or her comments after meeting face-to-face with the employee

should also be a line for the manager's signature. HR should return any forms submitted without both signatures.

Another misuse occurs when the manager meets with the employee to discuss his or her performance with a blank form on the desk between them. The manager reviews the various categories of the form, commenting verbally on the employee's performance in each. Although the employee may be encouraged to comment, nothing is written. Sometime after this meeting, the manager completes the form and then submits it to HR for filing. This approach seriously undermines the detail and accuracy of the performance management form.

A third misuse of the performance management form occurs when the manager completes the form and submits it to the employee to review, comment on it in the space provided, and sign. There is no face-to-face discussion between the two parties. The form is sent to HR and processed. Even if the employee agrees with all the comments and evaluations made by the manger, the process can be frustrating because the employee is not given an opportunity to discuss them. Face-to-face interaction between the employee and the manager is essential for maintaining a positive working relationship, planning objectives for the next review period, and encouraging career development.

A fourth common misuse occurs when the manager changes his or her comments after meeting face-to-face with the employee. Rarely are these changes for the better; they often occur when then employee says something during the interview that makes the appraiser think he or she was too generous with the rating in the first place. Sometimes merely by disagreeing with the manager's overall rating, the employee angers the manager and inspires this form of retaliation. One way to safeguard against this practice is to require supporting statements for every numerical rating, so that an appraiser cannot arbitrarily check off a number indicating that an employee's performance is below average without providing specific examples.

Limitations of Forms

No matter how well a form is designed, it cannot create a successful performance management system by itself. Although the form is an important aspect of an appraisal system, its primary use should be to facilitate the face-to-face meeting between the appraising manager and the employee being reviewed.

Also, once the form is completed and the meeting is conducted, the process is far from over. Coaching and counseling for performance improvement are ongoing managerial responsibilities, not a once-a-year occurrence. Managers should remember that employees who perform well are entitled to positive coaching, just as poor performers require coaching for improvement.

Performance Management Meetings

Maya begins this segment of the workshop by saying, "For many of our managers, this is the toughest part of the performance management process, but there are several things managers can do before meeting with an employee."

Preparing for a Performance Management Meeting

Before actually meeting with an employee to discuss his or her performance, managers should make certain their evaluation is fair and objective, especially if the appraisal is unsatisfactory. Accordingly, managers are advised to consider these questions:

- Is there a proper match between the employee's skills, knowledge, interests, and the position?
- Is there a match between the intangible factors, such as management style or personality, of the employee and me?
- Does the employee have a clear understanding of the job duties and scope of responsibilities?
- Have I worked with the employee long enough (at least three months) to be able to evaluate his or her performance?
- Have I objectively measured the employee's work record against the requirements of the job?
- Have I evaluated the employee's entire performance and not just focused on positive or negative factors?
- Has the employee been provided with sufficient instructions and work tools?
- Has the employee been encouraged to ask questions or seek clarification regarding his or her work assignments?

If your answer to any of these questions is "no," an employee's unsatisfactory performance may have less to do with ability and be more attributable to an evaluating manager's failure—failure to set mutually agreed-on meaningful objectives, failure to accurately measure accomplishments against the agreed-on objectives, or failure to examine his or her personal attitudes that may be interfering with an objective measurement of performance.

Before meeting with an employee the manager should also have conducted a thorough review of the employee's work record, considered what improvements are needed, thought through how these improvements might best be accomplished, and anticipated the feelings and reactions of the employee. Additionally, employees should be given several days notice to prepare for the meeting and, ideally, be asked to prepare a self-evaluation.

Managers should plan an employee's written evaluation several weeks in advance. This allows time to review overall performance, evaluate specific accomplishments, assess areas requiring improvement, and consider potential for growth.

Conducting the Performance Management Meeting

The core of any performance management system is the face-to-face meeting between the manager and the employee to discuss how the employee has been performing on the job, how a high level of performance can be maintained, or how performance can be improved in the future. If a manager has been doing a satisfactory job as a coach and counselor throughout the year, nothing that is said during the evaluation should come as a surprise to the employee.

The environment in which the performance appraisal meeting takes place should be private and comfortable, with a minimum number of distractions and interruptions. These conditions are essential if employees are to be encouraged to talk freely. They must believe that the discussion is confidential. Employees should feel at ease with the location of the meeting. Accordingly, some managers prefer to conduct performance appraisals in the employee's office or workspace.

In order to ensure that a performance management meeting is conducted as smoothly as possible, managers should apply the following interviewing skills and techniques:

1. Establish a format reflecting your own personality and style that incorporates the necessary components of the performance management meeting including discussing past performance, setting mutually agreed-on performance objectives, discussing areas requiring improvement, and discussing means for achieving improvement.
2. Use icebreakers at the beginning of the meeting to establish rapport. The more neutral these icebreakers are, the better (their sole purpose is to put the employee at ease before discussing the review).
3. Begin the core of the discussion either by asking the employee to restate each of the performance objectives that were agreed on at the last evaluation meeting, explaining the results attained, or reviewing each category on the appraisal form, describing your assessment of each area.
4. Actively listen to what the employee has to say and periodically summarize what the employee has said to ensure accuracy.
5. Observe the employee's body language, looking for changes in patterns. Beware, however, of assigning specific meaning to a given movement or gesture until you can be fairly certain that you are correct. Be careful, too, not to interpret an employee's body language according to your patterns.
6. Encourage the employee to talk by using the following techniques: repetition (repeat the last few words of an employee's statement and let your voice trail off as a question mark); summarization; competency-based and open-ended questions; silence accompanied by positive body language such as nodding, smiling, direct eye contact and leaning forward; and words of encouragement and understanding, such as "I see" or "How interesting!"
7. Make certain the employee understands what is being said by allowing ample opportunity to ask questions, observing changes in body language patterns, and asking the employee to periodically summarize what has been said thus far.

In discussing specific performance objectives, ask the employee for an assessment of performance. Share your data as well as your reactions to the employee's self-assessment. If you must criticize, comment on the performance, not the person. Explain why you assessed the performance as you did, providing examples as often as possible. Then summarize the results of your joint analysis and, together, develop a plan of action that includes specific techniques or approaches that may help the employee improve his or her performance. Managers are reminded that their role at this stage is that of a coach.

Before concluding the meeting, managers should summarize what was discussed, review the agreed-on action plan, and set follow-up dates to review progress. The meeting should always end on a positive note with praise for work well done and encouragement for the attainment of mutually agreed-on goals.

Performance Management Meeting Pitfalls

Here are some typical pitfalls that managers should avoid when conducting performance management meetings:

- Becoming defensive or argumentative
- Comparing one employee with another
- Comparing the employee with oneself
- Discussing personality traits and attitudes
- Dwelling on isolated incidents
- Dwelling on past deficiencies
- Dwelling on weaknesses, faults, or shortcomings
- Providing excessively positive evaluations for fear of disagreement or argument over honest, albeit negative, appraisals
- Interrupting the employee as long as he or she is saying something relevant
- Using leading questions, such as, "Don't you think . . . ?"
- Expressing opinions, impressions, and feelings; stick with facts
- Solving the employee's problems for her or him
- Making statements such as, "If I were you . . ."
- Having superficial discussions
- Talking about yourself
- Talking down to the employee

? Think About It

Should a reviewer always be candid with an employee? yes ___; no ___. Explain your reasoning.

_____

_____

_____

What are some possible employee responses to a negative review?

_____

_____

_____

Think About It continues on the next page.

Think About It continued from the previous page.

How can a reviewer anticipate and prepare for an employee's reaction to a less-than-favorable review?

_____

_____

_____

How can a reviewer point out that an employee needs to improve his or her performance and keep the session from ending on a negative note?

_____

_____

_____

How can HR support or help managers who are having difficulty conducting an honest review of an employee whose performance is less than favorable?

_____

_____

_____

_____

recap

The primary objective of a performance management system is to ensure the maximum utilization of every employee's skills, knowledge, and interests. If used properly, performance management systems will prove beneficial to managers, HR, employees, and the organization overall.

In order to ensure that a performance management system is developed fairly, applied consistently, and evaluated objectively, organizations should make sure it is job-related, reliable and valid, standardized, practical and workable, and acceptable to all concerned.

There are numerous ways to evaluate employee performance. Among the most commonly used methods are essay evaluation, a graphic rating scale, a weighted checklist, a behaviorally anchored rating scale (BARS), forced choice, critical incident, ranking, forced distribution, 360-degree evaluation, and self-evaluation.

An effective performance management system requires the cooperation and input of both HR practitioners and managers. Each has a specific set of responsibilities. Two of a manager's most important responsibilities are

coaching and counseling: Coaching is the day-to-day interaction between an employee and his or her manager; counseling focuses on a specific work-related issue.

A well-designed form can greatly facilitate the performance management process; a poorly designed or misused form can render the system useless. Forms should be used (1) to highlight an employee's performance from the last review to the present, (2) to discuss areas requiring improvement, and (3) to establish new goals to be met by the time of the next review.

The core of any performance management system is the face-to-face meeting between the manager and the employee to discuss how the employee has been performing on the job, how a high level of performance can be maintained, or how performance can be improved in the future.

Review Questions

1. If a manager has been doing a satisfactory job as a coach   1. (a)
    and counselor throughout the year, then:
    (a) nothing that is said during the evaluation should come as a
        surprise to the employee.
    (b) the employee is certain to receive an overall rating of "out-
        standing."
    (c) there will be no need for a face-to-face meeting.
    (d) the manager will receive an overall rating of "outstanding"
        when it is time for his or her evaluation.

2. The key to a successful performance management system is   2. (c)
    to structure it in such a way that both the appraiser and the
    employee view the process as problem solving rather than:
    (a) an opportunity to blow off steam.
    (b) fact-finding.
    (c) faultfinding.
    (d) an opportunity to praise one another.

3. In addition to written instructions, _____ should   3. (d)
    be offered to all managers who are responsible for conducting
    performance management meetings.
    (a) information concerning past reviews
    (b) witnesses
    (c) a private and comfortable office
    (d) training

4. The method of performance management that lists various   4. (d)
    work factors accompanied by a series of boxes, each with a
    descriptive word, is called:
    (a) BARS.
    (b) forced distribution.
    (c) critical incident.
    (d) graphic rating scale.

5. Before meeting with an employee to discuss his or her   5. (b)
    performance, managers should consider several questions,
    including:
    (a) Is HR likely to accept the evaluation and accompanying salary
        recommendation I'm going to put through for this employee?
    (b) Have I worked with this employee long enough to be able to
        evaluate his or her performance?
    (c) Do I know what icebreakers to start off with?
    (d) Have I allocated enough time for the meeting?

7

Benefits Administration
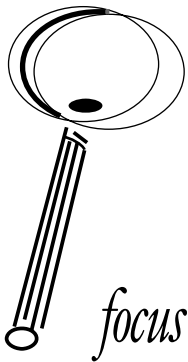
Learning Objectives

By the end of this chapter, you should be able to:

- Describe benefits trends.
- Identify the primary objectives of benefits programs.
- Define the benefits that are required by law.
- Differentiate between traditional and flexible benefits plans.
- Select an insurance carrier.
- Distinguish among funding options.

Celeste is the director of human resources for a large, popular fast-food chain. While she has four HR assistants who normally conduct all the employment interviews, she has just finished two weeks of personally interviewing more than a dozen applicants for the recently vacated position of benefits manager. The job reports directly to her; therefore, she wants to ensure the person selected not only possesses the required tangible competencies, but is also the right "fit." Celeste has narrowed the field to two external candidates: Jed and Miriam. Both have comparable skills and knowledge and come from similar work environments. Celeste now needs to determine who can best assist her company with the challenging task of minimizing the financial impact of benefits costs while maximizing the value-added features of their employee benefits program. In other words, she needs to determine who will make the best match. To reach a decision, she decides to focus on how well the candidates understand six key areas: benefits trends; the primary objectives of benefits programs, benefits that are required by law, different types of benefits plans, selecting an insurance carrier, and different funding options.

BENEFITS TRENDS

Celeste decides to begin her comparison of the two candidates by examining their knowledge of benefits trends; she reasons that anyone involved with benefits should have a sense of how this subject has evolved (Exhibit 7–1).

The current trend of offering competitive employee benefits while keeping costs under control began during the 1960s. While many organizations struggled to keep up with inflation and to exceed the pay and benefits offered by their competitors, others passed along the increased costs of benefits programs to their clients and customers.

E xhibit 7–1
Benefits Trends

DURING THE 1960s
- Retirement programs required increased funding by employers.
- More protective medical benefits were included.
- Life insurance was at least equal to an employee's annual salary.
- Vacations, holidays, and sick leave improved.

DURING THE 1970s
- A younger, more professional workforce was more concerned with immediate benefits and less interested in retirement plan improvements.
- Problems with the country's Social Security system became apparent.
- Health and dental coverage became more important.
- Flexible benefits plans became more popular.
- Containing the cost of benefits became a major business concern.
- Employers tried to respond effectively to employees' changing benefits needs.

DURING THE 1980s AND 1990s
- Employees were being asked to pay for more of their own benefits to meet cost-containment concerns.
- Retirement plans were closely studied for ways to reduce benefits without adversely affecting employee morale.
- Organizations tried to simplify benefits in order to save administrative costs.

IN THE FIRST DECADE OF THE TWENTY-FIRST CENTURY
- Social Security benefits are targeted for substantial reduction by Congress.
- The eligibility age for retirement under Social Security is to be raised.
- Employees are being asked to pay for larger portions of their own benefits, creating a partnership between employers and employees.
- Flexible benefits are moving toward being primarily employee-funded.
- Fixed-benefit retirement plans will gradually diminish.
- Profit-sharing plans are to become more prevalent as retirement-funding vehicles.
- Full health care reform is likely to affect employers with fewer than 5000 employees.

Matters began to change in the 1970s. A younger, more professional workforce exhibited greater concern with benefits than retirement plan improvements, health and dental coverage became more important, and flexible benefits plans became more popular. Containing the cost of benefits became a major business concern as employers tried to respond effectively to employees' changing benefits needs. The priorities of the workforce continued to change during the 1980s and 1990s. Employees wanted freedom to select different types of benefits beyond a basic protection level and the option of cash compensation instead of benefits. However, the priority of organizations continued to be cost containment.

As we near the midpoint of the first decade of the twenty-first century, distinct benefits patterns emerge, as illustrated by MetLife's Study of Employee Benefits Trends ("Findings from the 2002 National Survey of Employers and Employees," December 2002). MetLife, a subsidiary of MetLife, Inc., a leading provider of insurance and other financial services to millions of individual and institutional customers, conducted this extensive study during the third quarter of 2002. The study combines the results from two surveys: one of employers, one of employees. In all, more than 600 HR/benefits experts were polled as well as more than 1,000 full-time employees in organizations of varying size and composition. The report's key findings are as follows:

- Investment and insurance products are gaining popularity in the workplace. The most common products offered by employers are traditional benefits, e.g., medical, dental, 401(k), and basic term life insurance. However, demands made by an increasingly diverse workforce are resulting in a more mixed bag of insurance offerings, including optional term life insurance, long-term care insurance, financial planning, auto insurance, group legal services, college savings plans, and annuities.
- Not surprisingly, large companies with at least 5,000 employees are providing a wider array of these offerings, with optional term life insurance, long-term care insurance, and financial planning heading the list.
- Despite the growth of voluntary offerings by employers, more than 61 percent of surveyed employees express interest in additional options.
- Most employees acknowledge a lack of understanding when it comes to benefits; accordingly they want more information from their employers in order to make informed decisions. This is especially relevant with regard to disability insurance and life insurance.
- An increasing number of employees are purchasing investment products through their employers: 48 percent of surveyed employees purchase annuities, 43 percent stocks and bonds, 42 percent mutual funds, 24 percent IRAs, 14 percent college savings plans, 11 percent savings accounts, and 7 percent wills. These percentages are consistently higher for employees between twenty-one and thirty, who purchase more products through the workplace than other age groups.
- Employers report that their two most important objectives are employee retention and benefit cost reduction. Other significant objectives are increased employee productivity and employee job satisfaction. To accomplish these goals, work/life balance continues to be the benefits

strategy that employers rate as their most important, followed by retirement planning services. Additional reported benefit strategies, in descending order, include: 401(k) investment education, cost shifting to employees, a wider array of voluntary benefits, employee self-service on the Internet, general financial planning, expanded benefits Web sites, and outsourcing of benefits administration.

- Web-based programs continue to grow in popularity: 44 percent of surveyed employers deliver benefits via the Internet, an increase of 14 percent in one year. Employers also use the Internet increasingly for retirement planning (37 percent), financial planning (34 percent), eligibility verification (32 percent), and claims submission (30 percent). Seventy-one percent of employers with 5,000 or more employees use the Internet for benefits enrollment, an increase of 24 percent in one year.

- The increase in Web-based benefits offerings is consistent with employee interest. Fifty-seven percent of employees between twenty-one and thirty prefer benefits enrollment via the Internet, and 45 percent of employees overall prefer e-enrollment.

- Survey results show a direct correlation between the degree of benefits satisfaction with employee loyalty: employees satisfied with their benefits program are three times more likely to be satisfied with their jobs and feel loyalty toward their employers.

- Eighty percent of employers surveyed indicated concern about meeting the needs of their executives. More than half plan to offer life insurance, with individual disability insurance, long-term care insurance, and non-qualified deferred compensation also under consideration.

Other reports indicate that an increase in some specific benefits is almost certain, although employees will probably have to pay for many of these themselves. These include medical offerings such as wellness programs, dependent care, prenatal programs, alternative medicine (e.g., acupuncture and massage therapy), employee assistance programs, and behavioral or mental health benefits. Nonmedical benefits will also expand, and include offerings such as legal services, pet insurance, fitness centers, stress reduction, weight loss programs, and smoking cessation programs.

Finally, a recent report by the U.S. Bureau of the Census reveals disturbing news about the number of people without health insurance: more than 43.6 million. This brings the percentage of people who are uninsured to 15.2 percent, up from 14.6 percent the previous year. A continued erosion of employer-sponsored benefits coverage is the main reason cited, as the number of covered employees fell last year by 1.3 million to 175.3 million, even as the total population grew by 3.9 million. The number of full-time workers without health insurance rose by 897,000 to 19.0 million. People in the South and the West are more likely to be uninsured, reports the Bureau (*New York Times*, September 30, 2003).

✔ Apply What You Learn
Benefits

Refer to the list of benefits in the first column. In the second column, identify those benefits that your organization currently offers. In the third column, identify those benefits that your organization would consider offering. In the last column, identify those benefits your organization is unlikely to consider offering. (Note: The list excludes basic medical coverage.)

Benefit	We Offer	We'd Consider	Unlikely We'd Consider
Adoption assistance	_____	_____	_____
Business travel accident insurance	_____	_____	_____
Childcare	_____	_____	_____
Pension plan	_____	_____	_____
Dental insurance	_____	_____	_____
Elder care	_____	_____	_____
Employee assistance program	_____	_____	_____
Experimental drug coverage	_____	_____	_____
Financial counseling	_____	_____	_____
Fitness center	_____	_____	_____
Guaranteed severance	_____	_____	_____
Legal services	_____	_____	_____
Life insurance	_____	_____	_____
Membership in various organizations	_____	_____	_____
Payment for mortgage or rent for one month/year	_____	_____	_____
Prenatal programs	_____	_____	_____
Prescription plan	_____	_____	_____
Savings plan	_____	_____	_____
Smoking cessation program	_____	_____	_____
Stock purchase plan	_____	_____	_____
Stress reduction program	_____	_____	_____
Training	_____	_____	_____
Transportation reimbursement	_____	_____	_____
Tuition reimbursement (employee and family)	_____	_____	_____
Vision plan	_____	_____	_____
Weight loss program	_____	_____	_____
Well-baby program	_____	_____	_____

Describe how flexible your organization is likely to be with regard to increasing its offerings.

_____

_____

_____

As Celeste reviews these benefits trends she thinks about the summaries both Jed and Miriam provided during their respective interviews. Neither of them said anything particularly impressive or disturbing. She decides to rate them comparably in this category.

PRIMARY OBJECTIVES OF BENEFITS PROGRAMS

Celeste continues her analysis by considering the primary objectives of any benefits program. She knows that most organizations, regardless of size, product, or service, offer their employees benefits beyond those required by law. This is done for four primary reasons:

1. *To attract qualified employees.* If salaries are comparable, applicants frequently decide between employment opportunities on the basis of the benefits offered by each respective organization. Consequently, employers do all they can to promote their benefits packages in their recruitment efforts. For example:
   - Advertisements for available positions often carry lengthy descriptions of the company's benefits.
   - Employment agencies and search firms are given detailed accounts of an employer's benefits so that these can be passed on to prospective employees.
   - During campus recruiting, job fairs, and open houses, organizational representatives distribute literature describing their benefits offerings.
   - HR representatives describe benefits to applicants who come for interviews.

2. *To maintain a favorable competitive position.* In order to maintain a competitive position in any field, management must strive continuously to enhance the benefits offered its employees. This means keeping up to date on current trends in benefits packages as well as finding out what benefits competitors are offering. The latter is not difficult to do: benefits specialists often belong to organizations specifically for individuals in the benefits field. These organizations hold meetings during which benefits information is exchanged between members. In addition, benefits specialists from various organizations frequently conduct both formal and informal surveys. Of course, you must be willing to provide benefits information about your organization in order to receive information about the benefits offered by others.

3. *To improve employee morale.* Employees need to be periodically reminded that their employers have a continued interest in their growth and development. There are many ways to demonstrate this, such as job postings, training, performance management meetings, and salary reviews. The organization's benefits program is another way of showing a commitment to employee development. By striving to maintain a comprehensive benefits plan, management demonstrates that it is concerned with the well-

being of its employees. Even if there are specific elements of a benefits program that do not suit everyone, a bona fide effort by management positively affects morale and helps motivate employees to do the best job they possibly can. Of course, an increase in employee morale and motivation means greater job satisfaction, which ultimately results in increased productivity.

4. *To reduce turnover.* Reducing turnover should be an ongoing goal for any organization. One way to do this is by offering your employees a benefits package with a slight edge over those of your competitors. This will make employees who are essentially satisfied with the other elements of their jobs, such as the working conditions and relations with their managers, less likely to seek employment elsewhere.

Having reviewed the primary objectives of benefits programs, Celeste turns her attention to the resumes of her two front-runners. Did both Jed and Miriam demonstrate an understanding of these objectives? She thinks back on the general questions she posed with regard to this topic and concludes that they rate equally, although, once again, neither candidate was especially impressive. "Perhaps it was just the nature of the subject matter," reasons Celeste. "After all, it is a bit dry."

✔ Apply What You Learn

Rating Your Company's Benefits Program

On a scale of one to four, with one being the lowest and four the highest, how would you rate your organization with regard to how well it meets the four primary objectives of a benefits program:

Objective	Rating
1. To attract qualified employees	___
2. To maintain a favorable competitive position	___
3. To improve employee morale	___
4. To reduce turnover	___

What can your organization do to elevate any ratings that fell below a 4?

_____

_____

_____
_____

REQUIRED BENEFITS

Celeste now turns her attention to mandated benefits and sighs. Some of these, like Social Security and Medicare, are so commonplace that employees don't even consider them to be benefits, nor do they realize how much these benefits cost the company. Celeste wonders if perhaps the organization shouldn't note their cost on employee pay stubs, just so employees realize how much the company is paying on their behalf. She proceeds to review what she knows about this subject, beginning with the fact that employers are required by state and federal laws to provide certain benefits to their employees (see Exhibit 7–2).

Social Security and Medicare

The original purpose of Social Security, according to the Social Security Act of 1935, was to ensure a continuing income when earnings either stopped or

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E xhibit 7–2

Required Benefits

SOCIAL SECURITY
- Ensures continuing income due to retirement, disability, or death
- Employers and employees share in cost
- Automatic increase of benefits in relation to the cost of living

MEDICARE
- Covers hospital insurance and optional supplemental medical insurance
- Employers and employees share in cost

UNEMPLOYMENT INSURANCE
- Employers pay federal and state unemployment taxes for covered workers
- Federal tax rate is fixed
- Each state manages its own system; eligibility and benefit provisions vary

WORKERS' COMPENSATION (MANDATED IN MOST STATES)
- Covers accidental injuries or death suffered during the course of employment
- Benefits include medical, disability income, rehabilitation, or death benefits
- Employers may be liable for injuries incurred during nonwork activities
- Costs are the responsibility of the employer

FAMILY AND MEDICAL LEAVE
- Allows eligible employees to take up to 12 weeks of unpaid leave during any 12-month period for qualifying reasons
- Requires employers to maintain employee's coverage under any group health benefits plan provided before the granting of leave

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were reduced because of retirement or disability. In 1939 the law was expanded to also pay survivors when a worker died, as well as continuing to pay certain dependents when a worker retired.

Both employers and employees share in the cost of providing these benefits to eligible beneficiaries through taxes on earned wages. The employee contributes a percentage of wages and the employer, up to the annual maximum, matches the contribution.

When it originated, Social Security covered workers only in industry and commerce. However, during the 1950s coverage was extended to include most self-employed persons, state and local employees, household and farm employees, members of the armed forces, and members of the clergy. In 1972 additional legislation was enacted to guarantee the automatic increase of Social Security benefits in relation to the cost of living. Today, the financial soundness of the program is in question, largely because the proportion of the population over sixty-five is increasing.

Social Security now includes Medicare, which covers the hospital insurance and optional supplemental medical insurance for covered individuals. Coverage usually begins at sixty-five, or earlier in the event of a covered disability. Employers and employees contribute a percentage of covered wages toward this mandated benefit of all wages, with no maximum. If an employer provides health insurance beyond the age of sixty-five, the employer's plan is primary for covered benefits and Medicare provides supplemental coverage to the employee.

Unemployment Insurance

Unemployment insurance provides basic income for workers who become unemployed through no fault of their own, generally as a result of company layoffs. To be eligible, they must have been employed in a covered industry and earning a designated minimum amount for a designated period of time. Workers are not eligible to collect if they left their jobs voluntarily, left due to a labor dispute, or were terminated for gross misconduct. They must actively seek work and not refuse suitable employment.

Employers are required to pay both federal and state unemployment taxes on behalf of their covered workers. The federal tax rate is fixed; state rates are typically rated on the basis of employer's past experience—reflecting the number and amount of claims filed by former workers. The more people an organization lays off, the greater its potential assessment becomes. Each state manages its own unemployment compensation system and the eligibility and benefit provisions vary accordingly. Payments generally continue for twenty-six weeks; supplemental unemployment benefits may continue for an additional thirteen weeks.

Employers are urged to respond in a timely fashion to claims filed, as this may reduce their rates.

Workers' Compensation

In 1910, New York State enacted the first workers' compensation law, and several other states followed soon after. Now workers' compensation is

mandated in most states. The original purpose of these laws was to promote the general welfare of employees by providing compensation for accidental injuries or death suffered during the course of employment, that is, to protect workers suffering occupational disabilities.

Workers' compensation is, effectively, an insurance program; costs are the responsibility of the employer. Depending on the state in which you work, your company contributes to a state fund, a private insurance fund, or a combination of the two. Generally, the number of claims employees file against a company determines its rates. Accordingly, having sound health and safety practices pays off.

Benefits may include medical care, disability income, rehabilitation, or death benefits. Under current legislation, employers may also be liable for injuries incurred during nonwork activities if these activities are in some way related to the job, such as injuries received while attending a company picnic.

Family and Medical Leave

The Family and Medical Leave Act of 1993 (FMLA) allows eligible employees to take up to twelve weeks of unpaid leave during any twelve-month period for qualifying reasons. A covered employer is one with fifty or more full- or part-time employees. FMLA applies to private employers, nonprofit organizations, and government agencies. An eligible employee is one who has worked at least twelve months for the employer and 1250 hours in the twelve months before the leave is scheduled to begin. Qualifying reasons include the birth, adoption, or foster care placement of a child in the employee's home, the serious health condition of a spouse, child, or parent, or the serious health condition of the employee.

FMLA requires all employers to maintain an employee's coverage under any group health benefits plan provided before the granting of leave under the same conditions as if the employee had been continuously employed during the entire leave period. If an employer provides a new health plan or changes health benefits while an employee is on FMLA leave, the worker is entitled to the new benefits as if he or she were still working.

Employees are responsible for continuing to pay any share of health plan premiums that were required before the leave started. If the FMLA leave is substituted for paid leave, the employee's share of premiums must be paid by the method normally used during any paid leave, generally as a payroll deduction. If the leave is unpaid, the employer may require that the payment be made either to the employer or to the insurance carrier. Other payment options may be exercised, including prepayment of premiums through increased payroll deductions before the leave begins. If the employee's premium payment is more than thirty days late, an employer's obligation to maintain health insurance coverage ceases. However, the employer must restore to the returning employee the equivalent coverage and benefits that would have been earned had the leave not been taken and the premium payments not missed.

ADDITIONAL BENEFITS LEGISLATION

Celeste leans back in her chair and thinks about what else she knows about benefits legislation.

Employee Retirement Income Security Act (ERISA) of 1974

The primary purpose of the Employee Retirement Income Security Act of 1974 (ERISA) is to protect the rights of participants in employee benefits plans, as well as their beneficiaries, by ensuring the equitability and soundness of retirement income plans. The term *retirement income* refers to any plan providing deferred income to participants. Hence, individual account plans, defined benefit plans, multiple- or single-employer plans, pensions, excess benefits plans, stock allocation plans, deferred profit-sharing plans, and retirement plans must conform to ERISA standards.

To qualify under ERISA, a pension plan must be in writing and be clearly communicated to all employees. It must be established for the exclusive benefit of employees or their beneficiaries, and not discriminate in favor of officers, shareholders, or highly compensated employees.

ERISA permits employers to integrate Social Security into their pension plans so that projected pension benefits are offset by projected Social Security benefits. The employer may be held liable if the Social Security projection is too far off. The total pension benefits may be offset only by the actual amount of Social Security benefits, and not by an estimated amount if the estimated amount is considerably higher than the actual income. Calculations of this sort are best handled by actuaries and other professionals who administer pension plans.

To be eligible, employees must be at least twenty-one years old and have completed one year of service in which they have worked 1000 hours.

Health Insurance Portability and Accountability Act (HIPAA)

The HIPAA provides better access to health insurance coverage for workers who change jobs or lose their jobs. HIPAA applies to group health plans maintained by employers with two or more current employees. Employers and group health plans are required to provide written certification of health coverage to any individual who loses coverage for any reason.

HIPAA limits exclusions for preexisting conditions. Plans may not impose a preexisting condition exclusion for a period greater than twelve months. This twelve-month period can be reduced if the employee provides written certification that demonstrates prior coverage, thus reducing or eliminating the preexisting condition exclusion.

Effective April 2003, HIPAA requires health plans to protect private medical information and includes the distribution of a privacy medical statement.

New EEOC Guidance on Discrimination in Employee Benefits

In October 2000, the Equal Employment Opportunity Commission (EEOC) issued a new section to its *Compliance Manual*—a section entitled Guidance

on Discrmination in Employee Benefits—thereby providing the first comprehensive analysis of important employee benefits issued under the antidiscrimination laws. It analyzes benefit discrimination claims under each of the laws enforced by the EEOC: the Age Discrimination in Employment Act (ADEA), the Americans with Disabilities Act (ADA), Title VII of the Civil Rights Act, and the Equal Pay Act (EPA). This section describes the legal standards that apply to claims of discrimination in health and life insurance benefits, as well as early retirement incentives. It also discusses the limited circumstances in which the law permits employers to provide lower benefits to older employees than to younger workers and the specific requirements of the ADA with respect to employee benefits.

"Now I remember why I decided not to become a benefits specialist," Celeste murmurs aloud. "But the question still remains: Which of our two candidates is most capable of understanding these laws and applying them so that the organization as a whole and employees in particular benefit from their stipulations?" Celeste reviews their respective resumes and recalls some of the questions she asked regarding benefits required by law. Miriam, she remembers, demonstrated a solid understanding and enthusiasm for this subject. Jed, too, conveyed a keen understanding of the laws, but lacked Miriam's zest. Accordingly, Celeste decides to rank Miriam slightly higher than Jed.

DIFFERENT TYPES OF BENEFITS PLANS

Celeste thinks about the third key area: different types of benefits plans. She recalls that both Miriam and Jed talked at length about this subject, each defining, in detail, the plan design in their respective organizations. They also agreed on the appropriate steps to take when determining the right plan for any organization (Exhibit 7–3), but Celeste is more interested in their knowledge of how traditional versus flexible plans work. In order to best evaluate their answers, she decides to incorporate input from a benefits expert, and calls Liz Lipari, one of the company's benefits specialists.

E xhibit 7–3

Steps For Choosing the Right Plan

- Become thoroughly familiar with available benefits packages.
- Ask employees what they need and want in the way of benefits; where feasible, listen to what they have to say.
- Offer a choice of plans.
- Show employees the plans and related costs.
- Clearly explain the contents of each program. The ideal time for doing this is during employee orientation.
- Give employees a confirmation statement.
- Review the plan usage annually, monitoring for problems and measuring results.

When Liz arrives, Celeste explains her objective, and Liz responds, "I can give you the long answer or an overview: You choose."

Celeste smiles and retorts, " I know you love this stuff, but I'm just looking for a synopsis. Can you limit yourself to the key elements?"

"I'll try to control myself," says Liz.

Traditional Benefits Plans

Liz begins, "The traditional approach to employee benefits offers benefits on a fee-for-service basis. It basically limits employees to two choices: participate in the program or not. The plan generally affords uniform types and amounts of coverage."

Celeste waits for Liz to continue. When she doesn't say anything more, Celeste asks, "That's it? That's all you have to say about the traditional approach?"

"Correct," states Liz. "Look, the workplace has changed dramatically. Employees have varying benefits needs that can't be met by a single plan. You don't take a traditional approach here, and most proactive organizations don't either. I'd rather talk to you about flexible plans."

"I agree," comments Celeste. "I'm ready to hear what you have to say about flexible plans."

Flexible Benefits Plans

Liz smiles and says, "A flexible or 'cafeteria' benefits plan is any system that allows participants to choose some or all of their benefits. Employees are offered an array of benefits from which to choose and are given a "benefits allowance" with which to purchase those benefits. There are several qualified benefits that the Internal Revenue Service allows within a flexible benefits plan, including health (medical, dental, vision, prescription, and the like), group term life insurance, accidental death and dismemberment insurance, medical reimbursement accounts, dependent care reimbursement accounts, short- and long-term disability coverage, personal days, and 401(k) plans. Section 125 of the Internal Revenue Code requires that all participants be employees (or dependents of employees), and that the employees be allowed to choose between taxable and nontaxable benefits. In addition, with the exception of 401(k) plans, flexible benefits may not include any offering that defers compensation."

Advantages
"Well, that was comprehensive," comments Celeste. "Thanks!"

"Oh, I'm not done yet," says Liz. "There are several advantages of a flexible benefits plan for employers and employees alike (see Exhibit 7–4). For employers, flexible plans are less expensive than traditional plans, since flex merely allows employees to spend existing benefit dollars where they wish. This allows employers to treat benefits with a strategic planning approach. Cost management is another key advantage for employers. Many organizations are using flexible benefit programs to better connect benefit expenditures with company profitability and true benefit cost. Others are using a

E xhibit 7–4

Advantages of Flexible Benefits Plans

ADVANTAGES FOR EMPLOYERS
- Less expensive than traditional plans
- Allows employers to treat benefits with a strategic planning approach
- Cost management via:
  1. Benefit trade-offs
  2. Flexible credits
  3. Cost sharing with employees
  4. Program enhancements
- Tax efficiencies
- Reduced pressure for unionization
- Improved employee morale and communication

ADVANTAGES FOR EMPLOYEES
- More choices
- Option of taking dollars spent on tax-free benefits in the form of taxable cash
- Option of increasing level of benefit coverage by reducing taxable cash
- Gain maximum tax advantages

flexible approach to enable them to tie HR planning and expenditures more closely to the broader strategic goals of the organization.

"Under a flexible program, four key elements provide management with the improved ability to control and actively manage the cost of benefits:

1. Benefit trade-offs, in which employees give up some benefits to obtain others
2. Flexible credits, which enable employers to control a portion of previously uncontrolled benefit expenses
3. Cost sharing with employees who are willing to share in program costs in return for choice of coverage
4. Program enhancements, whereby employers can add new benefits such as day care, vision, or dental coverage at little or no additional cost.

"Flexible benefits plans also afford employers tax efficiencies, reduced pressure for unionization, and improved employee morale and communication. The advantage for employees is clear: more choices when it comes to the benefits that work best for them. Employees not only have the choice of selecting those benefits that meet their specific needs, but also the option of taking some dollars currently spent on tax-free benefits in the form of taxable cash. On the other hand, employees may opt to increase the level of benefit coverage by reducing the taxable cash component of their total package: It's their choice.

"Flexible benefits also provide employees with a way to gain maximum tax advantages. When employees are allowed to buy additional benefits with

tax-free dollars, the tax savings increase further. Since employees' gross taxable incomes are often reduced, so are their taxes."

Celeste interjects, "I've just taken what our company offers in the way of flexible benefits for granted. I should pull up our on-line flexible benefits book and review it from the employee's perspective."

Here are the highlights of what Celeste's flexible benefits book contains:

- Eligibility information, including employee status, when coverage begins, and eligibility of dependents
- Annual open enrollment, affording employees the opportunity to make changes in their flexible benefits once a year.
- Step-by-step instructions for enrollment
- Benefits allowance, including the company's contribution to the cost of their benefits
- Benefit choices
- Benefit costs
- Changes between annual enrollments if there is a change in status, as defined by federal law, e.g., change in marital status, having a child, or dependents become ineligible for coverage
- Before-tax contributions and Social Security and other benefits
- Default coverage for new employees who fail to enroll for benefits within the first thirty days of hire. These benefits include basic medical and dental coverage for the employee only, standard long-term disability, and employee life insurance two times the benefits base salary (annual salary plus administrative supplements).

? Think About It

What type of benefits plan does your organization currently offer?

_____

_____

On a scale of one to ten, with one being the lowest and ten being the highest, how would you rate overall employee satisfaction with your current benefits plan?

_____

What can your organization do to increase levels of employee satisfaction?

_____

_____

_____
_____

After reviewing the fast-food chain's flexible benefits plan, Celeste comments to Liz, "I never realized how restrictive and limiting traditional plans really are. In thinking about the information Miriam and Jed provided regarding these two plans, I have to say Miriam seems more enlightened than Jed; that is, she is more aware of and committed to a flexible approach than he is. Jed actually indicated that employees should not be taking a job on the basis of the benefits they'll receive. He also seemed to suggest that a traditional plan offers 'enough,' as he put it. This concerns me. I don't know how willing he'll be to work with our flexible plan, especially since we plan on expanding it as soon as we hire a new benefits manager. Thanks for all your help, Liz."

"No problem," replies Liz. "I'm glad I could help. After all, I'll be working for whomever you decide to hire."

Celeste winces a bit at this remark. Were it not for Liz's lack of managerial experience, she would have considered her for the job. This was awkward. "I appreciate that, Liz. You'll be a great asset to whomever we select."

"Sure; if you have any other questions, like how to select an insurance carrier once you have a benefits plan in place, just let me know."

SELECTING AN INSURANCE CARRIER

"How on earth did you know that was the next area I planned to explore?" Celeste asked in wonder.

Liz laughs and says, "It's no mystery; once you have a plan you need a carrier. I'm sure you want to know how your two candidates would go about selecting an insurance carrier. Let me give you some basic information so you can better judge. With the soaring costs of insurance, selecting the best insurance carrier is of vital importance to everyone. This is true whether you are selecting a carrier for the first time or changing carriers.

"The financial arrangements and administrative services offered by different insurance companies vary, so the first step in selecting a carrier is to determine which factors are important to your organization. Once these factors have been identified, ask insurance companies to bid against one another. Unfortunately, all too often the only factor considered in comparing one bid with another is cost, that is, the premium rate to be charged for each line of coverage. It may be, however, that the quoted cost is not the most significant factor. For example, some insurance carriers offer lower premiums to companies that file fewer than the average number of claims over a period of time. Premiums for such companies are based on administrative expenses plus the number of future claims projected from that company's past history. However, if your organization is too small to qualify for this, your premium costs will figure more prominently."

Questions to Ask Carriers

The answers to the following questions will help you evaluate the bids of different insurance carriers:

- Are you willing to guarantee premium rates for more than one plan year? If so, for how long and at what additional cost?
- Does your company use a customary-charges schedule? If yes, how is the schedule developed? How frequently is it updated? What percentage of charges is reimbursed? Can the schedule be customized to reflect our actual experience?
- What administrative services are included in your regular fee? What additional services are available, and at what additional costs?
- What is your claims turnaround time?
- Can you provide a brief description of your claims administration and control procedures?
- Can you attach a description of the cost-containment services you provide?
- If we terminate our policy "off anniversary" (before the plan year ends), what happens to any surplus premiums that have accumulated toward the current policy year?

? Think About It

If you were to ask your current insurance carrier the following questions, how is that company likely to answer?

1. Are you willing to guarantee the premium rate for more than one plan year? yes ___; no ___.

2. Does your company use a customary-charges schedule? yes ___; no ___.

3. What administrative services are included in your regular fee? _____

_____

4. What is your claims turnaround time? _____

5. What are your claims administration and control procedures? _____

_____

6. What cost-containment services do you provide? _____

_____

7. If we terminate our policy "off anniversary," what happens to any surplus premiums that have accumulated toward the current policy year?

_____

_____

As a result of your answers, how would you rate your level of satisfaction with your current insurance carrier? excellent ___; very good ___; good ___; poor ___.

"So," continues Liz, "how do Muriel and Jed rate on this question?"

"Not as well as you do," thinks Celeste. However, what she says is, "Not great; neither one has any experience with insurance carriers. How come you know the right questions to ask?"

"Easy. When Jill was out on maternity last year I was our liaison with the insurance company. It was just before you came aboard."

FUNDING OPTIONS

Celeste looks at her notes and confirms that there is one key area left to explore: funding. She turns to Liz and asks, with some hesitation, "I suppose you know a thing or two about this subject as well?"

Liz replies, "Actually, I do. What do you need to know?"

"Well," begins Celeste, "can you tell me what funding options are available to employers?"

Liz clears her throat and begins: "First of all, HR professionals are in a position of aggressively seeking methods for assisting their employers in managing rising benefits costs. That said, there are three basic methods for funding a benefits program." Liz then goes on to provide Celeste with the following information:

1. *Fully insured.* Employers can provide medical insurance coverage by contracting with an insurer on a fully insured basis. With this option, the insurance company provides full plan coverage to the employer; the premium is paid to the insurance company each month for each participant covered by the plan. The insurance company determines the total expected claims based on the covered workforce demographics and can allocate the dollars according to the desired structure. Under this method the insurance company accepts the risk of high health-care costs. It is typical for companies with fewer than 200 employees to use a fully insured plan.

2. *Self-funded.* A self-funded plan, which is a form of a self-insured plan, is established when the employer contracts with the various providers. The employer then pays a lower fixed amount for administrative fees to the third party administrator each month based on coverage and then pays for the claims up to a preestablished dollar amount. Self-funded plans have the potential to provide a larger employer with a savings in benefits costs over a fully insured plan.

3. *Minimum premium funding.* A third method of plan funding is minimum premium. This type of funding allows the employer less exposure than a self-insured plan, but without as much required monthly premium expense as a fully insured plan. With this type of funding, the employer pays a higher administrative fee each month than a self-insured plan, funds the claims up to a predetermined amount, but has more insurance provided for large claims and large aggregate months of claims. Using this method, the employer and the insurance company share the risk of high health-care costs.

? | **Think About It**

Does your organization fund its benefits plan via fully insured funding, self-funding, or minimum premium funding?

_____

How can HR be instrumental in helping your organization defray rising benefits costs?

_____

_____

_____

_____

"Amazing," comments Celeste.

"Amazing? I don't know that I'd describe funding options as amazing, but if that's how you see it . . ." remarks Liz.

"Not funding; how much you know about it. That's what's amazing," says Celeste.

Liz nods, then asks, "Who came out on top with regard to the subject of funding, Jed or Miriam?"

Celeste thinks for a moment and then states, "Neither one of them knew much at all; so I guess it was a tie."

Liz stands up and stretches. She's been in Celeste's office for over an hour and needs to return to work. Celeste stands as well, walking with her toward the door. "I can't tell you how helpful you've been," comments Celeste.

"My pleasure," says Liz. "So, after all these questions and answers, who's my next boss?"

Celeste is quiet for a moment. Then, instead of answering, asks, "Liz, how about coming back to my office this afternoon at 3:00? I'd like to talk with you about a few other benefits topics." Then she added before Liz had a chance to answer, "I also want to talk to you about what kind of training might help you acquire the managerial skills you lack. I think I might have made some erroneous assumptions about your skill level for the benefits manager position. I'd like to officially interview you; that is, if you're interested in being considered for the job?"

Liz grins widely and replies, "Yes, I'm interested, but we'd better make it at 4:00; I have an appointment with our insurance carrier at 3:00!"

recap

The current trend of offering competitive employee benefits while keeping costs under control began during the 1960s. As we near the midpoint of the first decade of the twenty-first century, employees are being asked to pay for larger portions of their own benefits, creating a partnership between employers and employees.

The primary objectives of any benefits are to attract qualified employees, maintain a favorable competitive position, improve employee morale, and reduce turnover. Accordingly, most organizations offer their employees benefits beyond those required by law.

Required employee benefits are afforded through Social Security and Medicare, unemployment insurance, workers' compensation, and FMLA legislation. Additional benefits legislation includes ERISA, HIPAA, and the EEOC's *Guide on Discrimination in Employee Benefits.*

There are two different types of benefits plans: traditional plans offer benefits on a fee-for-service basis; flexible or "cafeteria" plans allow participants to choose some or all of their benefits. Employees are given a "benefits allowance" with which to purchase those benefits.

With the soaring costs of insurance, selecting the best insurance carrier is of vital importance. The financial arrangements and administrative services offered by different carriers vary, so it is important to determine which factors are critical to your organization.

HR professionals are in a position to aggressively seek ways to help their employers manage rising benefits costs. The three basic methods used for funding benefits programs are fully insured, self-funded, and minimum premium funding.

Review Questions

1. Flexible benefits plans offer employees _____,
   whereby they can add new benefits such as day care, vision,
   or dental coverage at little or no additional cost.
   (a) flexible credits
   (b) benefit trade-offs
   (c) coupons
   (d) program enhancements

   1. (d)

2. In order to maintain a competitive position in any field,
   management must strive continuously to enhance the benefits
   offered its employees. This means:
   (a) convincing management to give up some of its benefits.
   (b) surveying employees to find out what they want and then giv-
       ing it to them.
   (c) finding out what benefits competitors are offering.
   (d) laying off some workers so there is more in the way of bene-
       fits to go around.

   2. (c)

3. A significant characteristic of current benefits programs is that:
   (a) employers are picking up a greater percentage of the cost.
   (b) flexible benefits are moving toward being primarily employee-
       funded.
   (c) organizations are trying to simplify benefits in order to save
       administrative costs.
   (d) a younger, more professional workforce is more concerned
       with immediate benefits and less interested in retirement plan
       improvements.

   3. (b)

4. The form of benefits funding that requires employers to pay
   a higher administrative fee each month, but has more insurance
   provided for large claims, is called:
   (a) self-funding.
   (b) forced distribution.
   (c) fully insured.
   (d) minimum premium funding.

   4. (d)

5. The Family and Medical Leave Act allows eligible employees
to take up to twelve weeks of unpaid leave during any
twelve-month period for several reasons, including: the birth,
adoption, or foster care placement of a child in the employee's
home, the serious health condition of a spouse, child, parent, or:

    (a) the serious health condition of the employee.

    (b) the serious health condition of a pet.

    (c) bereavement.

    (d) accidental work-related injuries.

5. (a)

Employee Relations

focus
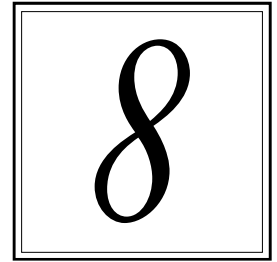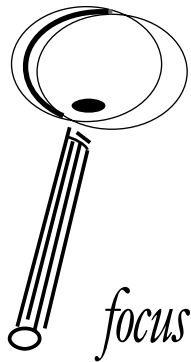
Learning Objectives

By the end of this chapter, you should be able to:

- Select and administer an employee assistance program for your organization.
- Describe the process for grievance and disciplinary procedures.
- Describe the benefits of alternative dispute resolution as a way to avoid costly litigation.
- Write policies and procedures manuals and employee handbooks.
- Practice improving retention strategies.

Dover Communications, Inc., is an electronics firm with 764 employees. Since its inception in 1991, it has expanded its client base, enjoyed steady growth, and increased profits. Lately, however, as a result of the tumultuous economy, senior management has been looking at possible cost-cutting measures. One of the designated areas of concern is HR; that is, how effectively the HR department is utilizing its time and staff. Despite its commitment to the belief that the uniform interpretation of management objectives becomes increasingly important as an organization grows in size, and that nowhere is this more significant than in matters directly affecting the employer–employee relations of an organization, management is looking at the bottom line and is concerned about what it sees.

Accordingly, Rebecca, Dover's director of HR, has been given a specific directive: to examine Dover's employee relations function and determine what it consists of and whether it is functioning effectively. Reluctantly, Rebecca has agreed to segregate and scrutinize five key employee relations categories for examination: (1) HR's employee assistance program (EAP); (2)

how HR handle grievances and disciplinary matters; (3) HR's alternate dispute resolution system (ADR); (4) how effectively HR communicates via policies and procedures and employee handbooks; and (5) HR's retention strategies.

She has enlisted the help of Pete, her senior HR representative, and also calls in Sergio, a well-respected manager from the finance department. Her reason for asking a manager to join in this process is simple: The success of Dover's employee relations function has always relied on the combined involvement of HR and departmental managers. She selected Sergio in particular for two reasons: He's always been supportive of HR's efforts and, hopefully, will help show management that, from a financial standpoint, attention to employee relations will continue to benefit the company.

The three begin by examining Dover's Employee Assistance Programs.

EMPLOYEE ASSISTANCE PROGRAMS (EAPS)

Rebecca gets up and walks over to her bookshelf where she retrieves a pamphlet entitled, "Dover's EAP Program: Help When You Need It." She opens it up to the first page and reads aloud:

> We know that life can be challenging. Sometimes trying to balance your job with all that goes on in your personal life can reach a point where it seems overwhelming. If that happens, you don't have to struggle with matters on your own. Dover's Employee Assistance Program (EAP) is available to employees needing help with a wide range of family and work problems. Here's a sampling of areas in which our EAP can assist you:
>
> • Alcohol abuse
> • Conflict resolution
> • Credit counseling
> • Drug abuse
> • Family counseling
> • Financial difficulties
> • Gambling addiction and other compulsive behaviors
> • Legal concerns
> • Marriage counseling
> • Mental health issues
> • Preretirement planning
> • Stress management

Sergio comments, "I'm not sure senior management has stayed up-to-date on how much our EAP has expanded since its inception, when it focused on alcohol and drug issues exclusively."

Rebecca replies, "That's a good point. EAPs originally focused on alcohol and drug issues, patterned after the concept of occupational alcoholism programs developed in the 1940s. They increased in popularity following enactment of the Drug-Free Workplace Act of 1988, with many companies providing EAPs in an attempt to comply with the Act's requirement that fed-

eral employees and employees of firms under government contract must have access to EAP services. When I joined Dover I felt that was too limiting. Sure, some employees have drug and alcohol issues and we want to help those individuals. But many more have problems with regard to the other areas mentioned in our brochure. EAP is also a great tool for managers, because when they suspect their employees are having problems they contact us and together we get that person over to the EAP."

Sergio says, "While offering assistance with all these problems is certainly an altruistic gesture, are there specific tangible results and benefits to the organization that you can demonstrate? We need to show that the program is cost effective."

Pete joins in and comments, "Left unattended, these problems can easily mushroom into major issues that invariably impact an employee's ability to perform on-the-job. When properly managed, EAPs serve to prevent an increase in absenteeism, tardiness, sick leave abuse, health insurance claims, disability payments, employee theft, litigation, and turnover. And, yes, we have statistics that demonstrate unequivocally that our EAP is cost effective."

Cost of an EAP

"But what about the cost?" queries Sergio.

Rebecca answers by saying, "The cost of an EAP depends on a number of variables, such as size, scope of services, and whether you have an in-house program or use an outside vendor. As a mid-sized company, we can't justify the cost of an in-house professional counselor, so we use an outside provider. If we ever grow to having 3,000 or more employees, then we'd look at keeping the program in-house, complete with a psychologist, social worker, counselor, and support staff. For now, though, we're content using an outside vendor, with the basic per-employee fee at around $4.00 per month. That figure covers everything, including administration costs, and the fee is adjusted annually, depending on how extensively our employees use the services. I can tell you that it would cost a lot more if we didn't have an EAP: According to EAP experts, a well-run EAP will minimally return three dollars for every dollar spent on the program."

EAP Providers

Rebecca continues, "In searching for the most appropriate off-site program or EAP provider, we contacted the Employee Assistance Professionals Association in Arlington, Virginia. After talking with the people there, and after we surveyed other companies in the area, we came up with a list of questions to ask potential providers."

1. What is your reputation among your clients and among EAP professionals?
2. Do your staff members have the required training, certifications, and licenses?

3. Do you have offices in all or most of the locations in which our company needs services?
4. What kinds of employee problems can you service?
5. What specific services do you offer?
6. Is access by phone, face-to-face, or both?
7. What hours are services available?
8. How are the counselors trained and supervised?
9. Is your EAP compatible with our company's health-care benefits?
10. What is the total cost of the program?
11. How do you deal with the matter of confidentiality?

Confidentiality

"That last point, about confidentiality, is a really important issue," comments Pete. "In fact, we rejected one provider because of it."

"What do you mean?" asks Sergio.

"Confidentiality is essential for legal and practical reasons," Pete responds. "From a legal standpoint, we have to ensure that both Dover and the provider comply with all relevant state and federal laws and regulations, i.e., those concerning confidentiality of client records. Also, the Americans with Disabilities Act prohibits employers from using information on employees' health problems in a way that could negatively impact their jobs. For practical reasons, in order for an EAP to work, employees need to feel confident that they can talk privately to a counselor without fearing that the information will leak back to their manager. We respect an employee's right to privacy and require our EAP provider to have a clause in their contract stipulating that they provide for confidentiality."

"One more thing," adds Rebecca. "We extend our EAP services to employee dependents. We've found that, in many instances, the dependent is the person having the problem or is the source of the employee's problem. When an employee's dependents have problems, it often affects his or her ability to perform effectively on-the-job. That, in turn, can lead to disciplinary problems and, ultimately, termination. We're then left with a vacancy to fill, and that can be costly depending on the sources we tap, how long it takes to fill the job opening, and the time it takes to train the new employee."

Rebecca turns to Sergio: "The president told me flat out that Dover is on the fence about keeping this program. Even though approximately one-third of all employers offer EAPs, they aren't convinced that we need to be included in that number. Based on what we've said here, do you think our EAP is in jeopardy?"

After thinking for a moment, Sergio replies: "I'm going to state in our report that having an EAP clearly impacts productivity in a positive way and is, in the long run, a cost-saver. It also makes the company proactive, which is an effective recruitment tool."

✔ Apply What You Learn

The Role of Employee Assistance Professionals

Suppose a manager approaches HR about an employee who confides that he is having marital problems; to cope, he has begun drinking rather heavily. The manager suggests that the employee contact the company's off-site EAP and talk with a counselor, but the employee says he is afraid an EAP will not keep matters confidential. He concludes by saying that he feels better having talked with the manager and is confident he can straighten out his problems on his own. Since that conversation two weeks ago, however, the manager has witnessed a steady decline in the employee's work performance, and he has also developed an attendance problem. What will you do?

GRIEVANCE AND DISCIPLINARY PROCEDURES

Sergio approaches this topic first. "Why do we need formal grievance and disciplinary procedures? I mean, if employees have a problem why can't they just go to their manager, or to you if the problem concerns their manager? Having a structured disciplinary procedure seems so ominous and heavy-handed; don't employees feel threatened by it? Besides, this isn't a union environment; I thought formal grievance procedures only existed in unionized companies."

Sergio pauses and waits for Rebecca or Pete to reply. Pete responds first: "Actually, it was the employees' idea to have a formal program. They didn't feel comfortable leaving it to the whim of each manager to respond to employee complaints on an individual basis. They wanted to know what their rights were when they didn't like something . . ."

"And," interrupts Rebecca, "they also wanted to know about repercussions for violations of company rules and such. In other words, they wanted structure. As for your comment concerning unions, it's true that union environments have a multistep process that usually begins with an employee airing the grievance to the union steward. The grievance may not be resolved until many months later by an independent third party. We've patterned our procedure after that of a union, but it's far less rigid and takes much less time for resolution."

Sergio is taken aback for a moment; then he starts to think about it. "I get it," he says. "It's empowering for employees to know where they stand. That, in turn, motivates them to do their best on the job, which contributes to improved profits."

"Correct," says Rebecca, thinking about what a smart move it was on her part to make Sergio part of this process. "Let's review Dover's grievance procedure to see if there's anything in particular we need to change."

Grievance Procedures

The company's grievance procedure begins by stating the three primary purposes of Dover's employee grievance policy: (1) to ensure prompt and equitable treatment for all employees; (2) to help eliminate causes for job dissatisfaction: and (3) to resolve job-related problems so that productive work relationships can be resumed or maintained.

The filing of a grievance is permitted for any condition of employment thought to be inequitable. An employee is permitted to initiate a grievance procedure with any one of four parties: (1) his or her supervisor, (2) the manager of the employee's supervisor if the grievance concerns the supervisor, (3) someone in HR if the subject is sensitive and the employee is reluctant to speak to management directly, or (4) the company's EEO officer if the grievance concerns allegations of discrimination.

Formal grievances are submitted directly in writing by the employee, not anonymously or by a third party. The person receiving the complaint is expected to attempt to resolve the situation and render a decision in writing within five working days.

Employees can appeal the decision within ten working days after receiving the written decision. The appeal must also be in writing and submitted to any of the parties mentioned above. Within ten working days after the filing of a written appeal, a grievance committee holds a formal hearing. The grievance committee consists of one representative from senior management, a manager, and a representative from HR. None of the members of the committee should have had any involvement, to date, with the issue of the grievance. The decision reached during the hearing is final, and the employee is notified in writing, within five working days of the hearing.

Managers are obliged to comply fully with the company's grievance procedure. No record of any grievance filed should be kept in an employee's HR file. No employee should be subjected to retaliation for having used the grievance procedure, nor should bias be shown toward any employee who files a grievance. Neither filing nor appealing a grievance should affect an employee's future opportunities for promotion, transfer, training, salary increases, or performance evaluation.

❓ Think About It

If your organization has a grievance policy, compare it with the procedures described by answering these questions:

What is its primary purpose? _____

Whom does an employee approach with a grievance? _____

Think About It continued from the previous page.

Are grievances submitted in writing? yes ___; no ___.

How many days can pass before a decision is rendered? _____

How can an employee appeal the decision? _____

Do you have a grievance committee? yes ___; no ___. If yes, what is its function?

_____

_____

If your organization does not have a grievance policy, do you think management would be receptive to instituting one? yes ___; no ___. Explain your answer.

_____

_____

_____

Disciplinary Procedures

Dover's policy on disciplinary procedures states that disciplinary action may be brought against an employee for any one of a number of reasons, including repeated or excessive lateness or absenteeism; interfering with the work of other employees; abusive or inconsiderate treatment of others; insubordination; failure to meet required work standards; tending to personal matters during working hours; theft, destruction, or abuse of organization property; falsification of records; threats or actual acts of physical violence.

The exact nature of the infraction determines the severity of discipline. General guidelines that can be modified as needed include the following:

- Back documentation is not permitted. To be valid, documentation and discipline must occur at the time of the infraction.
- The degree of discipline to be administered should depend on such factors as the seriousness of the offense; the frequency of its occurrence; its effect on productivity, other employees, and the organization as a whole; and the employee's overall employment history.
- Those in charge of disciplining employees should avoid acting hastily. Administering discipline is a serious matter; all the facts must be gathered and objectively evaluated before deciding a course of action.
- Employees must not be disciplined for violating rules or regulations with which they are unfamiliar.
- The disciplinary procedure must be applied uniformly and without bias.
- With each repeat of the same infraction, HR and management's response must move to a higher level of response, as discussed in the section that follows.

Disciplinary Steps

The following steps are intended as a guide for HR and management for most kinds of infractions, such as excessive tardiness or absenteeism. Certain serious occurrences, such as acts of physical violence, may warrant suspension with or without pay, pending an investigation, or immediate dismissal.

1. *Verbal warning.* Verbal warnings should always be conducted in private and should serve as an opportunity to clarify misunderstood directions, eliminate incorrect assumptions, and resolve any conflicts.
2. *First written warning.* If the same problem recurs after a verbal warning, the employee should be issued a written warning. This is a statement of what has happened, who was involved, when and where the unacceptable behavior took place, why it warrants disciplinary action, and what improvement is expected. The employee should be given an opportunity to read the written warning and make comments, both verbally and in writing. The employee should then be asked to sign the written warning, indicating that he or she understands its contents. A sample of a first written warning appears in Exhibit 8–1.
3. *Second written warning.* If the problem persists or is repeated, it may result in a second written warning. Should this occur, the guidelines described in Step 2 should be repeated. A sample second written warning appears in Exhibit 8–2.

E xhibit 8–1

Sample First Written Warning

TO: Jill McKeefer/Administrative Assistant   October 27, 2004
FROM: Jack Braxton/Office Manager
RE: First Written Warning for Excessive Lateness

According to Section 8 of your Employee Handbook, of which you have a copy, all employees are expected to report to work before or at their regularly scheduled starting time. As you are aware, your regularly scheduled starting time is 9:00 A.M. On October 6, 2003, we discussed the matter of your excessive lateness. Specifically, I pointed out six separate occasions during the preceding six-week period when you reported to work late. They were:

Tuesday, August 26	15 minutes late
Thursday, September 4	20 minutes late
Tuesday, September 16	30 minutes late
Thursday September 25	25 minutes late
Monday September 29	25 minutes late
Friday, October 3	20 minutes late

During the above-mentioned verbal warning, you acknowledged these occurrences and stated that you sometimes had trouble making a particular train connection, causing you to arrive at work late. You further stated that you planned on making different travel plans to avoid future occurrences of lateness.

Exhibit 8–1 continues on next page.

Exhibit 8–1 continued from the previous page.

Since our discussion three weeks ago you have been late on two occasions:

Friday October 17   25 minutes
Monday, October 20   20 minutes

Failure to correct this behavior may result in a second written warning.

A copy of this first written warning will be placed in your HR file. If no additional instances of lateness occur over the next 12 months, the warning notice will be removed.

(Manager's signature) _____   _(date)_ _____

(Employee's signature indicating understanding of contents) _____   _(date)_ _____

(Employee's comments): _____

_____

E xhibit 8–2

Sample Second Written Warning

TO: Jill McKeefer/Administrative Assistant   December 5, 2004
FROM: Jack Braxton/Office Manager
RE: Continued Excessive Lateness

In accordance with our meeting and the verbal warning issued on October 6, 2003 and our meeting and the written warning issued on October 27, 2003 (see attached), this constitutes a second written warning.

Over the past five weeks, you have been late four times:

Monday, November 10   10 minutes late
Thursday, November 13   15 minutes late
Thursday, November 20   25 minutes late
Wednesday, December 3   20 minutes late

Failure to correct this behavior may result in suspension for one to three days without pay.

A copy of this second written warning will be placed in your HR file. If no additional instances of lateness occur over the next 12 months, the warning notice will be removed.

(Manager's signature) _____   _(date)_ _____

(Employee's signature indicating understanding of contents) _____   _(date)_ _____

((Employee's comments): _____

_____

4. *Suspension.* If the problem continues, suspension may be warranted. Suspensions are usually for a period of one to three working days, without pay. The employee should be told of the reasons for the suspension, and warned that failure to improve in work or conduct could result in termination.

5. *Termination.* After a verbal warning, two written warnings, and suspension, termination for repeated or continued infractions may be called for. A written statement summarizing the reasons for termination should be placed in the employee's HR file.

Sergio finishes reading about disciplinary proceedings and comments, "This is serious stuff. How often do you actually have to use the disciplinary process?"

Rebecca replies, "Well, most of the time, if our managers are doing their jobs as coaches and counselors, we can avoid disciplinary action. Sometimes, however, despite a manager's best efforts, employees push us to the point where we have no choice. That's when having a formal policy to refer to is critical."

"I agree," says Sergio. "Disciplinary matters can too easily get out of hand. We want to resolve them quickly before they start to impact productivity."

❓ Think About It

Consider a situation in your organization that calls for disciplinary action. In your opinion as an HR practitioner, did the manager apply the appropriate disciplinary steps? yes ___; no ___. What steps should the manager have taken, or should take next?

_____

_____

_____

ALTERNATE DISPUTE RESOLUTION

"Are you ready to proceed with alternative dispute resolution?" asks Rebecca nervously. She knows that this is one of the areas that's targeted to be cut. Pete and Sergio nod, and she continues.

"Increasingly, companies are seeking nonlitigious, more expeditious, and less costly ways of defending themselves against wrongful discharge and discrimination charges. One such means is alternative dispute resolution (ADR), a process that encourages the settlement of employment-related complaints before they reach the courts by means of either internal personnel or external parties. ADR differs from the traditional grievance procedure by focusing on issues headed for court. With discrimination cases taking years to resolve, only

to result in legal awards as high as seven figures and court costs for a jury trial costing hundreds of thousands of dollars, employers are strongly motivated to try the ADR approach. "

Sergio jumps in when she pauses. "That's interesting, Rebecca; however, . . ."

"Wait," interrupts Rebecca, "there's more." She continues: "Organizations approach ADR in a number of different ways. Some rely on external arbitration or mediation, which may be internal or external. Others designate a peer review panel coupled with an internal complaint resolution process. Generally, complaints can be heard and decided within six weeks. An employee dissatisfied with the decision may later file a formal complaint with the EEOC. The EEOC, however, may be less inclined to pursue a complaint that has already been resolved by ADR. Still other employers establish a 'company court' with a designated person rendering a decision, usually within two weeks of the hearing.

"There are many advantages to ADR. Besides the financial savings, the process allows employers to focus on trouble spots in the company without negative publicity. In addition, ADR programs send a message of fair dealing and trustworthiness to employees. Employees also appreciate not having to wait months or years for resolution." Rebecca shows Sergio a pamphlet identifying the guidelines followed by successful ADR programs.

- The ADR process should be carefully explained to prospective employees during the application and interview process.
- The employee handbook should clearly describe ADR, including its purpose and uses.
- Employers should make certain their ADR agreements are enforceable under state arbitration statutes, and modeled after the Uniform Arbitration Act, which is applicable in about two-thirds of the states.
- The process should be well publicized at the outset and receive senior management's support.
- All complaints should be treated confidentially, with concessions and admissions leading to settlement without outsiders' becoming aware of the details.
- Psychologists and other persons with special expertise in these matters should be brought in to assist in the process as appropriate to ensure that employees' feelings are considered.
- Employers are advised to consult with an attorney specializing in labor and employment law before establishing an ADR program.

Sergio waits to make certain Rebecca is finished. Then he says, "That was very enlightening; however, what we really need is a statement concerning the success of Dover's ADR program."

"You're right," comments Pete. "Here's a summary we can include in our report."

Overall, Dover has experienced quicker complaint resolution at earlier stages in the process. Specifically, during the program's first twelve months, 75 percent of all complaints were resolved within a month's time

and only 1 percent progressed to the final stage of arbitration. A reduction in the number of discrimination charges filed with fair employment practice agencies and reduced legal fees are additional critical measures of our program's success.

Sergio is impressed; he anticipates that management will be, too.

? **Think About It**

If you were to establish a company court in your organization, who would be on it? (titles only)

HR POLICIES AND PROCEDURES MANUALS AND EMPLOYEE HANDBOOKS

Sergio begins addressing this aspect of employee relations by stating that he has often referred to Dover's policies and procedures manual for guidance and has seen many of his employees use the employee handbook for information and clarification of company rules. While he has no criticism to note, he feels it would be prudent to include some basics in their report, in terms of the purpose of a manual and handbook, and to discuss how they should be used. Rebecca agrees with his suggestion and provides the following generic information.

> The contents of an HR policies and procedures manual and employee handbook should reflect an organization's philosophy, objectives, and needs as they relate to all aspects of employee relations, including recruitment, selection, hiring, working conditions, benefits, compensation, training, career development, promotions, transfers, performance evaluations, and termination. The information should be complete, current, and easily interpreted. In addition, both manuals and handbooks should be reviewed annually to ensure continued overall accuracy.

Policies and Procedures Manuals

The purpose of a policies and procedures manual is to provide members of management and the HR department with a systematic approach to interpreting and administering company-wide policies and practices. It is, in effect, a communication tool designed to ensure the fair and equitable treatment of all employees. The style in which it is written and the tone used should reflect each organization's unique culture.

? | **Think About It**

How does the content of your organization's policies and procedures manual reflect its corporate culture?

_____

_____

How would you describe the style in which it is written? _____

_____

HR practitioners are encouraged to provide the managers of their organizations with training in the effective use of the HR policies and procedures manual as opposed to merely distributing it to them. This helps to ensure the uniform interpretation and implementation of the manual's content.

It is also critical that managers and HR representatives understand the correlation between the language in an HR policies and procedures manual and charges of wrongful discharge. An employee may interpret certain language in the manual as representing an employment contract, for example, that termination will occur only under certain circumstances. If a manual clearly states that employees may be terminated "for just cause only," and a worker is discharged for other reasons (such as a reduction in force), the result may be a charge of wrongful discharge.

Exhibit 8–3 shows an excerpt from an HR policies and procedures manual of a company with approximately 500 employees.

Employee Handbooks

Just as an HR policies and procedures manual is a tool to be used by managers and the human resources department, employees also need a tool, a single source of information about what the organization expects of them and what they can expect from the organization. This source of information is the employee handbook. Handbooks typically provide a brief history of the organization and a description of its primary products and/or services. They serve as a written declaration of an organization's commitment to equal employment opportunity, and also clarify the employer's position regarding employment- and termination-at-will. The most successful handbooks are written in "employee-friendly" language.

Some employee handbooks are set up in two parts: The first part generally outlines company rules, regulations, and policies, and provides information of general interest. The second part is usually devoted to benefits: medical and other forms of insurance, and other benefits including holidays, vacations, personal days, and sick leave

E xhibit 8–3

Excerpt from an HR Policies and Procedures Manual

Section: Employment/Selection Practices

Subject: Job Posting

Policy: In keeping with the policy of this company to help employees with career development, both exempt and nonexempt positions will be filled with existing staff wherever and whenever feasible. Positions advertised via job posting will be offered to those employees interested in promotions, as well as those interested in making lateral moves.

Procedure: Whenever a position becomes available—either through a vacancy created by a terminating or transferring employee, or because of an addition to staff—the opening will be posted. Posted bulletins will appear on the intranet and in convenient and readily accessible locations throughout the organization. Employees will be given up to five working days to apply for any position posted. The procedures noted in the job-posting bulletin must be adhered to.

Managerial Responsibilities: Managers should encourage employees for whom they are responsible to apply for positions compatible with their skills, interests, abilities, and potential. Employees who are "held back" will not feel motivated, and productivity is certain to be impacted.

Outside Recruitment: Continued rapid expansion and demands for highly skilled and trained employees in certain areas sometimes require recruiting individuals from outside the organization. This will be done, however, only after employees have had ample opportunity to apply for such positions and their skills and potential have been fairly evaluated by the human resources department and the respective department manager.

Frequency of Job-Posting Applications: There is no limit to the number of jobs an employee may apply for or the number of times he or she may apply. Rejection for one position must not be used in any way against an employee applying for a similar or different position in the future.

Job-Posting Stipulations: In order for an employee to be eligible to apply for a posted job, he or she must have been employed by this company for at least six months, and have been in his or her present job for at least the same period of time. In addition, the employee's most recent performance management evaluation must reflect a satisfactory or better overall rating.

Notification of Job-Posting Results: All employees who apply for posted positions will be notified in writing as to the decision reached. A copy of this notification will be kept in the employee's HR file.

The handbook, like the manual, may be considered an employment contract. Employees hired at will may claim that the at-will status changed when they received a handbook outlining specific conditions of employment. For example, if a company's employee handbook states that the company will resort to dismissal for just and sufficient cause only, then an employee terminated for other than "just cause" or without being given the opportunity to correct his or her behavior may, on the basis of that statement, sue for breach of contract in some states.

Exhibit 8–4 shows an excerpt from the employee handbook from a company with approximately 1500 employees.

E xhibit 8–4

Excerpt from an Employee Handbook

Employee Referrals: As an employee of (name of organization), you are encouraged to recommend suitable candidates for employment.

We will pay you $500 each time someone you refer is hired. There is no limit to the number of people you may refer or the number of times you may collect a referral fee. We do, however, require that the new hire remain with us for a minimum of six months and receive a performance evaluation rating of satisfactory or better after their first six months of employment. Accordingly, $100 will be paid at the time of their hire; assuming these conditions are met, the remaining balance of $400 will be paid at the end of six months.

If you wish to recommend someone for hire, contact your human resources representative for the appropriate form. A separate form must be completed for each referral.

✔ Apply What You Learn

Writing an Employee Handbook

In the space provided, write a statement on "personal use of company computers" for your organization's employee handbook. Be sure to use employee-friendly language.

_____

_____

_____

_____

_____

EMPLOYEE RETENTION

Rebecca is anxious to move on to the last aspect of successful employee relations, employee retention. She begins by saying, "I'm really pleased with our efforts regarding employee retention. We started out not really understanding why employees leave nor what it takes to keep them motivated on the job. Our turnover numbers were higher than the industry average, and we couldn't figure out what was wrong, especially since our wages were competitive. We finally did some research on retention strategies and, as a result, now have a pretty content workforce."

"That's quite a bold statement," comments Sergio. "Tell me more."

What Employees Want

As reported in *The Employee Recruitment and Retention Handbook* (Arthur, 2001), one study conducted by Gerald Graham, a management professor at Wichita

State University, surveyed 1,500 employees concerning what they considered to be the top five workplace incentives. The responses, ranked by number of replies, were: (1) personal thanks from manager, (2) written thanks from manager, (3) promotion for performance, (4) public praise, and (5) morale-building meetings. Graham followed up on these results and found that 58 percent of employees reported that they seldom, if ever, received personal thanks, and 76 percent said that they seldom, if ever, received written praise.

Clearly, being shown appreciation for their work matters most to employees. Surveyed managers were asked about how they exhibit appreciation; most reportedly had never given the subject much thought.

The following introspective activity may help you develop a personal action plan for improvement.

✔ **Apply What You Learn**

Managerial Activity to Ensure Employee Appreciation

What do you do to ensure employee appreciation? Ask yourself the questions below:

	Yes	No	Not Sure
Do I know what makes my employees happy?	___	___	___
Do I know what makes my employees unhappy?	___	___	___
Is it my concern whether they're happy or not?	___	___	___
Do I know what motivates them?	___	___	___
Do I know their strengths?	___	___	___
Do I know the areas requiring improvement?	___	___	___
Do I know their goals and aspirations?	___	___	___
Do I have effective people-skills?	___	___	___
Am I supportive?	___	___	___
Am I empathetic?	___	___	___
Do I provide sufficient positive feedback?	___	___	___
Do I provide constructive criticism?	___	___	___
Am I effective when handling conflict?	___	___	___
Do I use positive body language when listening?	___	___	___
Do I seek feedback on how I'm doing as a manager?	___	___	___

Look at all the questions you answered with "no" or "not sure." How difficult would it be for you to convert these answers to "yes"?

_____

_____

Identify specific steps you could realistically take to convert these answers to "yes."

_____

_____

The Impact of Managers on Turnover

Managers who resist changing their approach to employee appreciation are likely to experience a disproportionately high rate of turnover in their departments. Research shows that a major reason employees leave their jobs is due to unsatisfactory relationships with their managers. In other words, managers have the potential to prevent or reduce turnover. The cost of replacing an employee is high; the direct (e.g., advertising) and indirect (e.g., lost productivity) turnover costs are conservatively estimated at approximately 30 percent of a position's annual salary. For example, turnover costs for one $40,000/year employee is approximately $12,000; replacing a $65,000 employee costs the organization $19,500. Even an $8/hour employee costs the company $4,800. Some figures are as high as six months of an hourly worker's salary to eighteen months' salary to replace a professional employee.

To be effective in combating turnover, managers need to hone their skills when it comes to providing both positive and negative feedback, recognizing achievements, resolving conflict, and expressing appreciation. Managers in the most successful work environments make employee appreciation a strategic business priority. They provide flexible reward programs to meet the varying needs of employees so that, when the employment market once again turns in their favor, employees will not want to leave.

Retention Challenges in Today's Workplace

There are a number of steps managers can take to help raise levels of motivation and keep employees from leaving:

- Link pay and perks to performance, not to title or rank.
- Provide opportunities to learn and to grow in a job.
- Frequently praise and reward those who perform well.
- Conduct personal development discussions that focus on what's important to the employee, in addition to annual performance reviews.
- Keep employees informed of decisions concerning salary freezes and the like, and explain any challenges the company faces
- Provide ongoing training opportunities: a well-trained, cross-trained, and multi-skilled workforce is especially valuable when you have fewer workers trying to cover all the bases

There are also two really important things managers should avoid doing:

- Do not assume that a high salary, raise, or bonus is the most important factor in producing job satisfaction and increased productivity
- Do not threaten employees with statements like, "You're lucky to have a job."

Communication: The Key Component of a Retention Environment

Organizations that are keenly tuned in to what matters to their employees stress the importance of communication. They hold monthly open forums so employees can talk with decision makers about issues of importance to them. They also communicate informally, regularly and often, thereby letting employees know what's going on throughout the company, especially if there are rumors floating around concerning changes. And these pearls of wisdom don't only apply to the managers; HR needs to communicate effectively with employees as well.

✔ ## Apply What You Learn
Communication Quiz

Communication is only effective if it is two-way. Take this Communication Quiz to see how you fare with regard to promoting two-way communication. Give yourself a 5 for "always" and a 1 for "never."

5 = always
4 = almost always
3 = sometimes
2 = rarely
1 = never

1. When employees come in to talk with me I put aside what I'm working on and give them my undivided attention. _____
2. I don't complete people's sentences for them, no matter how long it takes them to finish what they have to say. _____
3. I use positive body language with employees when they talk, e.g., smile, lean forward, and nod in understanding. _____
4. I ask questions if I'm not clear as to what the person is saying or asking. _____
5. I periodically paraphrase or summarize what employees have said to ensure that I understand what they mean. _____
6. Anytime a new policy or procedure is issued, rather than just distribute it, I go over it with my staff to ensure that they understand its intent. _____
7. I openly acknowledge hard work and extra effort. _____
8. I make sure employees have adequate resources for the work they've been assigned. _____
9. I don't tell employees I'm definitely going to do something, such as get them a raise, unless I know for certain that I can. _____
10. I communicate with employees the way I would want my boss to communicate with me. _____

Total: _____

Add your scores. A total of 41 or more points means you're well tuned in to the importance of open, two-way communication between your employees and you. Between a 30 and a 40 indicates you're receptive to the importance of communication, but need to hone your skills. If you scored below a 30, think about developing an action plan to improve your communication skills.

Employee Recognition and Award Programs

One of the best ways to retain good employees is to acknowledge their contributions to the organization and to reward job performance beyond what is required. In general, some form of public acknowledgment is appropriate for: (1) length of service (sustained performance), and (2) noteworthy performance (one-time achievement).

While there are many ways to reward your outstanding employees, effective recognition programs share specific characteristics. They are:

- Customized to the situation and the recipient
- Meaningful to the recipient
- Administered fairly
- Appropriate to the level of accomplishment or contribution
- Presented in a timely manner
- Presented sincerely with senior management involvement

Depending on the size and financial situation of an organization, such recognition can be provided in a specific, concrete way such as money or merchandise. While many employees welcome unexpected extra money, it is not without its problems. One of the main drawbacks of using cash as an incentive or award lies in its lack of trophy value. That is, even "extra" money quickly disappears because it is spent on items that are otherwise unaffordable. Merchandise, which is tangible, is perceived as showing more thoughtfulness, especially if it reflects an individual employee's tastes or preferences.

If cash or merchandise is either inappropriate or unavailable, there are, nevertheless, ways of rewarding employees without spending money, for example:

- Peer recognition (acknowledging employees in front of their peers)
- Personally thanking an employee, verbally and in writing, for a specific job well done
- Celebrating employee successes with inexpensive gifts and public acknowledgment
- Providing free time
- Volunteering to do an employee's least desirable task for a day
- Creating a "yearbook" that contains everyone's photo and best achievement of the year
- Developing a "Behind the Scenes" award for those employees whose work is not usually in the limelight

There are countless ways to acknowledge the superior work or loyalty of your organization's workforce. The only limits are one's imagination.

Best Practices: The McDonald's Corporation

McDonald's sought to implement a recognition program that would, in part, focus on improved employee satisfaction, thereby contributing to a higher rate of retention. In addition, the fast-food chain was committed to showing its employees that they are the company's most valuable asset. While each

store already had some sort of recognition process in place, e.g., employee-of-the-month awards, there was a lack of continuity and connection with meeting company goals. The result was a new recognition program entitled Speedee Bucks, an incentive program targeting a diverse group of employees. McDonald's tested the program in 1996 in one Midwest region. The system was so successful that it was quickly expanded to more than ten regions throughout the United States.

The underlying concept of the program is to reinforce the idea that performance is tied to the success of the company. When employees meet specific service goals, they are immediately given a certain number of vouchers called Speedee Bucks. For example, if a crew meets its drive-through order goal, Speedee Bucks representing, say $1.00, are awarded. Once an employee accumulates a minimum dollar amount in value, the Speedee Bucks may be redeemed for cash, logoed merchandise, or gift certificates from participating retailers. Working in tandem with the consulting firm, Incentives, Inc., and focus groups, these retailers, including FootLocker, Blockbuster, and Kmart, were selected to match the lifestyle and demographic profile of the employees.

While cash is an option in redeeming Speedee Bucks, surprisingly it is not the first choice of most employees. In fact, during the regional testing, cash came in sixth place, representing only 7 percent of total voucher redemption. The top six redemption choices in order were: Wal-Mart, JC Penney, FootLocker, Blockbuster, Famous Barr (a local Midwest retailer), and then cash. Since the pilot program, even the small number of Speedee Bucks redeemed for cash has been falling.

Employees endorse the program because they essentially control how much is earned and can choose their own awards. Managers and storeowners appreciate its ease of administration: Incentives, Inc. creates the Speedee Buck vouchers, contacts the retailers in connection with the gift certificates, fills employee's orders, and keeps records for the corporate office. All managers have to do is identify those employees eligible to receive the Speedee Bucks. Of course, they must also put up the money for the purchase of Speedee Bucks for distribution. But there are no hidden costs: If storeowners pay Incentives, Inc. $20,000, they receive $20,000 worth of Speedee Bucks.

Managers as well as storeowners also have flexibility in the amounts and occasions for which awards are issued. This is important since each McDonald's location has different concerns and employee-related problems. For example, if a particular store is experiencing especially high turnover, the manager could decide to award all employees reaching the three-month mark an additional $25 in vouchers.

McDonald's believes that the primary reason for the success of the Speedee Bucks program is that employees are instantly rewarded for their accomplishments and receive public recognition. In addition, the employees can effectively control how much they accumulate and, therefore, the awards. Some employees cash in each voucher as soon as it's earned, regardless of the amount. Others prefer to save them to redeem larger certificates. That's their choice. Employees have been known to finance their Christmas shopping with earned Speedee Bucks; others have funded vacations.

The program is a measurable success, and it works because it offers management and employees simplicity, value, flexibility, and choice. Both customer and employee satisfaction scores have increased since the program started. One owner of several restaurants reported a 30 percent reduction in turnover after the Speedee Bucks program was implemented. Other store-owners report that employees are anxious to work extra shifts in order to earn more vouchers. This indicates that storeowners and managers are doing a creditable job in ensuring that employees understand the goals and objectives they are expected to accomplish, and that employees are, in fact, meeting them.

Due to the success of the program at the restaurant level, McDonald's has made it available to regional and corporate staff, with some modifications. The premise of the corporate staff program is the same but the choices are different. Rather than receiving a Speedee Buck, employees receive vouchers in increments ranging from $25 to $200. Also, the retailers are different: Nordstrom, American Airlines, and Ritz-Carlton, among others.

To counter arguments that the program is mercenary, and that employees only perform to acquire vouchers, Incentives, Inc.'s president responds: "What's measured gets moved, what gets rewarded gets done, and people do things for their sets of reasons, not yours." (This section has been based on *The Employee Recruitment and Retention Handbook* by Diane Arthur, 2001.)

recap

Employee Assistance Programs (EAPs) help employees cope with problems such as alcohol and drug abuse, financial difficulties, gambling, and stress. Left unattended, these problems can easily develop into major issues that invariably impact an employee's ability to perform on-the-job. When properly managed, EAPs serve to prevent an increase in absenteeism, tardiness, sick leave abuse, health insurance claims, disability payments, employee theft, litigation, and turnover.

The three primary purposes of an employee grievance policy are to ensure prompt and equitable treatment for all employees, help eliminate causes of job dissatisfaction, and resolve job-related problems so that productive work relationships may be resumed or maintained. The filing of a grievance should be permitted for any condition of employment thought to be inequitable.

Disciplinary action may be brought against an employee for any one of a number of reasons, including repeated or excessive lateness or absenteeism; interfering with the work of other employees; or insubordination. The exact nature of the infraction should determine the severity of discipline. The standard disciplinary steps are verbal warning, first written warning, second written warning, suspension, and termination.

Alternate dispute resolution (ADR) is a process that encourages the settlement of employment-related complaints before they reach the courts by

means of either internal personnel or external parties. ADR differs from the traditional grievance procedure by focusing on issues headed for court.

The purpose of an HR policies and procedures manual is to provide members of management and the HR department with a systematic approach to interpreting and administering company-wide policies and practices. Employee handbooks provide employees with information about what the organization expects of them and what they can expect from the organization. Both manuals and handbooks may be viewed as employment contracts.

Managers often erroneously assume they know what matters most to employees; consequently, they overlook the importance of showing employees appreciation for their work and fail to engage in frequent, two-way communication. Having a customized rewards and recognition program that has the support of senior management can send a message of commitment to employees.

Review Questions

1. Standard disciplinary steps are intended as a guide for HR and   1. (b)
management for most kinds of infractions. Certain serious
infractions may warrant:
(a) contacting the police.
(b) suspension with or without pay.
(c) a written warning.
(d) the involvement of senior management.

2. The most successful employee handbooks are: 2. (d)
(a) written in several different languages.
(b) employment contracts.
(c) guides for managers to systematically interpret and adminis-
ter company-wide policies and procedures.
(d) written in employee-friendly language.

3. EAPs help with a wide range of family and work problems.   3. (b)
To succeed, the program must:
(a) offer time off with pay.
(b) ensure confidentiality.
(c) provide drug testing.
(d) provide training so managers can become counselors.

4. One of the benefits of ADR is that: 4. (a)
(a) employees don't have to wait months or years for resolution.
(b) managers are forced to acknowledge an employee's work.
(c) it's cheap.
(d) management can keep discrimination lawsuits out of the
news.

5. There are two reasons for recognizing employees: length of   5. (c)
service and:
(a) persistence.
(b) merchandising.
(c) noteworthy performance
(d) working without complaint.

Do you have questions? Comments? Need clarification?
Call Educational Services at 1-800-225-3215
or e-mail at ed_svcs@amanet.org.

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Training and Development
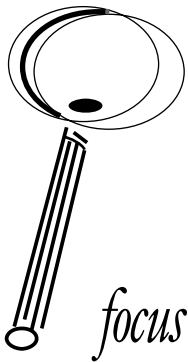
Learning Objectives

By the end of this chapter, you should be able to:

- Articulate training trends.
- Conduct a comprehensive needs assessment.
- Differentiate between directed and nondirected learning methods.
- Distinguish between distance learning and traditional classroom training.
- Assess the benefits of training.
- Identify the components of career development.
- Establish a mentoring program.

Adam Sterling, vice president of HR for Woodland's First Regional Bank, sits at his desk waiting for his 2:00 appointment. He's expecting Joseph Wyatt, assistant vice president for training and development. When Joe called he sounded exasperated, and Adam can guess why. He just reviewed the termination papers for Colleen, a junior loan officer who'd been with the bank about two years. During the exit interview she'd explained that her primary reason for leaving was that she felt underutilized; actually, the word she used was *stuck*. Adam refers to the written exit interview and reads a direct quote: "It's not that I expect a promotion every year, but it'd be nice if I could get some training in the event that something opened up."

At 2:00 Joe enters Adam's office. Adam knew the direction the conversation would take; lately, he'd received a number of complaints about the lack of training opportunities at the bank. After a couple of minutes of small talk, Joe begins, "Adam, this is getting serious. If we don't start offering some real training options we're going to lose our best employees. Not only that, we're

going to lose any competitive edge we currently have due to the generous salaries we offer."

"And benefits," adds Adam.

"Yes, and benefits. But that's not enough. Employees expect training opportunities, and it behooves the bank to give it them."

Adam leans back and asks, "What about the argument that we could be training our employees to leave with the skills we pay them to acquire?"

"That's always a risk," replies Joe, "but it's not as serious a concern as having a disgruntled workforce. Remember: Motivation and productivity are closely linked, and right now we're bordering on having an unmotivated employee population."

"All right, Joe, you have my attention. What are you hoping to achieve?"

On hearing this, Joe smiles and offers Adam a thick binder. Adam blinks, opens it to the table of contents and reads aloud:

"Training trends; needs assessment; directed versus nondirected learning; distance learning; evaluating the effectiveness of training; career development; mentoring."

Joe jumps in and says, "I know there's a lot of information there, so I've prepared a summary of each topic. Why don't I leave both the summary and the full report with you so you can digest their contents; then we can meet again when you're ready." They set an appointment for 9:30 the following Thursday.

TRAINING TRENDS

According to the *2002 American Society for Training and Development (ASTD) State of the Industry Report*, the top ten trends and challenges for training in the workplace are:

1. Employers increasingly expect training to show a return on investment.
2. Growing cultural diversity of organizations translates into increased diversity training.
3. Increased expectations for services resulting in "just-in-time" products necessitate shorter time frames for learning.
4. More virtual workplaces require alternatives to onsite training.
5. World population changes mandate training the right human resources for key competitive positions.
6. As employees increasingly demand meaningful work, organizations must provide training linked with greater options.
7. Signs of resistance to too rapid changes in the workplace are resulting in a resurgence of more traditional forms of training.
8. As what people know becomes increasingly important, there is a greater emphasis on knowledge management.
9. An increase in automated work necessitates training that keeps up technologically.
10. Changing job classifications and new career choices necessitate additional categories of training.

E xhibit 9–1

How Various Sectors Are Modifying Training in Response to Training Trends

Sector	Current Training	Anticipated Training
Private Sector Practitioners	Demonstrate training's ROI Align training with business needs Knowledge management	Closer partnering with IT Emphasize diversity Broaden interest in training
Public/Nonprofit Practitioners	Enhanced e-learning Mentoring opportunities More change management training	More external education More succession planning "Systematic thinking," training
Senior Managers	Increased e-learning Knowledge management	Greater work/life balance Greater employee commitment
Researchers	Self-directed work teams Improved human capital measure	More on the role of culture Measure learning outcomes
Trainers	Demonstrate training's ROI Examine impact of diversity training Increase use of technologies	Identify new markets Detection of market "signals" More "just-in-time" training
HR Practitioners	Test success through research Form alliances among HR practitioners	Understand global HR practices Identify culturally specific practices
Educators	Increase e-learning Listen to needs of consumers	Develop better partnerships Educate decision makers as to importance of learning
Learners	Cope with rapid change Keep skills current Greater control of learning Engage in applied learning	Greater comfort with diversity Greater work/life balance Encourage awareness of social responsibility

Exhibit 9–1 identifies how businesses in various sectors are modifying training in response to these trends and what they plan in the future.

Types of Training

In ascending order, the following types of training are among the most popular currently being offered cross-organizationally: basic skills; executive development; quality, competition, and business practices; interpersonal communication; sales; customer relations; product knowledge; occupational safety; professional skills; managerial/supervisory skills; information

technology skills (IT); technical processes and procedures. Many employee groups are consistently being offered the last two types of training, i.e., IT and technical processes and procedure: executives, senior and middle managers, first-line supervisors, production employees, administrative employees, customer service and sales employees, IT staff, and other professionals.

Training Costs

The typical organization spends about 2 percent of its payroll on training per year. Total training expenditures per eligible part-time and full-time employee are a little more than $700. Seventy-eight percent of eligible employees are actually trained, and average number of training hours per eligible employee is 23.5. Payment to outside organizations or consultants is roughly 22 percent of the training expenses.

Those spending the most on training as a percentage of payroll include finance, insurance, and real estate; transportation and public utilities; and technology. Those spending the least are from durable manufacturing; health care; and the agriculture, mining, and construction sectors. On a spending-per-training-eligible-employee basis, nondurable manufacturers spend the most, about three times more than health-care organizations.

Training Formats

Over the years, more and more organizations project that they will offer increased technology-delivered training via e-learning and less classroom training. In reality, projections have consistently fallen short. E-learning peaked in 1997, and has since leveled off. In contrast, classroom training has continued to increase.

The sectors that report the highest levels of e-learning include agriculture, mining, and construction; transportation and public utilities; and finance, insurance, and real estate. The lowest levels of e-learning are reportedly in the trade sector. Also, smaller and larger organizations tend to use e-learning more than mid-sized organizations.

The ASTD anticipates that e-learning in the typical firm will eventually settle in at about 20 percent of all training, while classroom training will account for approximately 65 percent. The report cautions that these percentages may be somewhat skewed, since many organizations use blended learning, a combination of classroom and e-learning. Hence, they might report one or the other as their primary form of training. In addition, since the events of September 11, 2001, organizations are reportedly sending fewer employees to classroom courses and opting for e-learning instead.

Linking Learning with Performance

Overall, organizations that train a greater percentage of employees report improvements in performance and productivity. Increased overall profitability, improved quality of products and services, increased sales and revenues, improved levels of customer and employee satisfaction, and the ability to retain top performers are just some of the positive by-products by training.

However, training cannot function in a vacuum; hence, the correlation between learning and performance is critical. Popular work practices meant to boost employee performance include: task forces, problem-solving teams or quality circles; cross-training; employee involvement with management in business decisions; and giving employees access to key business information. Less commonly used are self-directed work teams. Widely used performance management practices include annual performance reviews, including 360-degree feedback, and individual development plans.

? Think About It

What types of training does your organization offer? _____

_____

_____

What percentage of its payroll does your organization spend on training per year? _____

Does your organization rely primarily on classroom training? yes ___; no ___.
On e-learning? yes ___; no ___. On blended learning? yes ___; no ___.

How does your organization link learning and performance? _____

_____

The Role of HR

HR practitioners can help strengthen training functions, reduce costs, and still keep up with many of these trends by following a few suggestions:

- Make use of internal resources. For example, identify those individuals who exhibit qualities needed to become trainers and train them accordingly. Also, encourage managers and members of senior management to become more actively involved in the process by acting as mentors.
- Seek out the strategic alignment of training activities to business goals by increasing interaction between those responsible for training and business unit managers. In other words, link training with business success.
- Look for training programs that produce at least two skills or values employees can use right away. Think in terms of "need-to-have" as opposed to "nice-to-have" training.
- Keep in close contact with managers to determine what they perceive to be critical areas for learning. Also, survey employees for input on what training is needed.

- Implement those training methods that best target specific populations. For example, "just-in-time" (JIT) desktop training, available at the click of a mouse, may work for some job classifications, but not others.

Knowledge Management

Increasingly, knowledge management (KM) is being viewed as a way to enhance training. KM is the process by which relevant knowledge flows throughout an organization, rendering that organization capable of becoming an on-demand work environment, that is, one that is integrated, flexible, and quickly responsive to varied customer demands or market opportunities. It relies on a collaborative system that enables employees to take advantage of one another's expertise.

Knowledge that has an impact on an organization's business strategy may be separated into two categories: tacit and explicit. Tacit knowledge is that which is part of an individual's encounters or experiences, e.g., an employee's exchange with a difficult customer. This type of knowledge is usually shared verbally. Explicit knowledge is recorded, and may be found in written documents or electronic databases. Both forms of knowledge are germane to the KM process.

KM may further be described as a more continuous learning experience: instead of covering a specific list of topics in a predetermined time frame, i.e., what occurs in a traditional training workshop, the learning and knowledge-sharing process is ongoing. KM is frequently used to enhance learning through training.

Based on information sharing to enhance individual and organizational capabilities, KM creates multitiered and multilayered approaches to come up with solutions for problems or approaches to decision making. It focuses on functions critical to the overall organization, and looks on learning as a process rather than an isolated event.

Two organizations that successfully use KM to enhance learning via training are St. Paul Companies, St. Paul, Minnesota, a property and casualty insurer with 10,000 worldwide employees, and IBM Corp., Armonk, New York, the computer giant with more than 30,000 managers around the world. To determine whether your organization is ready for KM, visit the San Diego State University KM Web site at *http://defcon.sdsu.edu/3/objects/km/home/index.htm* and click on "Are You Ready for KM?"

NEEDS ASSESSMENT

A *needs assessment* should be the first step in any training and development venture. As the term implies, this is a process whereby an organization identifies and determines specific training requirements. This entails a thorough evaluation of:

- The situation thought to warrant training
- The desired outcomes
- The practicality of the desired outcomes

- Whether this is proactive or reactive training
- Who needs to be trained to achieve the desired outcomes
- What it is that these employees need to do better, more of, or differently
- What else, other than training, could bring about the desired outcomes

This last point is critical: Training is not a cure-all. Too often, management turns to training as the solution for every problem. Then, when the desired outcomes are not achieved, training is labeled ineffective and a waste of time and money. Sure, it could be that the training instructor did not communicate well, or the course contents were inconsistent with the objectives; but it could also have been that managers were not doing their jobs as coaches and counselors, or that employees had issues with policies and procedures. Additionally, training may fail because employees feel frustrated because they are discouraged from implementing the skills acquired via training.

Types of Needs Assessment

There are three different types of needs assessment: organizational, task, and individual. All three types are interrelated, and the information gleaned from each one is essential for a thorough and effective needs assessment.

Organizational Needs Assessment

An organizational needs assessment takes a holistic look at the kind of training needed and who should be trained. More specifically, the analysis identifies global issues that could impact training needs; anything new or lacking in the legal arena, e.g., with regard to sexual harassment; the ever-changing role of technology; and changing workplace demographics. In addition, an organizational needs assessment examines the extent of support from senior management, and the degree of willingness on the part of employees to participate in and take responsibility for outcomes. It also explores resources available, including money, facilities, materials, and in-house expertise.

Resources for accomplishing an organizational needs assessment include mission statements, strategic plans, skills inventories, and analyses of efficiency indices, e.g., costs of labor, annual reports, and organizational charts.

Task Needs Assessment

A task needs assessment reveals information about a job or a job family in terms of the knowledge, tangible skills and abilities, and intangible qualities needed to achieve maximally successful job performance. Job descriptions serve as a valuable source in achieving this end, as do individual interviews with incumbents, former incumbents, and managers. Focus groups consisting of six to ten participants are an alternative to one-on-one interviews when time is limited.

Individual Needs Assessment

Individual needs assessments reveal information concerning how well specific employees are functioning in their jobs. These assessments further determine which employees require training and what kind. Members of HR

generally turn to employee performance management reviews, documentation of any disciplinary matters, work samples, interviews with employees and managers, focus groups, questionnaires, and surveys for input.

? Think About It

How does your current organization (or other organizations for which you have worked) gather information relevant to a needs assessment?

_____

_____

Are (or were) these methods useful? yes ___; no ___. Explain. _____

_____

_____

DIRECTED TRAINING VS. NONDIRECTED TRAINING

These two types of training are discussed in some detail in the sections of the text that follow.

Directed Training

Directed training teaches employees to perform a specific task or learn a new skill. There are three common formats: self-directed, information processing, and simulation. Any one training program may employ a combination of formats, and each may be enhanced by visuals, e.g., PowerPoint™ presentations and videos, as well as handout materials. All three formats require practice, feedback, and reinforcement.

1. *Self-directed training (SDL).* This is also known as individualized instruction or prescriptive learning. It is a process by which trainees work at their own pace, generally without the aid of an instructor, but under the guidance of a facilitator, to achieve predetermined goals. Typically, this is accomplished via electronic learning, discussed in the next section.

2. *Information processing.* This is generally accomplished through lectures or panel presentations. Both the lecture and panel presentation formats can provide a great deal of information in a relatively short period of time. To be effective, speakers must be both interesting and well informed. Questions should be permitted both during and following the session in order to maintain a high level of trainee interest.

3. *Simulation.* This format allows trainees to experience real on-the-job situations through various means, including exercises, project sessions, role-playing, brainstorming, case studies, games, and in-basket exercises.

Nondirected Training

Nondirected training emphasizes providing employees with the skills and knowledge needed to become more invested in their organization. Consistent with today's new social contract, whereby employers cannot offer employment for life, nondirected training provides employees with transferable "employability." The approach is consistent with the concept of an open work environment. Employees learn how the business operates, enabling them to perform various tasks if and when the company shifts direction or starts stockpiling openings.

The result is a win–win situation: The company has the human resources needed to meet corporate goals, and employees are less likely to become restless and leave for other jobs.

Companies that participate in nondirected training maintain that there is increased worker productivity, improvement in quality, and increased operating profits.

✔ ## Apply What You Learn

Choosing the Best Training Format

Suppose you needed to correct deficiencies in current employees' performance caused by inadequate skills or knowledge. What type of training would you employ and why?

DISTANCE LEARNING

According to the American Council on Education, *distance learning* is "a system that connects learners with distributed learning resources. While distance learning takes a wide variety of forms, all distance learning is characterized by separation of place and/or time between instructor and learner."

Typically, distance learning is associated with the terms *e-learning* (or *electronic learning*), *Web-based learning, computer-based training, computer-based learning, computer-assisted instruction, technology-based training,* and *mobile learning.* These terms all refer to the delivery of training or instruction by using Internet or intranet technologies, thereby enabling organizations to deliver training programs to employees all over the world. Employees can select

from a list of courses; when the course is completed, the program may include a test or some other learning assessment tool. Employees then receive credit for the training.

There are three primary approaches to distance learning:

1. *Remote classroom.* Instruction is delivered to groups of learners at a remote site. Information is conveyed through some type of video interface. Learners' comments and questions are transmitted to the instructor by telephone or an audiovisual system.

2. *Virtual classroom.* Instruction is delivered to individual learners via personal computers or laptops. All the learners are connected to the network at the same time. The instructor interacts with the learners, thereby emulating a classroom environment.

3. *Anytime classroom.* Instruction is delivered to individual learners via personal computers or laptops. The information is conveyed through telecommunications by way of CD-ROMs. Learners work independently, setting their own schedules and pace.

Some of the training methods employed for distance learning include:

- *Text and graphic training.* Sometimes referred to as the paper-based course, text and graphic programs are placed on-line for selected learners to access. The design is linear in nature and consists of boxes of text and graphics similar to that found in a long e-mail message.
- *Interactive training.* This form of distance training offers somewhat more than the linear text and graphic design in that there are drag-and-drop columns, tests, and application exercises. The learner has the option of interacting with the program and content and practicing specific skills.
- *Interactive multimedia training.* This is the most interactive form of distance learning. It relies on multimedia and provides a record-keeping option to manage the learning. The learner is able to imitate real life by providing immediate, real-life responses to the multimedia program.

Advantages and Disadvantages of Distance Learning

Advantages of distance learning include:

- Easy delivery of training to user
- Updating content is easy
- Media-rich resource materials are available
- Quicker turnaround of course material
- Courses can be viewed repeatedly
- Employees can take frequent learning breaks

Disadvantages of distance learning include:

- May require a new computer system to support it
- May require good writing skills
- Requires employees to use and feel comfortable with a computer
- Requires employees' willingness to learn via computer

- Has high dropout rates sometimes exceeding 60 percent. This may be because electronic learning often requires more preparation work and, potentially, greater student interaction. Accordingly, it is often used to supplement classroom training.
- Not a suitable learning modality for all topics

Some companies purchase off-the-shelf distance learning packages from vendors whose names appear in industry trade publications, while others link up with course offerings from colleges and universities. Still others prefer to author their own distance learning courses.

Classroom Learning vs. Distance Learning

Classroom learning offers face-to-face communication, an important factor that is considered by many to be necessary for the optimal learning of certain topics, such as teamwork and customer service. Also, since laptop computers are not yet as commonplace as books, many employees prefer the printed materials that are used in classroom training. They are more convenient, e.g., when commuting to and from work, thereby allowing trainees to continue the learning experience outside the classroom. Even when laptops are available, the resolution on a computer monitor can cause excessive eyestrain and fatigue. And bandwidth limitations or cross-platform problems can prevent or restrict the forms of multimedia that can be utilized in distance learning.

On the other hand, distance learning offers flexibility of time, scheduling, and location. It also enables organizations to supply training to a greater number of employees than they can with classroom training. In addition, distance learning allows trainees to learn at their own pace: some may learn quickly, while others need to repeat exercises several times until they achieve the desired level of proficiency and confidence. Furthermore, distance learning provides for standardization and consistency of information. This can be especially important with topics such as employment law (although an argument could be made for using classroom learning for employment law to allow for questions and clarification of legal points). Finally, travel time and expenses associated with off-site classroom training are eliminated with distance learning.

If your organization is considering distance learning, factor in these suggestions:

- Choose topics that lend themselves to measurable outcomes.
- Ensure sufficient technical competency on the part of trainees, including their ability to launch programs, work a browser, operate the software programs, and use on-line discussion boards.
- Build a strong, collaborative relationship with your organization's IT group to ensure access to service and support as needed.
- Keep employees up-to-date on new distance learning offerings and, where possible, offer them the choice of classroom or distance learning.
- Provide on-line support and resources, including links within the body of the electronic document that allow instant access to supplemental information.

- Provide access to "live" e-learning experts who can interact with trainees as needed.
- Periodically offer summaries of information to help trainees stay on track.

Adam pauses. So far he's read about training trends, needs assessments, directed versus nondirected learning, and distance learning. In truth, he can't argue with the logic of anything he's read. He's actually learned quite a bit, especially with regard to distance learning. He thinks about how he'd react to taking a distance course, and realizes he might have some problems with it initially, but believes he'd warm up to it eventually. He likes classroom learning, although he's been in some seminars that were so boring he wanted to bolt for the exit when instructors turned their backs. No question about it, there was definitely a great deal to consider with regard to training.

As interesting as all this is, he knows full well that the acid test is coming up in the next module: the segment on evaluating the effectiveness of training. That's the section management is going to be most concerned about.

? Think About It

Identify three topics that you believe would best be taught via classroom training, and three other topics that you believe would best be taught via distance learning. Explain your selections.
Classroom learning:

1. _____

2. _____

3. _____

Distance learning:

1. _____

2. _____

3. _____

Evaluating the Effectiveness of Training

Adam reads the introductory statement:

> Training should provide a return on the organization's investment; that is, there should be a tangible business reason for the training. Determin-

ing the effectiveness of training requires focusing on the training outcome, measured by changed behavior.

Adam can't argue with that; however, the big question is how? The next statement Adam reads isn't encouraging:

> Surprisingly, few organizations attempt to evaluate their training programs, often because they assume that it is difficult to assess whether training has actually strengthened job performance. In fact, studies show that an alarmingly small percentage of employers measure trainees' "training transfer," that is, the actual application of knowledge and skills acquired in training programs. At best, there is a form at the end of a workshop asking trainees to check off generic items to indicate whether they would rate their ability to apply skills learned in connection with those items as "excellent," "very good," "good," or "poor." While valuable, this form of trainee feedback is not a sufficient gauge for determining a program's overall effectiveness.

Adam reads on, hoping for more encouraging information. He smiles as he finds what he's looking for.

Isolate Competencies

The most successful evaluation methods are those that are driven by the desired outcomes of each training project, as identified during the needs assessment stage. While everyone involved in the training process is going to define success differently (trainees, managers, HR, and management), there are two common questions: (1) have the trainees learned the targeted competencies? and (2) has that learning been applied toward improved job performance?

To determine whether employees have learned the targeted competencies, HR must first isolate them (see Exhibit 9–2). Ideally, this is done on five separate occasions: (1) before training contents have been prepared; (2) during

---

E xhibit 9–2

Methods for Determining Whether Trainees Have Learned Targeted Competencies

Method	Characteristics
Questionnaires	• Structured • Quantitative feedback • Qualitative feedback
Knowledge review	Multiple-choice or short-answer questions
Observation	• Informal or structured • Checklist of competencies

the training, to ensure that the material is on target; (3), immediately following the training session; (4) six months after training has been completed; and (5) one year after training has been completed.

Questionnaires

The most straightforward way to determine if trainees have learned the targeted competencies is to ask them via questionnaires. Questionnaires provide a structured format that provides quantitative and qualitative feedback. Categories should include content, program delivery, and training methods.

It's counterproductive to combine the comments and scores for all three segments and come up with a summarizing statement or average rating. The course leader could be dynamic and generate the highest possible rating. Perhaps, too, the PowerPoint™ presentation was creative and entertaining, again resulting in a high score. However, the instructor may not have covered the competencies thoroughly, considerably lowering the rating for content.

Which score should weigh the heaviest? Most people immediately reply, "content." After all, the whole point of the training is to ensure the learning of targeted competencies. Consider, however, how likely it is that trainees will absorb information if the instructor is lackluster or disorganized. When attendees react negatively to the instructor's style or approach, they're not likely to focus on content. Accordingly, the ratings for content, program delivery, and training methods should be evaluated independently of one another.

Knowledge Review

A second method for determining if trainees have learned the targeted competencies is to conduct a knowledge review. This generally refers to a group of multiple-choice or short-answer questions to which employees respond in writing. Typically, the knowledge review is administered at the start of a training program, and again at the end. The questions should focus on targeted competencies, and are the same at the beginning and the end of the workshop, although the order in which they appear is usually altered. The results of both sets of responses are then compared. Ideally, trainees demonstrate knowledge transfer as a result of the training.

Observation

Informal or structured observation by members of the training department during a training session is another method of determining if trainees have learned the targeted competencies. Reactions to course content and responsiveness to the instructor are just two areas that are observable. Observers often have a checklist of those competencies that should be covered, as well as other categories, such as style of instruction.

Application of Learning

As with determining whether employees have learned the targeted competencies, HR should assess whether a trainee's learning has been applied toward improved job performance (see Exhibit 9–3) on several separate occasions: (1)

$\boxed{E}$ **xhibit 9–3**

To Assess Whether a Trainee's Learning Has Been Applied Toward Improving Job Performance

Method	Characteristics
Employee Feedback	• Identify competencies learned • Identify specific measurable ways employees have applied these competencies • Employee contracts
Skill Gap Analysis	• Assessment of levels of knowledge, skills, and abilities • Comparison with skills required
Performance Tracking	• Identifies relationships between skill and business performance • Identifies strengths and areas requiring improvement

immediately following the training session; (2) six months after training has been completed; and (3) one year after training has been completed.

Employee Feedback

One way of assessing the application of skills is by asking employees to identify competencies they learned during the training and then asking them to identify specific, measurable ways in which they have subsequently applied these competencies. Employees should be assured that this is not an evaluation; rather, it is feedback that will help the training department measure the success of their training efforts.

A variation on this process is to have employees complete contracts before the end of a training session. In it they identify three to six specific competencies learned and commit to apply these competencies on the job. In addition, trainees identify anticipated obstacles. The contract is reviewed on a regular basis, generally every two to three months, for one year.

Acquiring and assessing employee feedback can only work if managers give employees assignments that allow them to apply the competencies learned.

Skill Gap Analysis

Another way of determining the application of skills acquired via training is skill gap analysis. Prior to training, HR conducts an assessment of each employee's level of knowledge, skills, and abilities relative to the competencies required for the successful performance of his or her job. A skill gap occurs when an employee is rated with a lower level of skill than the position requires. Immediately following training, six months later, and again in one year, the employee's abilities are once again assessed.

This information is for the assessment of training programs, and should not be factored in with the employee's performance evaluation.

Performance Tracking

Changes in organizational performance measures should be compared to the employee skill gap analysis. This comparison will identify the relationships between skill development and business performance. Information derived from this analysis allows managers to identify performance strengths and areas requiring improvement and make decisions about the kind of additional training that may be needed. The use of organizational performance measures to assess training allows managers to be results-oriented and business-focused in how they prioritize training requirements.

Return on Investment (ROI)

A thorough ROI analysis is rarely conducted on more than 20 percent of all training programs. The process can be costly and time-consuming, involving four steps (adapted from SHRM's white paper, "Four Steps to Computing Training ROI" [Lilly, 2001]):

1. *Isolate the benefits of training.* This requires identifying all the key factors that impact employee performance and business outcomes. Information is usually acquired through questionnaires, surveys, focus groups, and observations. To achieve a balanced picture, employees, managers, HR representatives, and senior management are all asked to participate.

2. *Convert these benefits into monetary values.* Ask managers and members of senior management to observe changes in performance or impact on business objectives. Simultaneously, HR can conduct its own analysis of the scope, impact, and duration of training benefits. Data collected by both groups is then culled, compared, and analyzed.

    The benefits may be tangible or intangible. Tangible benefits are quantitative and statistical; they are easily translated into monetary benefits. Examples of tangible benefits include productivity measures, materials costs, labor hours per unit of production, rates of absenteeism and lateness, turnover rates, number of grievances, customer satisfaction index, and workers' compensation claims.

    Intangible benefits are qualitative and subjective, rendering them more difficult to measure and translate into monetary benefits. This does not make them any less valuable, however. Examples of intangible benefits include increased job satisfaction, increased organizational commitment, improved teamwork, and more effective communication.

3. *Calculate the "fully loaded" costs of the training.* This includes calculating both direct costs, such as paying outside consultants, and indirect costs for staff time, materials, equipment, facilities, and refreshments. Additional direct and indirect training costs include: program development (if training is by someone on staff); salaries of employees while they are being trained; fees paid contingency workers if hired to replace trainees; loss of revenue while trainees are involved with training; purchase of additional materials; rental of additional equipment or outside facilities; and lodging and meals when training is off-site.

4. *Compare the value of the benefits to the costs.* Try using this formula to calculate your ROI:

$$\text{ROI\%} = \frac{\text{Net Program Benefits} \times 100}{\text{Total Incurred Costs}}$$

For example, if the Net Program Benefits = $120,000, and the Total Incurred Costs are $100,000, then

$$\text{ROI} = \frac{\$120,000 \times 100}{\$100,000} \text{ or ROI} = 120\%$$

It's not always feasible or necessary to calculate ROI. Organizations may be better off following these simple guidelines:

- Keep a watchful eye on costs and monitor any deviations from estimated or budgeted expenditures.
- Don't apply undue pressure to deliver consistent short-term financial performance. This may limit the resources available for investment in growth opportunities.
- Align training initiatives with strategic business plans. Identify your organization's competitive edge, e.g., efficiency, and strive to have your training improve on it.
- Allow for unexpected events and problems that may reduce expected outcomes.

✔ Apply What You Learn

Assessing the Success of Training Programs

Suppose you were in charge of assessing the success of your organization's training programs. Select one program and identify the steps you would take, techniques you would employ, and people you would involve in the process.

Training Program: _____

Steps: _____

_____

Techniques: _____

_____

_____

People: _____

_____

_____

CAREER DEVELOPMENT

Formal career development programs have been growing in popularity since the late 1980s. They are increasingly viewed as win–win situations for employees and organizations alike: employees can develop career-related skills and interests; morale, motivation, and productivity levels rise; and the organization can link its career development program to specific business objectives while developing its employees to meet its goals. In addition, career development programs are effective tools for both attracting quality applicants and retention.

Career development programs typically consist of individual career counseling, which enables employees to explore their skills, knowledge, and interests; the creation of individual development plans; ongoing training in a variety of general areas, such as communication, and training in job-specific areas, such as computer software; succession planning; and tuition reimbursement.

Experts agree that career development should ideally begin when employees first enter an organization. Employees should know that the organization is concerned with every worker's growth and development, whether that growth is upward or lateral. The way this concern is shown varies from company to company and occasionally—within a company. Large, technically oriented work environments, for example, may be able to offer elaborate, multifaceted career development programs, while most small and mid-sized businesses adopt more modest but equally effective career development strategies.

Career counselors are being increasingly utilized, both informally on the job and through more structured arrangements. This one-on-one approach is time-consuming and can be somewhat expensive, but can yield excellent results.

Conducting careful follow-up interviews when candidates apply for a posted job is also a good career development technique. Instead of merely notifying applicants via a form letter that they were not selected for a given job, an HR representative might sit down with each applicant and describe exactly what kinds of skills, training, and education would be needed to qualify for a similar position in the future; how and where these skills and knowledge can be obtained; and what assistance the company can offer.

Follow-up interviews to unsuccessful job posting applications and counselor–employee relationships can produce beneficial career development results. However, in order to extend career development options to all employees and to accomplish faster results on a wider scale, an organization needs a more comprehensive system. The key to success is commitment to tailoring the career development program to meet the needs of every employee. Career growth is a personal matter, and a career development plan should guide and assist individual employees toward the achievement of their own unique goals.

Career Development Model

The five steps described in the following career development model allow ample room for modification to suit a particular company's needs. It is strongly recommended that the person in charge of developing and monitoring the program be skilled in a wide range of HR-related areas, such as interviewing and performance management.

1. *Keep an up-to-date record of the skills, interests, and knowledge of each employee.* This may be accomplished in a number of ways, including: periodically distributing "information update" forms (manually or via the intranet) to be completed by each employee; arranging regularly scheduled meetings with each employee to keep abreast of recent work-related accomplishments; and informing employees that they are responsible for keeping the HR Department advised of any interest in changing their present status.

2. *Assimilate the data submitted by each employee.* Speak with employees to get clarification or additional information as required. It is important that you understand the career development objectives from the employee's perspective before proceeding. Do not discourage employees or think in terms of whether their goals are practical or realistic, given the present organizational structure. Your sole objective at this stage is to interpret employees' interests and aspirations accurately.

3. *Integrate the employee's goals into organizational goals.* Consider the company's present status and its short- and long-term goals. Take into account past patterns of the organization's success in achieving set goals, and review management's overall philosophy, including its position on risk-taking and flexibility. Then look for compatibility between organizational and individual goals. Where there appears to be a conflict, look for ways in which the employee might modify his or her plans without making any major changes.

4. *Map out a career plan for each employee.* The plan should reflect the individual's goals, outline steps toward accomplishing them, and identify a realistic target date for each step. Steps might include additional formal education, attending workshops, an apprenticeship program, or job rotation. Be prepared to inform employees of any assistance the organization is prepared to offer, like tuition reimbursement or payment of membership dues.

5. *Make career development a team effort.* This means support from senior management as well as cooperation and encouragement from an employee's manager.

Contact the National Career Development association (*http://www.ncda. org*) for additional information on setting up and managing a career development program.

✔ Apply What You Learn

Career Development Programs

Does your organization have a formal career development program? yes ___; no ___. If it does, how does it compare with the model described in this chapter?

_____

_____

If it does not, what steps could you take to implement one? _____

_____

_____

Succession Planning

Succession planning is a procedure for guarding against lost productivity and continuity when a key member of management needs to be replaced. Identifying employees who can replace key executives, managers, and other professionals, and determining what development programs are needed to prepare them for these higher positions ideally accomplish this. There are four components to succession planning:

1. The mission statement establishing the objectives
2. The backup summary, listing the key positions and information about targeted employees including: number of years with the company; number of years in a given position; performance evaluations over the past five years; current earnings; primary accomplishments; strengths; and areas requiring improvement
3. Individual career development plans for targeted successors
4. Future approaches to recruiting based on the succession plan, assuming no internal candidates have been identified

Acceleration Pool

Acceleration pools provide a constant supply of high-potential candidates for nonspecific jobs. With the focus on skill and knowledge development, participants are invited to attend special executive programs, conferences, and high-impact training programs, and receive instruction through virtual teams and distance learning. Specific learning objectives are established to keep the focus on application, rather than course completion. Pool members are evaluated on how well they comprehend and apply the training concepts learned.

Organizations generally select members for acceleration pools based on job performance, competency development, job-experience growth, and

demonstrated interest. Employees may be in the pool for several years, depending on when they entered. There's no guarantee that those selected for the pool will be permitted to remain or are assured job placement. Likewise, acceleration pools do not presume that employees outside the pool lack potential for growth or development. Acceleration pools work best in mid-sized and large organizations.

MENTORING

Mentoring may be defined as a developmental, helping relationship whereby one person invests time, ability, and effort in enhancing another person's growth, knowledge, and skills in preparation for greater productivity or future achievement. Mentoring can help to attract and keep talented employees, increase productivity, and accelerate employee contributions to company productivity. Mentees also have greater visibility to more senior people and can obtain guidance from executives they normally wouldn't have access to.

Mentoring relationships may be situational, informal, or formal:

- Situational mentoring involves short, isolated incidences involving a casual transfer of information or ideas from one person to another.
- Informal mentoring involves personal relationships in which one person voluntarily shares expertise or knowledge with another.
- Formal mentoring is part of a structured program that is sanctioned by the organization. This relationship focuses on helping one or more individuals achieve specific goals.

? Think About It

What would you expect from a mentor? _____

_____

_____
_____

Mentoring Programs

Personalized one-on-one mentoring has the greatest potential for trust and sharing, but it's not as practical as group or team mentoring. Having one person mentor a group of four to six employees is by far more cost-effective.

Mentoring programs typically cost anywhere from $400 at the low end to $5,000 per participant. This includes fees for outside consultants' training materials, advice on "matching," and training of both mentor and mentee. Mentee training incorporates career assessment to identify goals, as well as

guidance on what the individual can realistically expect as a result of the program. Mentor training entails conveying what the role consists of, qualities sought, the amount of time and energy required, and the importance of confidentiality.

Candidates for mentoring programs are selected on the basis of their potential. Factors include skills, knowledge, interest, and availability.

Mentees are generally paired with mentors on the basis of defined needs of the mentees and the interests of the mentors. Sometimes, mentors and mentees are given several options from whom to choose.

Generally, formal mentoring programs last about a year; informal relationships can continue long after. Mentors and mentees usually meet every two to four weeks. Meetings usually last about two hours. If regular face-to-face meetings are impractical, communication is accomplished through audio- or videotapes, phone, fax, intranet, or e-mail. In these instances, mentors and mentees should still meet at least quarterly. Mentoring programs are typically found in all work environments of varying size and composition.

Adam has reached the end of the summary. He's looking forward to meeting with Joe in the morning to discuss plans for expanding the bank's training and development offerings. He looks at the list of questions and suggestions he had jotted down as he read through each section, and is surprised to see how much he has written. Of course once Joe comes up with a definitive program he still has to sell it to management, but he's not worried. There's so much information that supports the benefits of training to the bank, he's certain management will give them the green light. They just need to get moving before losing any more valuable employees.

recap

Businesses in various sectors are modifying how they approach training in response to training trends. This includes options to on-site training and a greater emphasis on knowledge management.

There are three different types of needs assessment: organizational, task, and individual. All three types are inter-related, and the information gleaned from each one is essential for a through and effective needs assessment.

Directed training teaches employees to perform a specific task or learn a new skill. Nondirected training emphasizes providing employees with the skills and knowledge needed to become more invested in their organization.

Distance learning refers to the delivery of training or instruction by using Internet or intranet technologies. There are three primary approaches to distance learning: remote classroom, virtual classroom, and anytime classroom. Some of the training methods employed include text and graphic training, interactive training, and interactive multimedia training. Distance learning offers flexibility of time, scheduling, and location. On the other hand, classroom learning offers face-to-face communication, an important

factor that is considered by many to be necessary for the optimal learning of certain topics.

When evaluating the effectiveness of training, experts agree that the most successful methods are those that are driven by the desired outcomes of each training project. While everyone involved in the training process is going to define success differently, there are two common denominators: whether trainees have learned the targeted competencies, and whether that learning has been applied toward improved job performance.

Career development programs typically consist of individual career counseling, creating individual development plans, ongoing training, succession planning, and tuition reimbursement. Career development should ideally begin when employees first enter an organization.

Mentoring can be defined as a developmental, helping relationship whereby one person invests time, ability, and effort enhancing another person's growth, knowledge, and skills in preparation for greater productivity or future achievement. Mentoring can help attract and keep talented employees, increase productivity, and accelerate employee contributions to company productivity.

Review Questions

1. Three methods for determining if trainees have learned the targeted competencies are:
    (a) questionnaires, knowledge review, and observation.
    (b) employee feedback, knowledge review, and observation.
    (c) skill gap analysis, questionnaires, and observation.
    (d) performance tracking, questionnaires, and observation.

1. (a)

2. The first step identified in the career development model is to:
    (a) integrate the employee's goals into organizational goals.
    (b) map out a career plan for each employee.
    (c) keep an up-to-date record of the skills, interests, and knowledge of each employee.
    (d) conduct a skills gap analysis.

2. (c)

3. A key advantage of distance learning is that:
    (a) all topics are suitable.
    (b) the dropout rate is low.
    (c) it allows for frequent learning breaks.
    (d) everyone is comfortable using a computer.

3. (c)

4. Acceleration pools consist of:
    (a) high-potential candidates for nonspecific jobs.
    (b) employees who are guaranteed senior management jobs.
    (c) employees who are one step away from being terminated.
    (d) employees who are being groomed as mentors.

4. (a)

5. There are three common formats for directed training—self-directed, information processing, and:
    (a) interactive.
    (b) electronic.
    (c) virtual.
    (d) simulation.

5. (d)

Do you have questions? Comments? Need clarification?
Call Educational Services at 1-800-225-3215
or e-mail at ed_svcs@amanet.org.

Human Resources Management Systems (HRMS)

focus
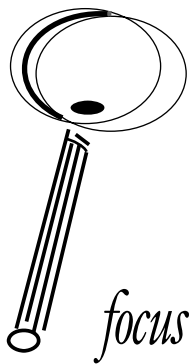
Learning Objectives

By the end of this chapter, you should be able to:

- Effectively use, select, replace, and upgrade an HRMS.
- Select an HRMS vendor.
- Implement self-service applications.
- Calculate the costs connected with an HRMS.
- Identify privacy and security issues.
- Maintain an HRMS.

Lisa Depp has recently been hired as the manager of human resources management systems (HRMS) for Selden and Turner Consulting Services. With a background in both human resources and technology, she is well prepared for her primary responsibility: to update and manage the company's various HR systems, commonly referred to as "e-HR." In a broader sense, her goals are to boost productivity and efficiency as well as reduce costs. She is also committed to aligning Selden and Turner's human resources with the company's key business objectives, thereby elevating the status of the HR function from one that is seen primarily as administrative to one more strategic.

As a step toward accomplishing these objectives, Lisa is preparing a report for senior management assessing the current system and projecting its anticipated capabilities. She sighs as she thinks about what she's inherited: an HR system that generates limited reports, consisting of various software programs that are not integrated and consequently require that data be entered multiple times; and a hit-or-miss retrieval system. At a minimum, the company needs a system that will make tracking records effortless and automate routine HR tasks. Ideally, she'd like to recommend scrapping their current system and implementing a new one, but she's fairly sure senior management

won't go for that. From what she's observed, they seem to be leaning in the direction of making better use of what they now have.

Since senior management does not appear to be especially knowledgeable about HRMS, she decides to prepare a two-part report, with the first section devoted to a summary of key aspects of HRMS, including using, selecting, replacing, and upgrading an HRMS; vendor selection; self-service applications; costs; security; and maintenance. A detailed analysis of Selden and Turner's current system and specific recommended upgrades will constitute the second part of her report.

GUIDELINES FOR USING, SELECTING, REPLACING, AND UPGRADING AN HRMS

Many HR practitioners who are not technologically adept or up-to-date on the latest in e-HR feel uneasy around the subject of HRMS. However, understanding the multiple uses of an HRMS and applying some simple guidelines can demystify the process.

Uses of an HRMS

Generally speaking, a well-planned HRMS will automate procedures, serve as an electronic filing system, and provide a wide range of information to technical and nontechnical staff. It will enable an organization to store and manipulate massive amounts of data, generate timely reports for management and government, reduce the cost and time required to process information, respond to "what if" questions, eliminate duplicated data, make projections, and ensure that information is accurate and consistent.

Needs Assessment

Conducting a needs assessment will help clarify the e-HR requirements of your organization and enable you to zero in on critical components from the outset. Begin by identifying the current bank of services HR provides as well as the nature and degree of paperwork that HR generates. Then assess how an HRMS could automate any of the manual tasks being performed or improve on existing electronic methods. Ask yourself: "Could an HRMS deliver those services more effectively, expeditiously, and economically?" Some of the possible HR service areas and common areas of record keeping for an HRMS are identified in Exhibit 10–1.

Every procedure that is automated and implemented requires training in its use and a period of adjustment. In addition, there is often time needed for "debugging." Therefore, it's best to start out by thinking in terms of critical services as opposed to those that would be nice to have. For example, a company might identify twelve items from the thirty-six areas listed in Exhibit 10–1 as representing immediate HR service areas (Exhibit 10–2).

Once you've identified those services you want an HRMS to provide, determine how the HRMS should interface with other existing systems, e.g.,

---

E xhibit 10–1

Possible HR Services Areas and Record Keeping Functions for an HRMS

Affirmative action	Labor relations
Alternate dispute resolution	Maintaining employee records
Alternative work schedules	Mentoring program
Applicant tracking	Orientation
Attendance tracking	Payroll administration
Benefits administration	Performance management
Budgeting/forecasting	Policies and procedures
Career development	Position evaluations
Compensation administration	Processing changes in employee status
Contingency workers	Recruitment
Disciplinary proceedings	Relocations
Discrimination charges	Safety/OSHA administration
Distance learning	Service awards
Employee assistance program	Succession planning
Employee handbook	Testing
Grievances	Training and development
Job descriptions	Tuition reimbursement
Job postings	Vacation and leave scheduling

---

payroll. Also, prepare a tentative schedule and time line. Typically, it takes from ten to twenty-five weeks for a basic HRMS to be put in action, from the preparation stage through implementation (*Human Resource Department Management Report*, August 2003). Be sure, too, to develop a working budget. Finally, identify everyone's respective roles in the various stages; that is, HR practitioners, internal and external IT specialists, and vendors.

E xhibit 10–2

Possible Immediate HR Services Areas and Record Keeping for an HRMS

Affirmative action	Discrimination charges
Applicant tracking	Maintaining employee records
Benefits administration	Payroll administration
Budgeting/forecasting	Performance management
Career development	Recruitment
Compensation administration	Training and development

✔ Apply What You Learn

Identifying Priority HR Services for an HRMS

Identify up to a dozen critical services in your organization that, in your opinion, should receive priority consideration for automation when setting up or revamping an existing HRMS.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

11. _____

12. _____

Selecting an HRMS Project Team

Pulling together a project team in which each member respects the others' area of expertise is critical to the success of any HRMS. It's ideal to have someone like Lisa with both HR and IT expertise, someone trained in both disciplines. For example, someone who started out by developing computer applications and managing information centers and then moved into HR to manage the record-keeping function would have acquired insight into the challenges of both fields.

Lacking that, however, HR and IT can still work together and make an HRMS work effectively. HR practitioners know the organization's policies and procedures; they also have an in-depth understanding of the areas that will benefit from automation. IT specialists contribute their technical know-how. They can respond to HR's identification of critical areas and rate the degree of HRMS compatibility. In addition, IT can identify problem areas and obstacles. Together, the two groups can develop a collaborative approach to designing, constructing, and implementing a maximally effective HRMS.

Before assigning tasks, identify each person's tangible and intangible competencies. Be sure to include such factors as ability to work effectively as a member of a team, cooperation, and communication. This will enable you to match specific people with specific assignments, thereby ensuring maximum productivity. A period of adjustment for members of this newly formed team is not uncommon. IT may be impatient with HR's lack of detailed technical prowess and HR may find IT too focused on technical details.

Project Team Leaders

Select one or more project leaders, preferably one from the HR side and one from the technical side. Overall, it is the project team leaders' responsibility

to take ownership of the project and ensure that it succeeds. Team leaders also guide the project through any glitches that slow down the implementation of the system.

Specifically, the responsibilities of a project leader may include:

- Assigning work
- Coordinating communication among team members
- Developing subteams
- Enrolling project team members in appropriate software training
- Estimating the number of hours each task will require for completion
- Facilitating meetings with project team members to discuss progress and issues
- Managing project funds
- Monitoring progress
- Obtaining additional resources, as required, to ensure that the project is completed on schedule
- Preparing a project plan
- Providing regular updates to management
- Supporting the team in all selection, upgrade, or replacement efforts

Project Team Members

Depending on the size of an organization and the complexity of the project, an HRMS team could consist of representatives from a mix of several HR and non-HR disciplines, including: information systems and technology, payroll, finance, information systems support, compensation, administration, and pension and benefits. Team members may be responsible for:

- Configuring the network
- Coordinating equipment acquisitions
- Creating and overseeing technical checklists to ensure completion of the installation
- Creating, executing, and modifying test plans (system, integration, and end-user acceptance)
- Documenting all changes
- Ensuring application security requirements are met
- Logging all technical steps
- Managing network connectivity
- Monitoring databases and providing database support
- Reporting completed tasks, issues, and risks to the project manager
- Resolving technical issues with the network support specialist and/or systems integration specialist
- Troubleshooting network-related issues

? Think About It

How would you go about selecting project managers and members of an HRMS project team in your organization?

_____

_____

What traits would you seek? _____

_____

Upgrading an Existing HRMS

When an existing HRMS no longer produces the results an organization needs, the temptation to replace it is hard to resist—until you look at the costs and work involved. Experts suggest, instead, that you first explore the option of an upgrade.

Begin by considering the addition of some complementary tools to upgrade an older system. For example, one such tool, Eventrix (by Perfect-Software) is purported to work with any HRMS product, automating new-hire and termination processes by tracking employee data and distributing the information to departments requiring the information (*Workforce,* September 2002). Be careful not to add too extensively to a system that is likely to last only another year or two.

Another option is to access portal power: front-end software that can Web-enable an existing system for about $10,000, which translates into a 60 percent reduction in cost per transaction (*Workforce,* September 2002). Portal power can also integrate applications, exchange data, and allow self-service capabilities. An option to buying portal software is to have someone from IT build a Web page on top of your existing HR applications.

Some organizations purchasing individual applications fail to ensure that the applications can "talk" with one another or will integrate with their extant HRMS. This can result in the need to enter the same information several times as well as permit discrepancies and inconsistencies to occur in data. To amend this problem, ask your IT department for help; they may be able to use a common computer language, such as XML (Extensible Markup Language) to allow for an exchange of information among your various systems.

Outsourcing is another option to consider when your existing HRMS fails to produce the results you need. For around $40,000, an organization can turn to an outside source for its analytic reports. The down side of this is a loss of control: The outsourcing company may not be responsive to your needs as quickly as you might like. When outsourcing, then, give out only those functions that you absolutely must let go of, as opposed to the entire HRMS.

Steps for Implementing an HRMS

According to Sidney Simon, director of product strategy at BenefitAmerica, Redwood City, CA, there are five steps that are critical when selecting, upgrading, or replacing an HRMS:

1. *Preparation.* This step can take from several hours to several days; it entails asking oneself several key questions including: Where will our organization be in three years? How many employees will we support? How much will our organization have grown in that time? In addition, preparation requires knowledge of what kind of internal IT support you have and how much you are going to rely on external consultants. It also involves looking at your budget to see what your business can allocate for a system, software, and so on. In addition, you need to scrutinize the available technology: Will you host the system internally or rely on an application service provider (ASP)? Do you already have a LAN (local area network) or intranet? Preparation additionally requires that you consider which programs you want to support. For example, do you want your HRMS to support applicant tracking? Compensation? Benefits? EEO compliance? Will it be linked to payroll or finance?

2. *Investigation.* This step can take from four to eight weeks and involves comparing vendors. Use a checklist of your requirements so you can determine how each vendor measures up.

3. *Evaluation.* Evaluation may take as long as a month. By now you have identified two to three vendors and are preparing to make a decision.

4. *Selection.* This stage typically takes up to two weeks. On notifying the vendor of your choice, there is still room for negotiation. Consider asking for additional package items, e.g., an additional day of training or an extra operations manual. At the end of this step the contract will be signed. Consult with an attorney to ensure that the contract covers everything.

5. *Implementation.* The implementation step can take one to three months. Simon recommends starting out plain and simple: get the basic data into the system. After you've learned what it can and cannot provide, decide on any customization you may need. Bear in mind that, when you change one aspect of the system, it can affect something that used to work before you made the change. He also urges that you create tests with "known" results and repeatedly conduct these tests.

❓ Think About It

Does your organization adhere to these five steps when considering the selection, upgrade, or replacement of an HRMS? yes ___; no ___.

If not, what suggestions can you make to your HRMS team to enhance its current approach?

_____

_____

_____

SELECTING A VENDOR

Vendor products are usually similar; what distinguishes them is their delivery system, technology, architecture, features, customizations, and support. You can begin acquiring a list of possible vendors by networking with HR representatives from organizations with similar HRMS needs; contacting the Society for Human Resource Management at *www.shrm.org* for a buyer's guide; visiting the International Association for Human Resource Information Management at *www.IHRIM.org*; or checking for ads in HR publications.

Request for Proposal (RFP)

Typically, you create a document called an RFP (probably in conjunction with someone from IT), which you send to each viable vendor. Your RFP form can be short—a single page—or lengthy, continuing for ten or more pages, depending on how much detail you want from the vendors. RFPs should (at the least) provide the vendor with the following information:

- A general description of your organization
- Projected HRMS needs, including whether your system will operate independently or as part of your company's payroll system
- Your status: first-time buyer, upgrade, or replacement system
- Your time frame
- A description of your employee population

  RFPs usually request the following information:

- Costs, including licensing fees, maintenance charges, training, implementation support, annual maintenance fees, product warranties, and hotline support
- Customer references
- Vendor's size, revenues, number of customers, and length of time in business
- Details on available customer services
- Sample contract terms
- Confidentiality and nondisclosure clauses

Product Demonstrations

Once the responses to the RFP are in and you have narrowed the field, invite the vendors in to provide a software product demonstration. To keep the event from becoming little more than a sales event, steer the demonstration in the direction of your organization's specific issues and concerns. All members of your team should be present at these demonstrations.

Be prepared to ask a series of questions, including:

- Describe systems you've designed for environments similar to ours: What was the initial projected time frame for completion? How close did you come to meeting your deadline? Why were you unable to meet the initial projected deadline?
- How closely does your product match your technical specifications?
- How responsive are you to incorporating suggestions from an organization's internal team, in particular, nontechnical HR members?
- How do you respond to last-minute requests or changes in the original plan?
- What can you offer that other vendors cannot?
- What kind of implementation and operational training do you include as part of your package?
- What is the extent of your support after the system is up and running?

Meet with your team after the demonstrations to evaluate the vendors' presentations. Compare responses to each question, and identify likes, dislikes, and concerns. When you compare each vendor's price, allow for some refinement: As the vendors learn more about your specific needs they may be able to amend the costs somewhat.

At this point, having narrowed the field to two or three choices, it's time to conduct reference checks. Ask about product functionality, implementation, ongoing support, and other areas of importance. Make sure you understand the technical environment of each reference so you can identify issues that may or may not apply to your organization. If possible, visit another customer's workplace to see the product in operation. Talk with users, asking questions about daily usage and vendor support when problems occur. If necessary, call each vendor back for another demonstration and ask additional questions concerning any issues that may have come up during the reference checks. In particular, clarify all technical issues. If everything is not resolved during the second demonstration, don't hesitate to arrange a third meeting. If possible, arrange an on-site visit to another customer's workplace so you can see a similar system in operation.

The HRMS Contract

Once you've selected a vendor it's prudent to retain the services of legal counsel to scrutinize the details of the HRMS contract. In this regard, keep certain key points in mind:

- Pay close attention to clauses referring to the exclusion of all previous verbal agreements or documents, the reduction or elimination of the usual obligations of the vendor, and the ability of the vendor to alter terms of the contract unilaterally simply by informing the customer in writing.
- Be prepared to hold the vendor liable for any express warranties if promises made by the vendor or specific models or samples were relied on as the basis for the agreement.
- If possible, have the contract include hardware performance guarantees.

- Seek fixed hardware and software prices, although it is not unreasonable for the vendor to include a clause allowing for software price variations.
- Require a statement as to what recourse is available if the system does not operate as agreed.
- Payment terms should include a statement that the final payment will not be made until all problems the vendor has been informed of are resolved.
- A clause stating that all key documentation and program source codes will be deposited with a third party, usually a bank, is necessary to cover the possibility that the vendor will cease to trade.

✔ ## Apply What You Learn

Selecting an HRMS Vendor

Identify the steps you would take if you were responsible for selecting a vendor to set up an HRMS for your organization.

1._____

2._____

3._____

4._____

5._____

6. _____

7. _____

8. _____

9. _____

10. _____

SELF-SERVICE APPLICATIONS

Among the benefits of an HRMS is its capacity to allow employees and managers to avail themselves of an array of self-service capabilities to access information they need when they need it. With just a simple click, employees can quickly and easily access their employment and benefits records, update personal data, view their compensation history, post for available internal openings, update skills databanks, and receive e-mail alerts of organizational job opportunities that match their skills. Managers can maintain updated information about employees who report to them, change reporting relation-

ships, view the compensation history of their employees, create requisitions for new positions, and submit performance evaluations to HR.

Self-service applications can save not only time but money as well. According to Jason Averbook, director of global product marketing for HCM at PeopleSoft, "Most organizations see a 50 to 75 percent reduction in transaction costs. For example, each call to a typical help desk costs around $30. Using a Web-based self-service system reduces each transaction cost to around 10 cents" (*Workforce,* April 2003).

While the benefits are indisputable, switching from a manual to an on-line system requires adjustment; for some, this period of adjustment can be lengthy. Accordingly, organizations need to balance the efficiency and ease of self-service with the degree of employee and manager comfort. Gradually introduce your company's new capabilities to employees through training programs and hands-on demonstrations of the new applications. Do this over a period of time to allow everyone to become acclimated to the new system. An overlap period may be prudent, allowing employees and managers to simultaneously access information via self-service and "the old-fashioned way."

HRMS COSTS

Depending on the size of an organization, the level of customization required, and the number of functions an organization is interested in automating or integrating, the cost of an HRMS can run anywhere from a few thousand to several million dollars.

Internal or External Development

When considering costs, start by determining whether you want to develop the application internally or purchase commercially available software. To make this decision, HR needs to revisit the needs assessment and ensure clarity as to what the organization needs versus what it wants. In other words, what's essential as opposed to what's desirable.

In considering external HRMS development, a technical member of your team should evaluate available products to determine how likely it is that these products will be able to meet your needs. This process is best summarized in the form of a matrix with ratings assigned to each HRMS requirement (Exhibit 10–3).

If you are considering internal development, ask yourself: Do we have the necessary internal HR and IT resources to develop a system internally? More specifically, do they have the necessary time and expertise to develop detailed system specifications, screen designs, system edits, and reporting requirements? How much time and attention is the system likely to require? What demands will this place on other IT and HR staff? Are our needs so unique, e.g., dealing with proprietary or security-sensitive information, as to require us to develop a system internally?

Most organizations purchase commercially available software if it meets at least 80 percent of their requirements.

E xhibit 10–3

External HRMS Development Matrix

HRMS Requirements	Product #1	Product #2	Product #3	Product #4
Affirmative action	3	4	3	4
Applicant tracking	4	4	4	4
Benefits administration	2	3	3	4
Budgeting/forecasting	3	2	2	2
Career development	4	3	3	4
Compensation administration	2	3	3	4
Discrimination charges	4	4	4	3
Maintaining employee records	2	1	2	3
Payroll administration	2	1	2	2
Performance management	2	1	2	2
Recruitment	4	3	2	3
Training and development	3	3	3	4

Numbers reflect how well each product is projected to meet a particular requirement:

1 = fails to meet minimum requirements
2 = meets minimum requirements
3 = exceeds minimum requirements
4 = by far exceeds minimum requirements

? Think About It

Is your organization unique in terms of warranting the internal development of an HRMS? yes ___; no ___. If your answer is "yes," answer the questions below.

How much time and attention is the system likely to require? _____

_____

What demands will this place on other IT and HR staff? _____

_____

How much money has your organization allocated to an HRMS? _____

What impact will internal development have on your budget? _____

_____

Anticipated Costs

It's impossible to anticipate every cost associated with an HRMS, especially if you've never developed one before. You can, however, identify key cost categories, including:

- Determining system requirements
- Vendors, if used
- Software, including licensing fees and annual maintenance costs
- Hardware, including what is needed for servers, PCs, and network upgrades
- Project team salaries, including any overtime required and other related expenses
- Training
- Ongoing maintenance, support, and evaluation costs
- Implementation, including configuration of software, data conversion, and installation

Scope Creep

Setting up an HRMS can be a complex project. Accordingly, it's easy to get sidetracked and spend more than you budgeted, especially when vendors offer tempting packages consisting of time-saving devices. That's what the term *scope creep* refers to: allowing or agreeing to additional work requests that were not part of the original plan. Guard against scope creep by regularly checking expenses in relation to your budget (see Exhibit 10–4).

Business Impact

As automated systems are integrated into more and more organizations, HR is responding to the necessity of making a business case when pitching these technological systems. This means developing a cost-containment mindset and knowing the desired outcomes of the system. Generally, outcomes are financially based: improving revenues, profits, and market share. Once you know the desired business outcomes, you can consider how to use technology to redesign processes to achieve those outcomes. Effectively, you are developing a formula for a return on your investment.

Plan on sharing HRMS data with as many non-HR employees as possible, encouraging them to use the data in multiple ways. The more people who use the data, the greater the business value. Consider, for example, the large, Manhattan-based bank that frequently requires additional space for its new branches and expanding staff. The facilities department, in charge of leasing new space for these employees, uses a standard amount of square footage multiplied by the number of employees to determine the total amount of space needed. But some employees need less space than the formula allows for. When HR suggested using the data field for work location in the bank's HRMS to more accurately calculate the actual space needed, facilities discovered that they were leasing 15 percent more space than they needed. This translated into a loss of millions of dollars.

E xhibit 10–4
Scope Creep

Vendor: _____

System Requirements: _____

	Expense	Amount Budgeted	Actual Cost	Amount Over/ Under Budget	Reasons for Discrepancies
Software	_____	_____	_____	_____	_____
Hardware	_____	_____	_____	_____	_____
Project team salaries	_____	_____	_____	_____	_____
Training	_____	_____	_____	_____	_____
Ongoing maintenance	_____	_____	_____	_____	_____
Support	_____	_____	_____	_____	_____
Evaluation	_____	_____	_____	_____	_____
Implementation	_____	_____	_____	_____	_____

The positive business impact resulting from non-HR staff using an organization's HRMS can only occur if HR views itself as the keeper of HRMS information, not the sole proprietor. This becomes especially relevant as an increasing number of employees directly access data with Web-based tools. As stated earlier, by logging onto a computer from any location, employees can perform many of the tasks HR traditionally manages, such as updating personal information, viewing paycheck information, reviewing benefits plans, checking on 401(k) allocations, and verifying remaining vacation time.

PRIVACY AND SECURITY ISSUES

Today's powerful, high-capacity computer systems allow for the expansion of the amount and type of information that can be filed in an HRMS. While much of this information is job-related—work, educational and salary histories, performance evaluations, and salary increases—data pertaining to an

employee's personal life is also increasingly being placed in a company's HRMS, thereby raising privacy and security concerns. This includes data pertaining to an employee's marital status; number and relationship of dependents; test results revealing personality traits, intelligence, and various physical and psychological characteristics; medical conditions; and outside interests.

Accordingly, organizations should periodically review the data stored in an HRMS for two primary reasons: to make certain the contents of these electronic files do not contain unnecessary information, and to ensure that the data in the system is adequately secure and protected against theft or damage. Today's technological capabilities allow for virtually unlimited access to HRMS data. The more people who have access to private records, the greater the number of opportunities for invasion of privacy.

With a growing number of on-line users and future systems expected to allow for even greater data access, organizations should develop a data quality policy with procedures covering a broad range of issues, such as:

- Identifying ownership of data elements
- Defining the data
- Entering the data accurately
- Editing the accuracy and validity of data
- Placing the data correctly in the system
- Using the data
- Determining who should have access to the data
- Restricting data access or use

The security policy should be communicated clearly to all system users, both within and outside human resources.

In addition to developing a security policy with related procedures, there are other measures employers should take:

1. Ensure that all users are properly trained in the secure use and handling of equipment, data, and software.
2. Ensure that all users sign off before leaving a PC unattended, even for a short period of time.
3. Caution users not to share their password with anyone.
4. Remind users that they are accountable for all tasks performed with their personal passwords.
5. Change user passwords periodically.
6. Caution users against duplicating both copyrighted programs purchased from vendors and data that is the property of the company, unless they are providing necessary backup.
7. Ensure that all software obtained from sources other than vendors is given a "clean bill of health" by a virus detection program.
8. Ensure that all program copies, data files, software, and printouts are properly controlled so that only authorized users can access them.

? **Think About It**

What privacy and security measures does your organization have in place either for an existing HRMS or one that is anticipated?

HRMS MAINTENANCE

For those who have never set up an HRMS before, maintenance seems like the easiest phase of the process, but those who have been through this before understand that maintenance can be just as complex and problematic as all the preceding steps. Sometimes you think you've done everything right but then, during the maintenance stage, you realize you've missed something. As long as you have a competent in-house team and the ongoing support of your outside vendor, the results shouldn't be catastrophic.

The most important aspect of maintenance is making frequent backups to prevent massive losses of critical information, such as payroll data. Many systems are designed to create automatic backups, but even then the data has to be regularly saved and stored off-site as part of a disaster recovery plan.

Maintenance also entails running utility disks on software utilities and scanning for corrupt data; checking to ensure that the database isn't generating multiples of information, thereby clogging the system with unnecessary information; having written documentation of procedures and training guides for the system and workflow processes; ensuring that vendors do their part in maintenance as specified in the contract, such as installing patches or upgrades; reviewing security access; and scheduling subsequent installation phases.

Maintenance also entails plans for replacement. That may seem like an odd step to take when the system is new, but every system has limited usefulness. Generally, this translates into three to five years, depending on the extent of an organization's stability or growth. The key is not getting caught by surprise. This can be avoided by regularly reviewing the effectiveness of an HRMS, beginning six months after installation and biannually, thereafter. With each review, ask yourself: Should we continue to upgrade our system? At what cost? When is it no longer cost-effective to upgrade? Should we be proactive and begin to evaluate vendors, products, and new technologies even though our system is functioning efficiently? Are there systems with more reporting capabilities or that make it easier to extract data? Do we really need these systems?

While HR is the primary user of an HRMS, it's important to have technical people maintaining the system. One IT specialist bluntly stated: "Without us, I guarantee there won't be enough backups, you'll have frequent crashes, and eventually you won't be able to access much of the data. It won't

take long for these disasters to occur—it could happen in a matter of weeks. And another thing. . . .”

IT's role in maintenance doesn't preclude HR's involvement. For example, during the transitional stage HR needs to oversee the data to ensure that all the critical information is transferred. HR should also periodically purge, archive, and consolidate data, as needed. Additional maintenance tips can be accessed by logging on to *www.workforce.com.*

✔ ## Apply What You Learn
HRMS Maintenance

If you currently have an HRMS, for each task listed identify the frequency of maintenance and whether HR or IT is in charge. If you do not currently have an HRMS, identify what you believe should be the frequency of maintenance and indicate whether you believe HR or IT should be in charge.

Task	Frequency of maintenance	HR or IT
Backups	_____	_____
Scans for corrupt data	_____	_____
Checking for unnecessary duplication of information	_____	_____
Written documentation of procedures	_____	_____
Training guides	_____	_____
Having vendors do their part	_____	_____
Reviewing security access	_____	_____
Scheduling subsequent installation phases	_____	_____
Planning for replacement	_____	_____

It has now been a week since Lisa Depp presented her report to senior management assessing Selden and Turner's current HRMS system. She smiles, thinking about the overall response: an enthusiastic thumbs-up! During the meeting she remained mindful of senior management's limited knowledge concerning HRMS and was careful not to use terms that were too technical, focusing instead on how critical it was for the company to align its human resources with key business objectives, thereby repositioning HR as a more strategic, rather than primarily administrative, function. This, she had argued, would help boost productivity and efficiency as well as reduce costs. That last part had really captured the president's attention. The response to her summary of key HRMS features was so positive, she was now guardedly optimistic that Part II of her report, analyzing Selden and Turner's current

system with specific recommendations for upgrades, would be met with similar enthusiasm. She still didn't think she would be authorized to shop around for a brand new system, but that was all right; she was confident that she would be able to take Selden and Turner into the twenty-first century by making better use of their current system.

recap

Many HR practitioners who are not technologically adept or up-to-date on the latest in e-HR feel uneasy around the subject of HRMS. However, understanding the multiple uses of an HRMS and applying some simple guidelines can demystify the process.

Generally speaking, a well-planned HRMS will automate procedures, serve as an electronic filing system, and provide a wide range of information to technical and non-technical staff. An organization will be able to store and manipulate massive amounts of data, generate timely data for management and government reporting, reduce the cost and time required to process information, be able to respond to "what if" questions, eliminate duplicated data, make projections, and be assured that information is accurate and consistent.

Identifying respective roles in the development, implementation, and maintenance stages is crucial to the success of an HRMS. It's important to pull together an internal team that respects one another's area of expertise. HR practitioners have an in-depth understanding of what areas will benefit from automation; IT specialists are needed for their technical know-how.

When selecting a vendor, identify essential services, research the reputations and experiences of various vendors, develop a request for proposal, ask for product demonstrations, and conduct reference checks. Once you've selected a vendor, retain the services of legal counsel to scrutinize the details of the HRMS contract.

HRMS can allow employees and managers to avail themselves of an array of self-service capabilities and access information they need when they need it. Self-service applications can save not only time but money as well.

Depending on the size of an organization, the level of customization required, and the number of functions an organization is interested in automating or integrating, the cost of an HRMS can run anywhere from a few thousand to several million dollars. Most organizations purchase commercially available software if it satisfies at least 80 percent of their requirements.

Organizations should periodically review the data stored in an HRMS primarily for two reasons: to make certain the contents of these electronic files do not contain unnecessary information, and to ensure that the data in the system is adequately secure and protected against theft and damage.

For those who have never set up an HRMS before, maintenance seems like the easiest phase of the process, but those who have been through it understand that maintenance can be just as complex and problematic as all the preceding steps. The most important aspect of maintenance is making frequent backups to prevent massive losses of critical information.

Review Questions

1. Scope creep refers to:

   (a) allowing non-HR employees to access and use the HRMS.

   (b) purchasing commercially available software.

   (c) allowing or agreeing to additional work requests that were not part of the original plan.

   (d) an imbalance in the number of technical people on an HRMS team compared to HR people.

1. (c)

2. Critical to the success of any HRMS is:

   (a) ensuring that HR becomes as technically competent as IT.

   (b) finding out what your competitors are using and developing an HRMS that is more advanced.

   (c) getting as many "freebies" promised in the contract as possible.

   (d) pulling together a project team that respects one another's area of expertise.

2. (d)

3. Typically, an RFP contains:

   (a) a list of specific areas you want serviced by an HRMS and a request for associated costs.

   (b) your HRMS status and history.

   (c) restrictions on data access or use.

   (d) an examination of how the HRMS will interface with any other existing systems.

3. (a)

4. Many systems are designed to create automatic backups, but even then:

   (a) IT should develop a manual backup system.

   (b) the vendor should ensure replacement of lost data.

   (c) the data should be regularly saved and stored off-site as part of a disaster recovery plan.

   (d) HR should periodically archive and consolidate data.

4. (c)

5. The more people who have access to private records, the greater the number of opportunities for:

   (a) invasions of privacy.

   (b) identity theft.

   (c) computer viruses.

   (d) expansion of the amount and type of information that can be filed in an HRMS.

5. (a)

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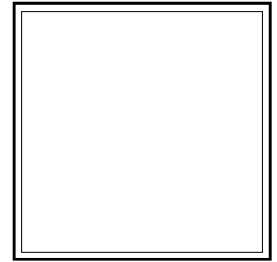
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T+D, from the American Society for Training & Development, 1640 King Street, Box 1443, Alexandria, VA 22313. Fax: 703/683-9591; E-mail: *mailbox@astd.org*; Web site: *www.astd.org.*

Workforce Management, from Crain Communications, Inc., 245 Fischer Avenue B-2, Costa Mesa, CA 92626. E-Mail: *raphaelt@workforce.com*; Web site: *www.workforce.com.*

Newsletters

HR Manager's Legal Reporter, Ransom & Benjamin Publishers LLC, 21 East Main Street, Mystic, CT 06355. Tel: 860/536-2000; Fax: 860-536-1545; E-mail: *rhpuborders@aol.com*; Web site: www.rhpubs.com.

Legal Report, Society for Human Resource Management, 1800 Duke Street, Alexandria, VA 22314. Tel: 703/548-3440; Fax: 703/836-0367; E-mail: *shrm@shrm.org*; Web site: *www.shrm.org.*

Mosaics, Society for Human Resource Management, 1800 Duke Street Alexandria, VA 22314. Tel: 703/535-6063; Fax: 703/535-6492; Web site: *www.shrm.org/diversity.*

Workplace Visions, Society for Human Resource Management, 1800 Duke Street Alexandria, VA 22314. Tel: 703/548-3440; Fax: 703/535-6432; E-mail: *trends@shrm.org*; Web site: *www.shrm.org/trends.*

Report

BNA, Bureau of National Affairs, 1231 25th Street, NW, Washington, DC 20037. Tel: 800/372-1033; Web site: *www.bna.com.*

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www.employee-retention-hq.com.

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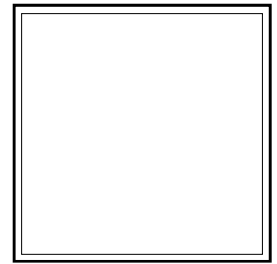
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1. Competency-based questions require specific examples concerning what the applicant has done in the past in relation to:
   (a) what he or she plans on doing in the future.
   (b) job-specific competencies.
   (c) his or her career goals.
   (d) organizational goals.

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2. Mentoring can:
   (a) create hard feelings.
   (b) accelerate pay raises.
   (c) make retirees feel useful.
   (d) accelerate employee contributions to company productivity.

3. The validation method that pertains to selection procedures testing a sample of significant parts of a particular job is called:
   (a) content validity.
   (b) construct validity.
   (c) critical validity.
   (d) criterion-related validity.

4. The financial arrangements and administrative services offered by different carriers vary, so the first step in selecting an insurance carrier is to determine which factors are:
   (a) typically sought by work environments similar to yours.
   (b) important to your organization.
   (c) likely to cost the least amount of money.
   (d) least likely to result in insurance claims.

5. Human resources practitioners are taking a more strategic role in achieving an organization's missions and goals, including how to:
   (a) manage a multicultural workforce.
   (b) evaluate performance.
   (c) impact revenue growth and productivity.
   (d) determine executive salaries.

6. Generic job descriptions are written in broad, general terms and may be used for:
   (a) determining salary increases.
   (b) defining the duties and tasks of one particular position.
   (c) several similar positions in different departments of the same company.
   (d) conducting salary surveys.

7. The Equal Pay Act of 1963 requires equal pay for men and women performing:
   (a) equal work.
   (b) substantially equal work.
   (c) different work in a similar work environment.
   (d) equal work upon completing their probationary periods.

8. Like a policies and procedures manual, an employee handbook may be considered:
   (a) an employment contract.
   (b) a valuable source of information for new hires.
   (c) time-consuming to write, but worth the effort.
   (d) helpful during lawsuits.

9. The planning and preparation stage of a performance management review is an important responsibility of:
    (a) the employee.
    (b) the HR manager.
    (c) the employee and manager.
    (d) the manager.

10. In considering external HRMS development, a technical member of your team should evaluate available products to determine how likely it is that they will be able to:
    (a) meet your needs.
    (b) come in with a figure that fits in with your budget.
    (c) work with your existing system.
    (d) impress members of senior management.

11. A type of compensation program that clusters many different jobs and salary ranges into a few broad categories with no job titles is called:
    (a) skill-based.
    (b) broadbanding.
    (c) variable.
    (d) competency-based.

12. The best-known piece of civil rights legislation and the most widely used is the:
    (a) Civil Rights Act of 1991.
    (b) Civil Rights Act of 1866.
    (c) Occupational Safety and Health Act of 1970.
    (d) Civil Rights Act of 1964.

13. A pitfall that managers should avoid when conducting performance management meetings with employees is:
    (a) asking the employee about long-term goals.
    (b) talking about having the employee take on additional assignments consistent with his or her areas of interest.
    (c) providing excessively positive evaluations for fear of disagreement or argument over honest, albeit negative, appraisals.
    (d) discussing the purpose of the meeting.

14. The filing of a grievance is permitted:
    (a) for any condition of employment an employee believes to be inequitable.
    (b) to review an employee's disciplinary problems.
    (c) to dispute terms and conditions of termination.
    (d) as a precursor to a lawsuit.

15. The first step in conducting an HRMS needs assessment is:
    (a) finding out how much money the organization is willing to spend.
    (b) identifying the current bank of services HR provides.
    (c) putting an IT person in charge.
    (d) putting an HR person in charge.

16. The process of interview preparation begins with:
    (a) asking the applicant to "tell me about yourself."
    (b) becoming familiar with the specifications of a job every time it becomes available.
    (c) being proactive.
    (d) asking that all your calls be held.

17. Today's ideal HR manager is someone with:
    (a) both HR and operational experience.
    (b) a master's degree.
    (c) a background in labor relations.
    (d) the ability to interact well with management and staff.

18. A procedure for guarding against lost productivity and continuity when a key member of management needs to be replaced is called:
    (a) career development.
    (b) training and development.
    (c) mentoring.
    (d) succession planning.

19. The key to whether personality should be a consideration when making a hiring decision is:
    (a) a matter of law.
    (b) how much public contact the person will have.
    (c) job relatedness.
    (d) a matter of personal choice.

20. The New EEOC Guidance on Discrimination in Employee Benefits:
    (a) provides better access to health insurance coverage for workers who change jobs or lose their jobs.
    (b) analyzes benefit discrimination claims under each of the laws enforced by the EEOC.
    (c) protects the rights of participants in employee benefits plans.
    (d) allows eligible employees to take up to 12 weeks of unpaid leave in any 12-month period for qualifying reasons.

21. There are two types of sexual harassment: quid pro quo and:
    (a) prima facie.
    (b) arbitrary.
    (c) comparable worth.
    (d) hostile environment.

22. The denial of equal employment opportunity through an established business practice, such as recruitment, is called:
    (a) systemic discrimination.
    (b) validation.
    (c) disparate treatment.
    (d) disparate effect.

23. The key component of a retention environment is:
    (a) motivation.
    (b) hiring the best workers.
    (c) giving frequent raises.
    (d) communication.

24. The nondirective approach to counseling:
    (a) allows managers to control the course of the conversation.
    (b) calls for HR to negotiate disputes between managers and employees.
    (c) encourages greater input by the employee.
    (d) calls for binding arbitration.

25. Employers typically use preemployment tests to accomplish two primary objectives: eliciting a candidate's undesirable traits and:
    (a) determining if they are likely to steal.
    (b) identifying characteristics that most closely match the qualities required in the available job.
    (c) ferreting out drug use.
    (d) identifying hidden skills and talents.

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