

University of Global Village
Department of Business Administration
Course Title: Human Resource Management

Course Code: 0413-515; 0413-626 & 0413-716	Credits: 03
Semester End Examination (SEE) hours: 03	CIE Marks: 90 SEE Marks: 60

Course Learning Outcomes (CLOs)-after Successful completion of the course students will be able to-

CLOs	
CLO1	Understand the fundamental concepts, principles, and functions of Human Resource Management (HRM) and their significance in achieving organizational goals.
CLO2	Apply HRM theories and practices to real-world organizational scenarios, including recruitment, selection, training, and performance management.
CLO3	Analyze the impact of HRM strategies on organizational performance and workforce development, identifying key areas for improvement.
CLO4	Evaluate HR policies and practices in terms of their compliance with legal, ethical, and organizational standards.
CLO5	Create innovative HRM strategies and solutions to address workforce challenges, fostering a productive and inclusive organizational culture.

❖ **Course plan specifying contents, teaching times and CLOs-**

Sl. No.	Topic	Hours	CLOs
1	Introduction to Human Resource Management	6	CLO1 CLO2 CLO3
2	Introductions to HR Functions	4	CLO1 CLO2
3	Employee Recruitment	4	CLO1 CLO3 CLO4
4	Selecting Employees	4	CLO3 CLO4 CLO5
5	Training & Developing Employees	4	CLO1 CLO3 CLO4
6	Performance Management	6	CLO1 CLO3 CLO4 CLO5
7	Compensation	6	CLO1 CLO2 CLO3 CLO4

❖ **Course plan specifying content, CLOs, Teaching Learning and Assessment Strategy Mapped with CLOs : (TLS= Teaching Learning Strategy, AS= Assessment Strategy)**

Week	Chapter	Course Contents	Teaching Learning Strategy	Assessment Strategy	Corresponding CLOs
1	1	Introduction to Human Resource Management Definition of Human Resource Management, Organization, Managers, Management Process, HRM Process, Personnel Aspects of Managers Job.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Quiz ▪ Written Examinations ▪ Assignment 	<p>CLO1</p> <p>CLO2</p> <p>CLO3</p>
2	1	Introduction to Human Resource Management Personnel Aspects of Managers Job, Personnel Mistakes, Line & Staff Aspects of HRM, Line Managers HRM Responsibilities, HR Managers Duties, HR Specialties.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Quiz ▪ Written Examinations ▪ Assignment 	<p>CLO1</p> <p>CLO2</p> <p>CLO3</p>
3	1	Introduction to Human Resource Management New Approaches to Organizing HR, Trends Shaping HRM, Workforce & Demographic Trends, Important Trends in	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion 	<ul style="list-style-type: none"> ▪ Quiz ▪ Written Examinations ▪ Case Study 	<p>CLO1</p> <p>CLO2</p> <p>CLO3</p>

		HRM, HRM Challenges, High Performance Working Systems.			
4	2	Introductions to HR Functions Why is HRM Important to an Organization, HRM Functions, How External Influences Affects HRM.	<ul style="list-style-type: none"> ▪ Written exam ▪ MCQ test ▪ Assignment ▪ Presentation 	<ul style="list-style-type: none"> ▪ Written exam ▪ MCQ test ▪ Oral test 	CLO1 CLO2
5	2	Introductions to HR Functions How External Influences Affects HRM, Structure of The HR Department, Employee Relations, Ethical Issues in HRM, HR & Corporate Ethics.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise ▪ Assignment 		CLO1 CLO2
6	6	Employee Recruitment Recruiting Goals, Factors that Affect Recruiting Efforts, Recruiting Sources, Internal Search, External Search, Advertisements.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	CLO1 CLO3 CLO4
7	6	Employee Recruitment External Search, Advertisements, Employment Agencies, Professional organizations, Online Recruiting, Independent Contractors	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO1 CLO3 CLO4

			<ul style="list-style-type: none"> ▪ Assignment 		
8	7	Selecting Employees The Selection Process, Initial Screening, Successful Applications, Pre-employment Testing, Performance Simulation Tests, Work Sampling, Assessment Centers, Comprehensive Interviews.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO3 CLO4 CLO5
9	7	Selecting Employees Comprehensive Interviews, Steps for Effective Interviewing, Interview Headaches, The Stress Interview, Interviewer Bias, The Behavioral Interview, Creating Effective Interview Questions.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO3 CLO4 CLO5
10	8	Training & Developing Employees Socialization, Assumptions of Employee Socialization, Socialization Strongly Influence Employee Performance and Organizational Stability, Employee Orientation,	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	CLO1 CLO3 CLO4
11	8	Training & Developing Employees Employee Orientation, HR's Role in Creating & Sustaining Culture, Employee Training, Training Methods, Employee Development Methods,	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO1 CLO3 CLO4

		Organization Developments, Evaluating Training and Development Effectiveness.	<ul style="list-style-type: none"> ▪ Assignment 		
12	10	Performance Management Performance Management Systems, Purposes of Performance management Systems, Difficulties in PMS, EEO, The Appraisal Process, Appraisal Methods, Relative Standards Methods.	<ul style="list-style-type: none"> ▪ Written exam ▪ MCQ test ▪ Assignment ▪ Presentation 	<ul style="list-style-type: none"> ▪ Written exam ▪ MCQ test ▪ Oral test 	CLO1 CLO3 CLO4 CLO5
13	10	Performance Management The Appraisal Process, Appraisal Methods, Relative Standards Methods, MBO, Common Elements of MBO program, Facts on Performance Evaluation, Factors that can Distort Appraisals.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO1 CLO3 CLO4 CLO5
14	10	Performance Management Factors that can Distort Appraisals, Creating more Effective Performance management Systems, Team Performance Appraisals, The Performance Appraisals Meeting.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	CLO1 CLO3 CLO4 CLO5
15	11	Compensation Intrinsic vs Extrinsic Rewards, Financial vs Non-financial Rewards, Compensation Administration, Job Evaluation and Pay Structure, Job Evaluations Methods.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO1 CLO2 CLO3 CLO4

			<ul style="list-style-type: none"> ▪ Assignment 		
16	11	<p>Compensation Job Evaluation and Pay Structure, Job Evaluations Methods, Establishing the Pay Structure, External Factors, Special Cases of Compensations.</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	<p>CLO1 CLO2 CLO3 CLO4</p>
17	11	<p>Compensation External Factors, Special Cases of Compensations, Executive Compensations program, International Compensations, Compensation in a Global Environment.</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Problem Solving 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	<p>CLO1 CLO2 CLO3 CLO4</p>

CIE- Continuous Internal Evaluation (90 Marks)

Bloom's Category	Quiz	Assignments	External Participation in Curricular/ Co-curricular activities	Test (45)
Marks (out of 90)	(15)	(15)	(15)	
Remember			Bloom's affective domain: (Attitude or Will) Attendance: 15 Copy or Attempt to copy: -10 Late Assignment: -10	10
Understand	05	05		05
Apply	05			10
Analyze		05		05
Evaluate	05			10
Create		05		05

SEE- Semester End Examination (60 Marks)

Bloom's Category	Test
Remember	10
Understand	10
Apply	10
Analyze	10
Evaluate	10
Create	10

Recommended Books:

Fundamentals of Human Resource Management

- **Authors:** David A. DeCenzo, Stephen P. Robbins, Susan L. Verhulst
- **Edition:** 14th Edition (2020)

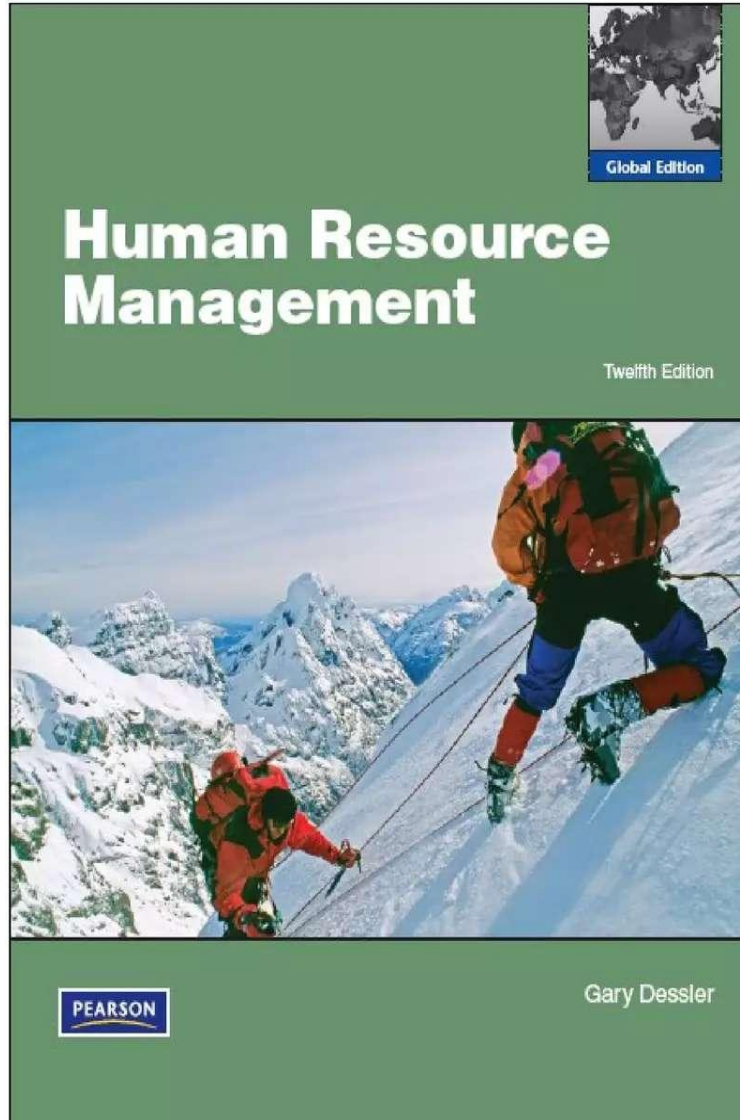
Supplementary Readings:

Fundamentals of Human Resource Management

Authors: Raymond A. Noe, John R. Hollenbeck, Barry Gerhart, Patrick M. Wright

Edition: 9th Edition (2022)

Publisher: McGraw-Hill Education



Chapter 1

Introduction to Human Resource Management

WHERE WE ARE NOW...



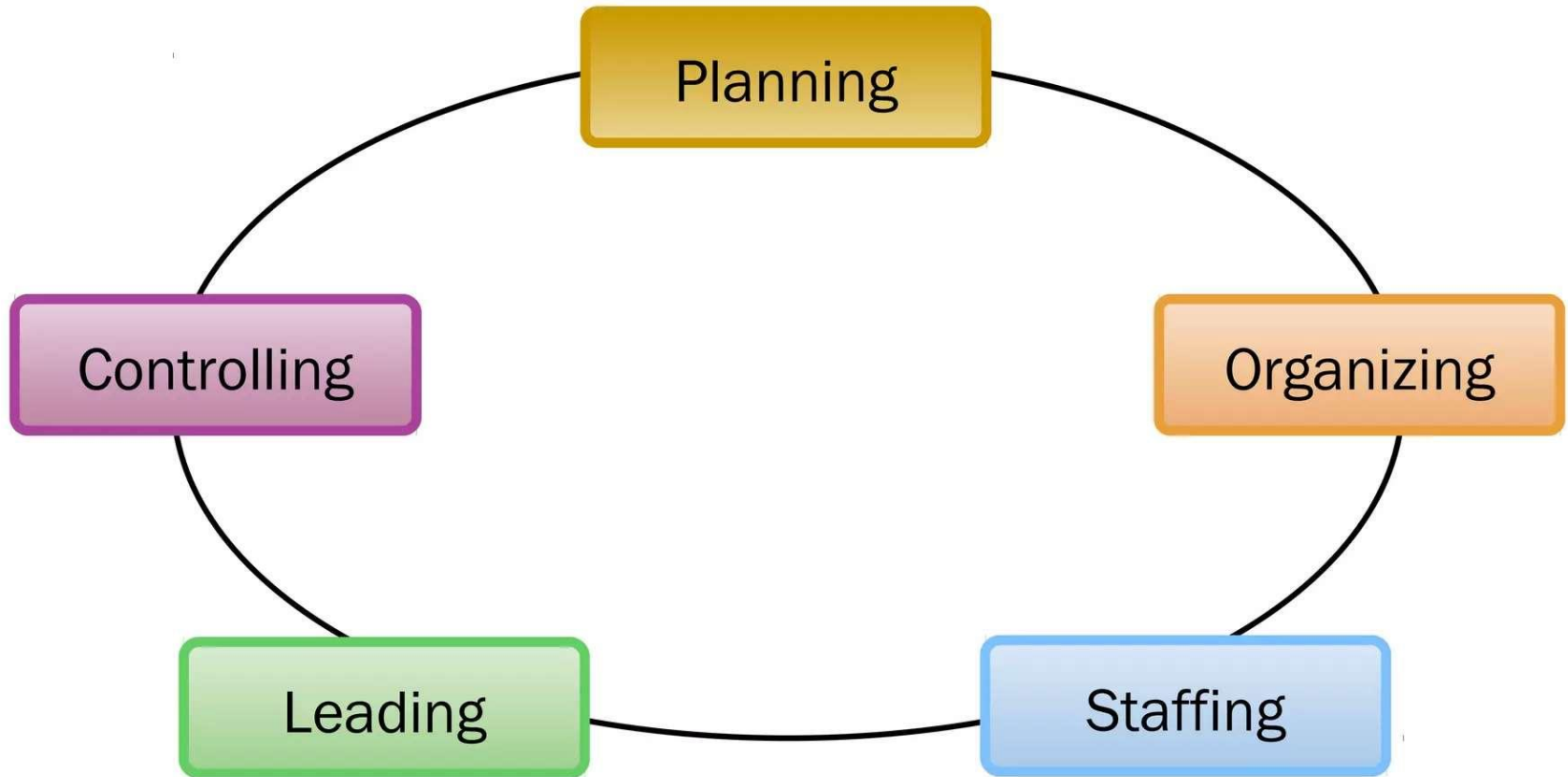
LEARNING OUTCOMES

1. Explain what human resource management is and how it relates to the management process.
2. Show with examples why human resource management is important to all managers.
3. Illustrate the human resources responsibilities of line and staff (HR) managers.
4. Briefly discuss and illustrate each of the important trends influencing human resource management.
5. List and briefly describe important trends in human resource management.
6. Define and give an example of evidence-based human resource management.
7. Outline the plan of this book.

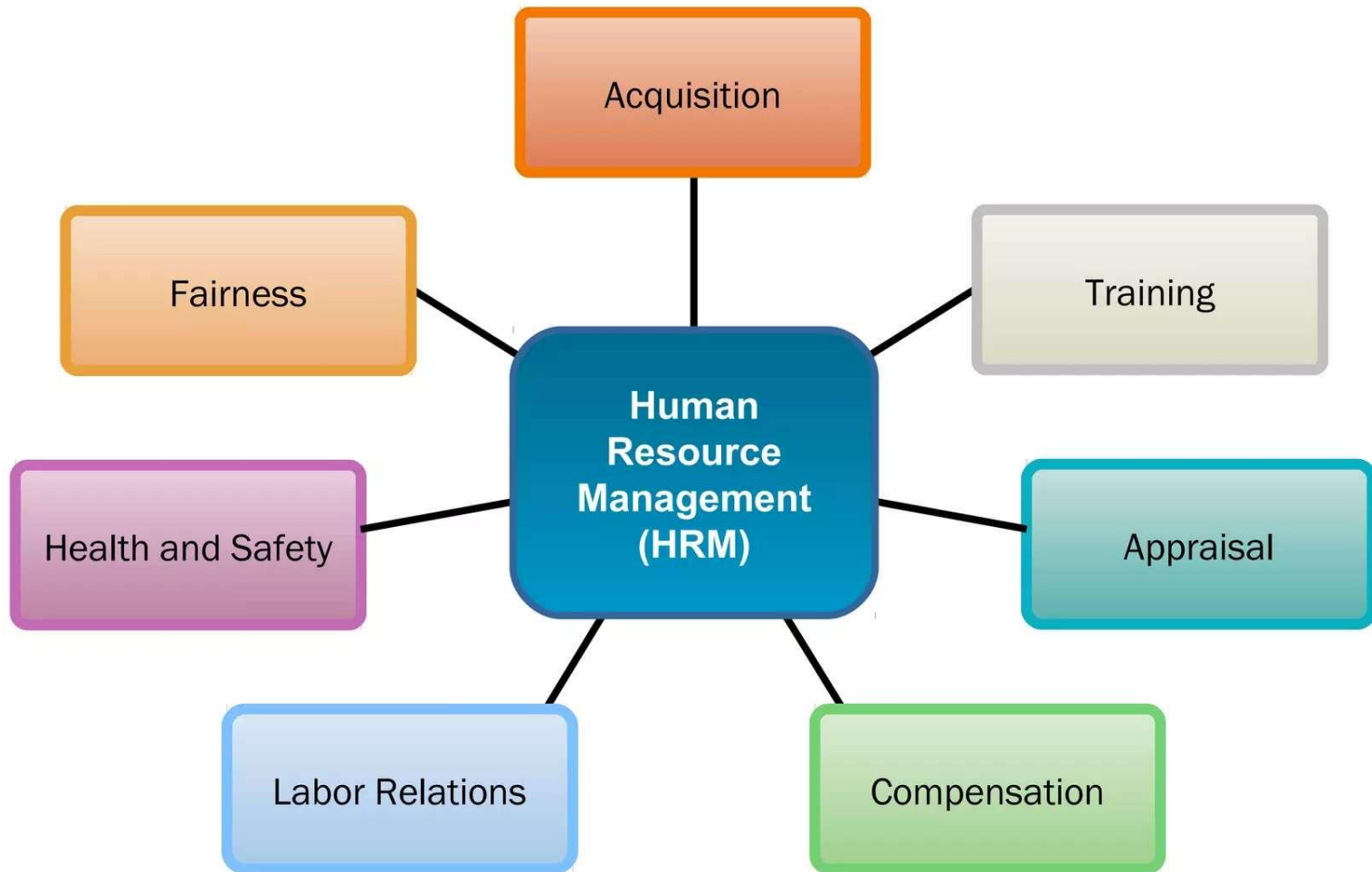
Human Resource Management at Work

- **What Is Human Resource Management (HRM)?**
 - The process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns.
- **Organization**
 - People with formally assigned roles who work together to achieve the organization's goals.
- **Manager**
 - The person responsible for accomplishing the organization's goals, and who does so by managing the efforts of the organization's people.

The Management Process



Human Resource Management Processes



Personnel Aspects of a Manager's Job

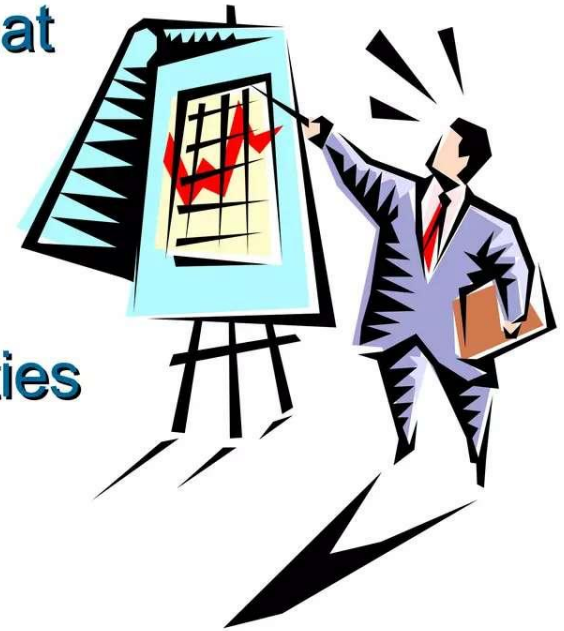
- Conducting job analyses
- Planning labor needs and recruiting job candidates
- Selecting job candidates
- Orienting and training new employees
- Managing wages and salaries
- Providing incentives and benefits
- Appraising performance
- Communicating
- Training and developing managers
- Building employee commitment

Personnel Mistakes

- Hire the wrong person for the job
- Experience high turnover
- Have your people not doing their best
- Waste time with useless interviews
- Have your firm in court because of discriminatory actions
- Have your firm cited by OSHA for unsafe practices
- Have some employees think their salaries are unfair and inequitable relative to others in the organization
- Allow a lack of training to undermine your department's effectiveness
- Commit any unfair labor practices

Basic HR Concepts

- The bottom line of managing:
Getting results
- HR creates value by engaging in activities that produce the employee behaviors that the organization needs to achieve its strategic goals.
- Looking ahead: Using evidence-based HRM to measure the value of HR activities in achieving those goals.



Line and Staff Aspects of HRM

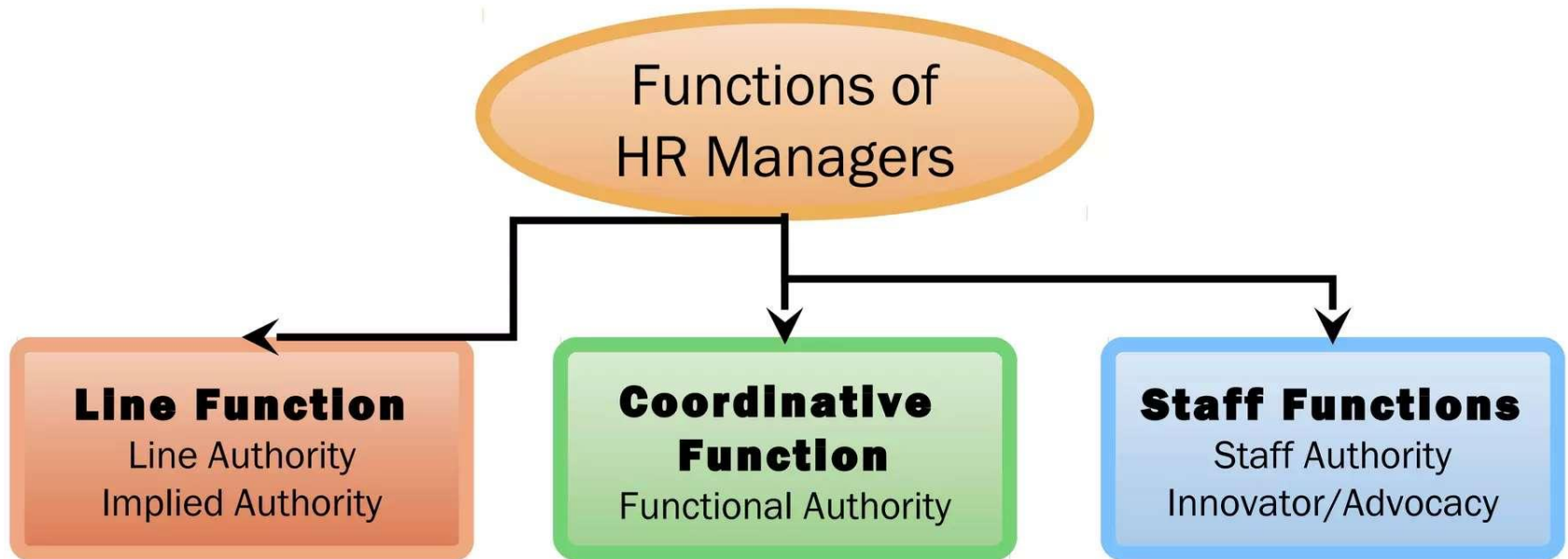
- **Line Manager**
 - Is authorized (has line authority) to direct the work of subordinates and is responsible for accomplishing the organization's tasks.
- **Staff Manager**
 - Assists and advises line managers.
 - Has functional authority to coordinate personnel activities and enforce organization policies.



Line Managers' HRM Responsibilities

- 1. Placing the right person on the right job**
- 2. Starting new employees in the organization (orientation)**
- 3. Training employees for jobs that are new to them**
- 4. Improving the job performance of each person**
- 5. Gaining creative cooperation and developing smooth working relationships**
- 6. Interpreting the firm's policies and procedures**
- 7. Controlling labor costs**
- 8. Developing the abilities of each person**
- 9. Creating and maintaining department morale**
- 10. Protecting employees' health and physical condition**

Human Resource Managers' Duties



Week 2
Slides 13-25

FIGURE 1–1 Human Resources Organization Chart for a Large Organization



HUMAN RESOURCES ORGANIZATION CHART

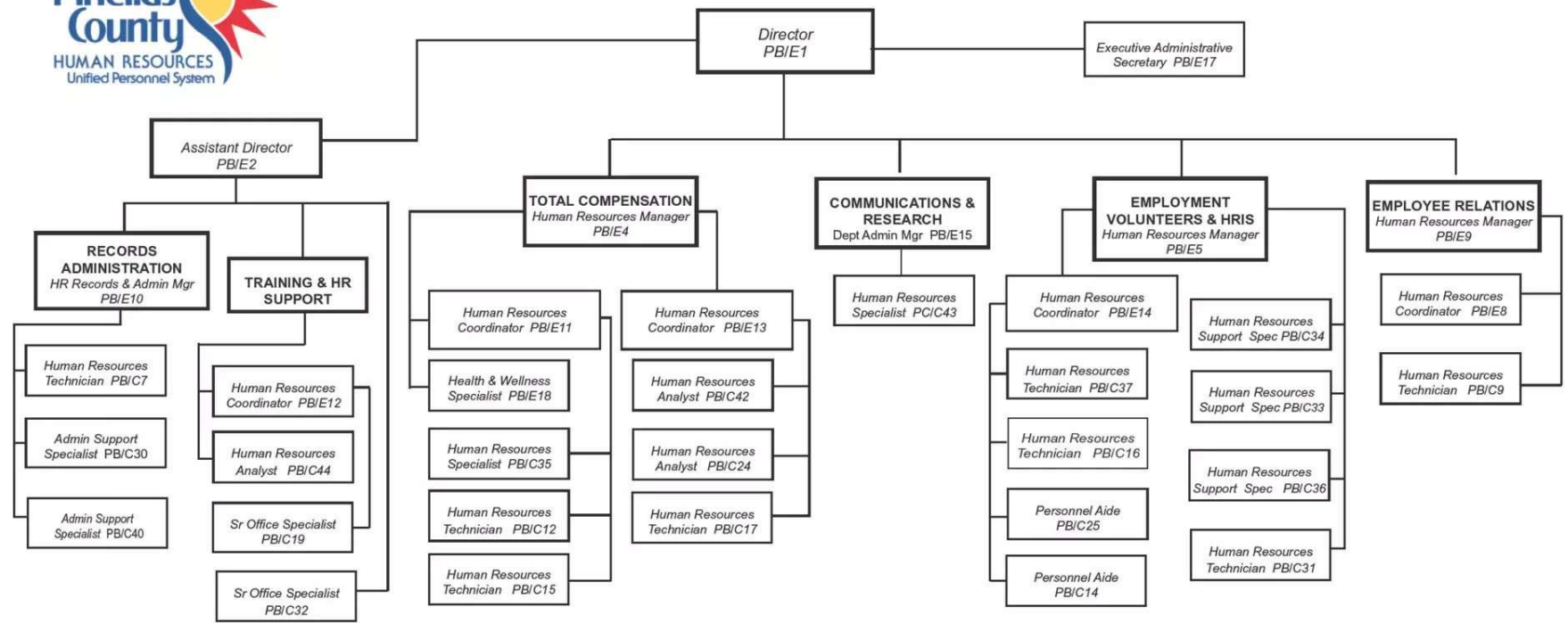
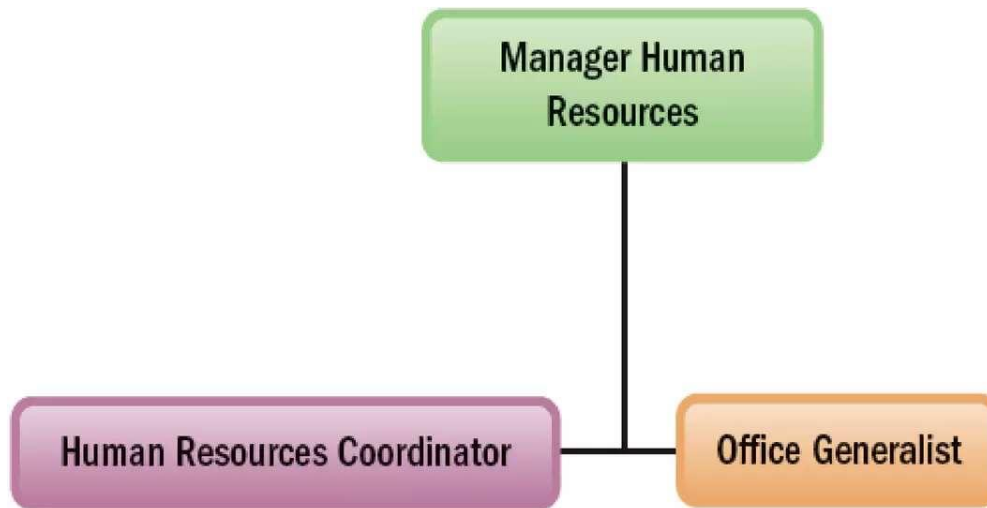
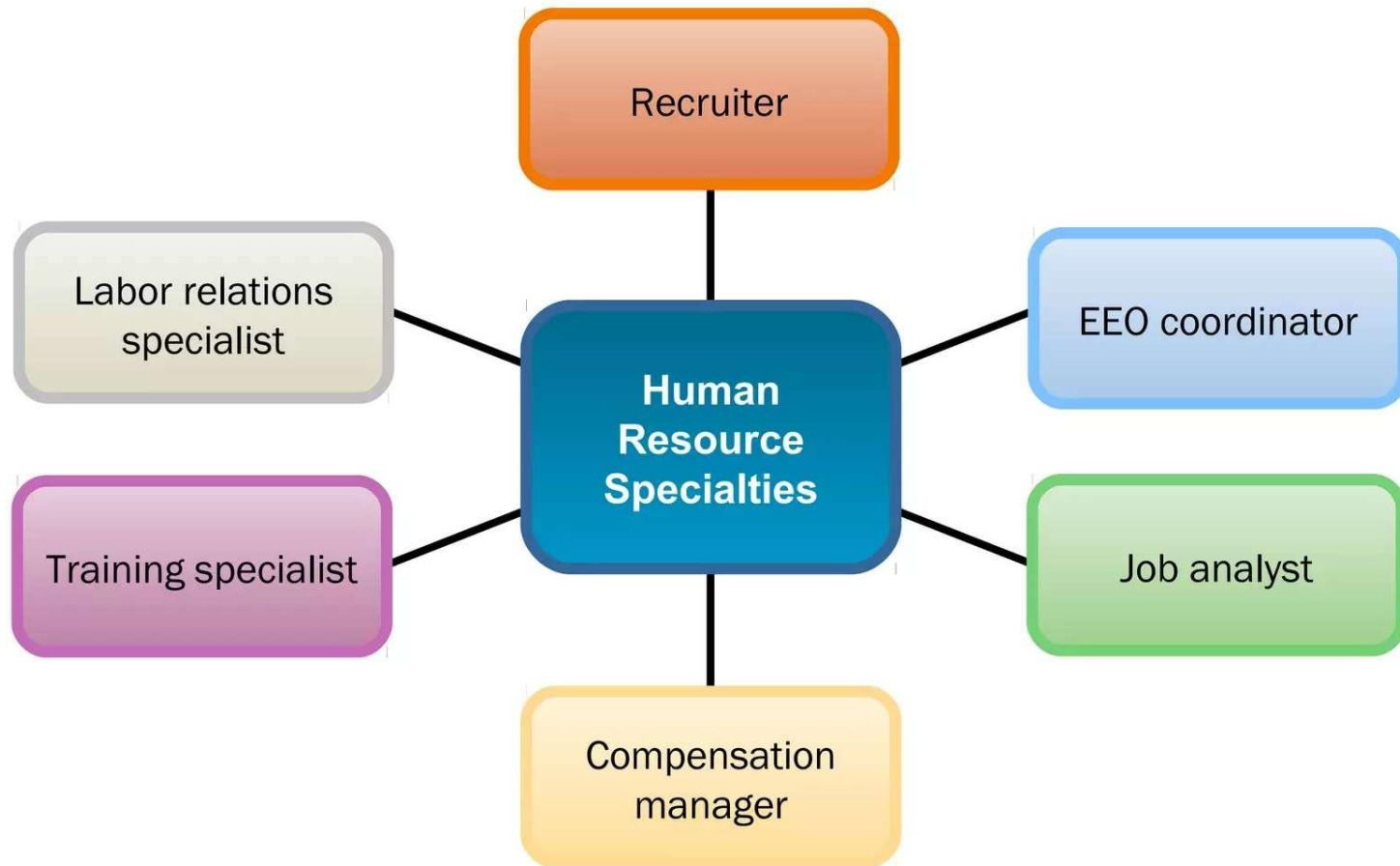


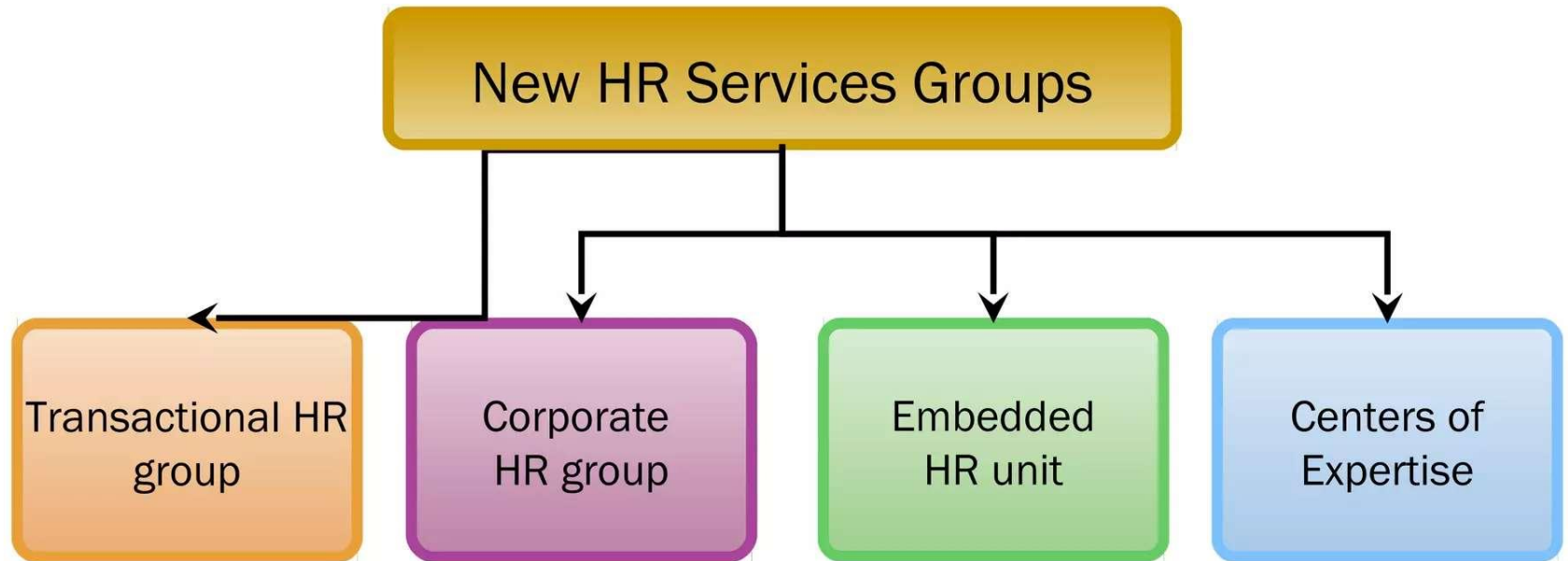
FIGURE 1–2 Human Resources Organization Chart for a Small Company



Human Resource Specialties



New Approaches to Organizing HR



Trends Shaping Human Resource Management



FIGURE 1–4 Trends Shaping Human Resource Management

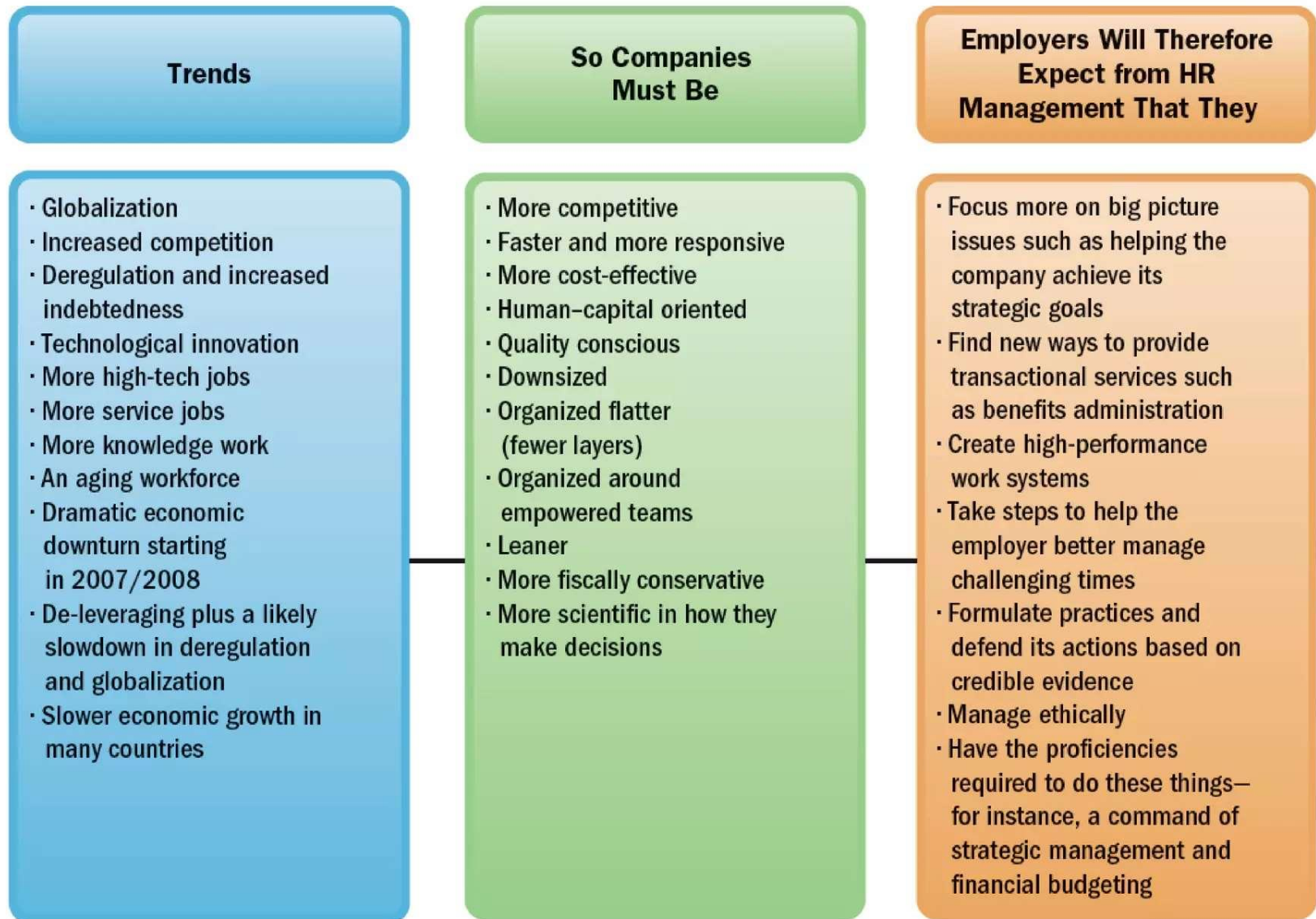
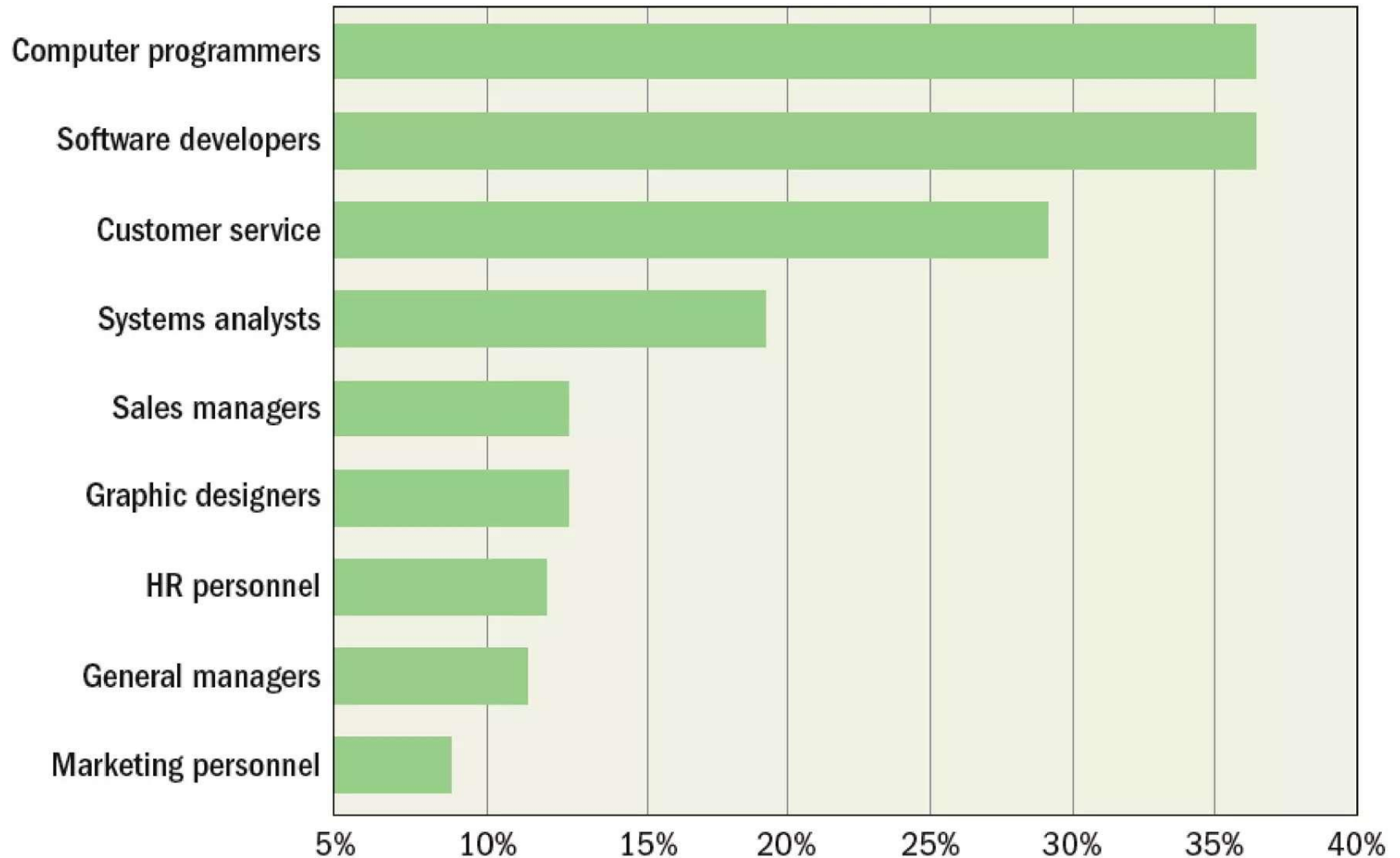


FIGURE 1–5 Employment Exodus: Percent of employers who said they planned as of 2008 to offshore a number of these jobs



Trends in the Nature of Work

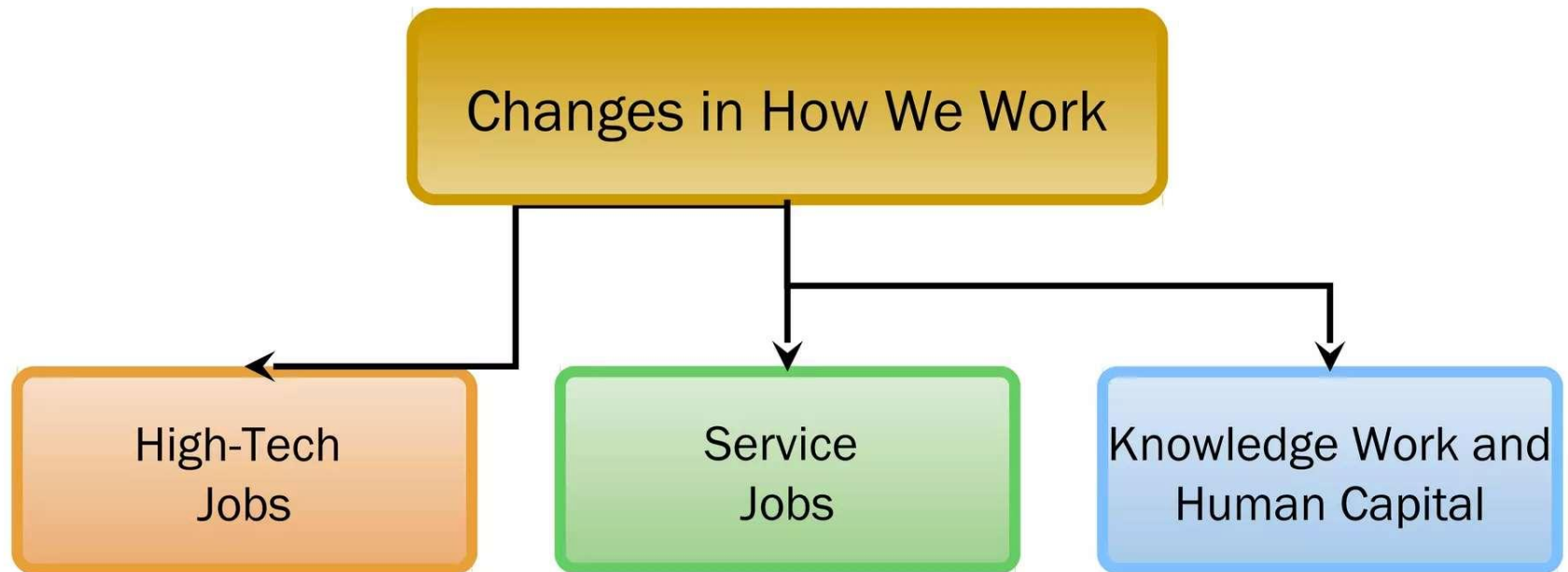


TABLE 1–1 Demographic Groups as a Percent of the Workforce, 1986–2016

Age, race, ethnicity	1986	1996	2006	2016
Age: 16–24	19.8%	15.8%	14.8%	12.7%
25–54	67.5	72.3	68.4	64.6
55+	12.6	11.9	16.8	22.7
White, non-Hispanic	79.8	75.3	69.1	64.6
Black	10.7	11.3	11.4	12.3
Asian	2.9	4.3	4.4	5.3
Hispanic origin	6.9	9.5	13.7	16.4

Workforce and Demographic Trends

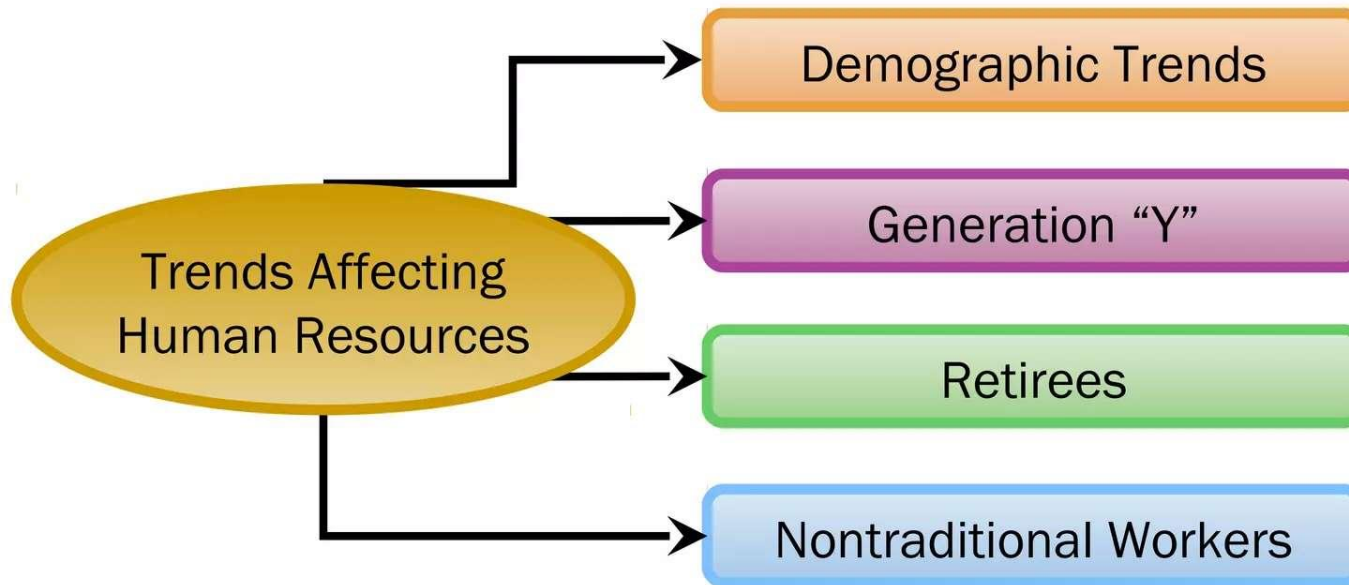


FIGURE 1–6 Gross National Product (GNP)

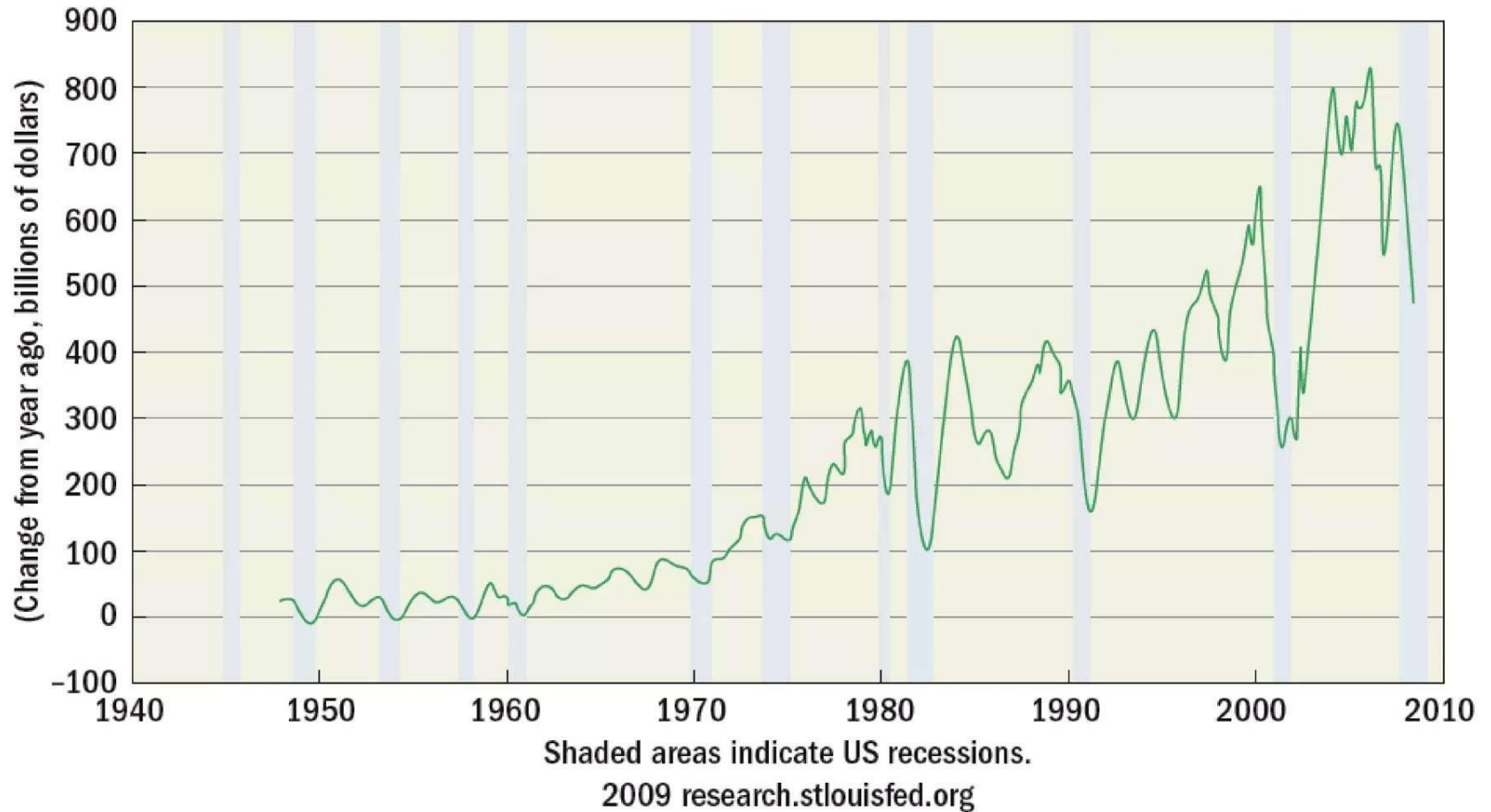
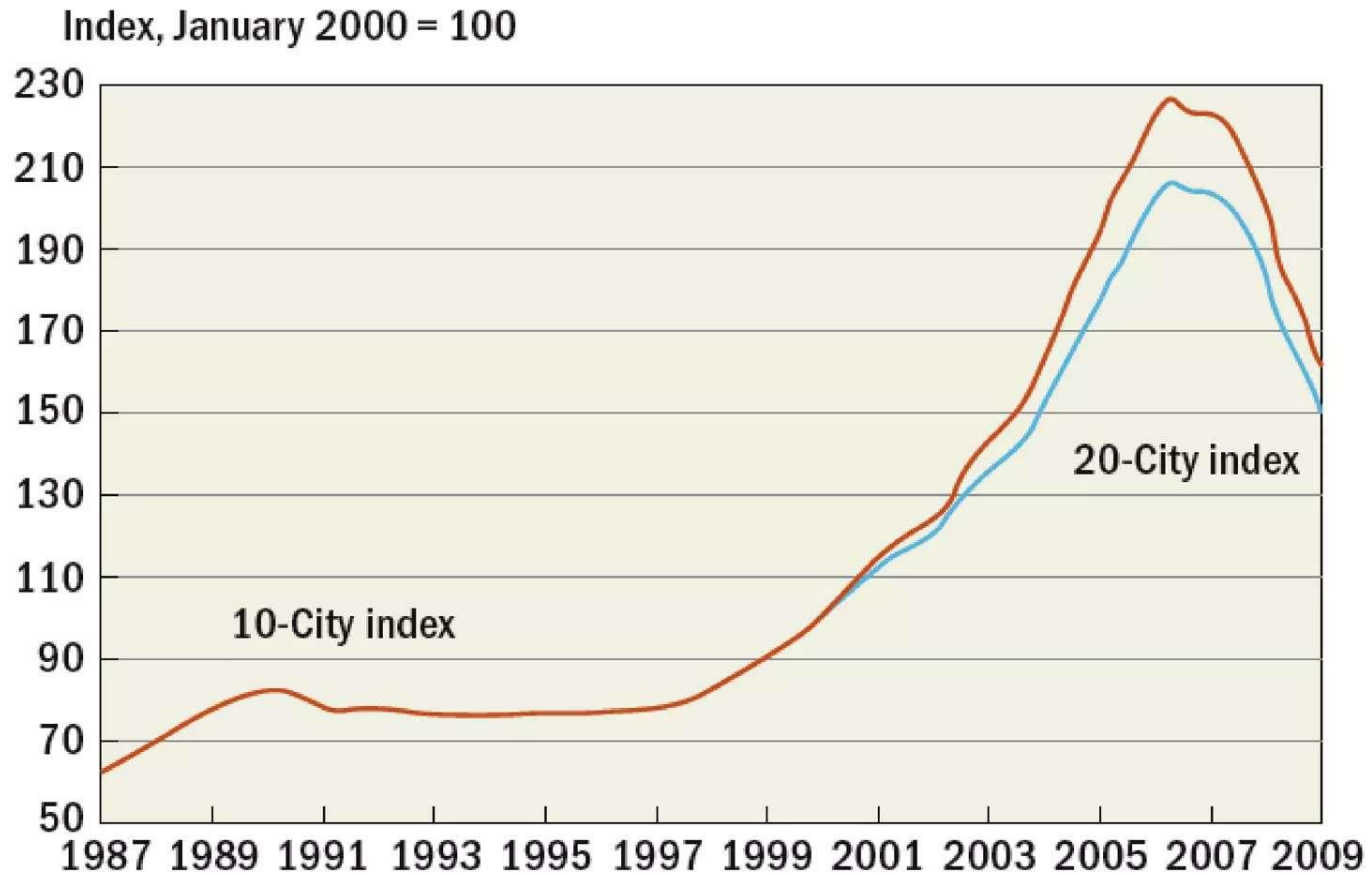


FIGURE 1-7 Case-Shiller Home Price Indexes



Week 3
Slides 27-38

Important Trends in HRM



Meeting Today's HRM Challenges

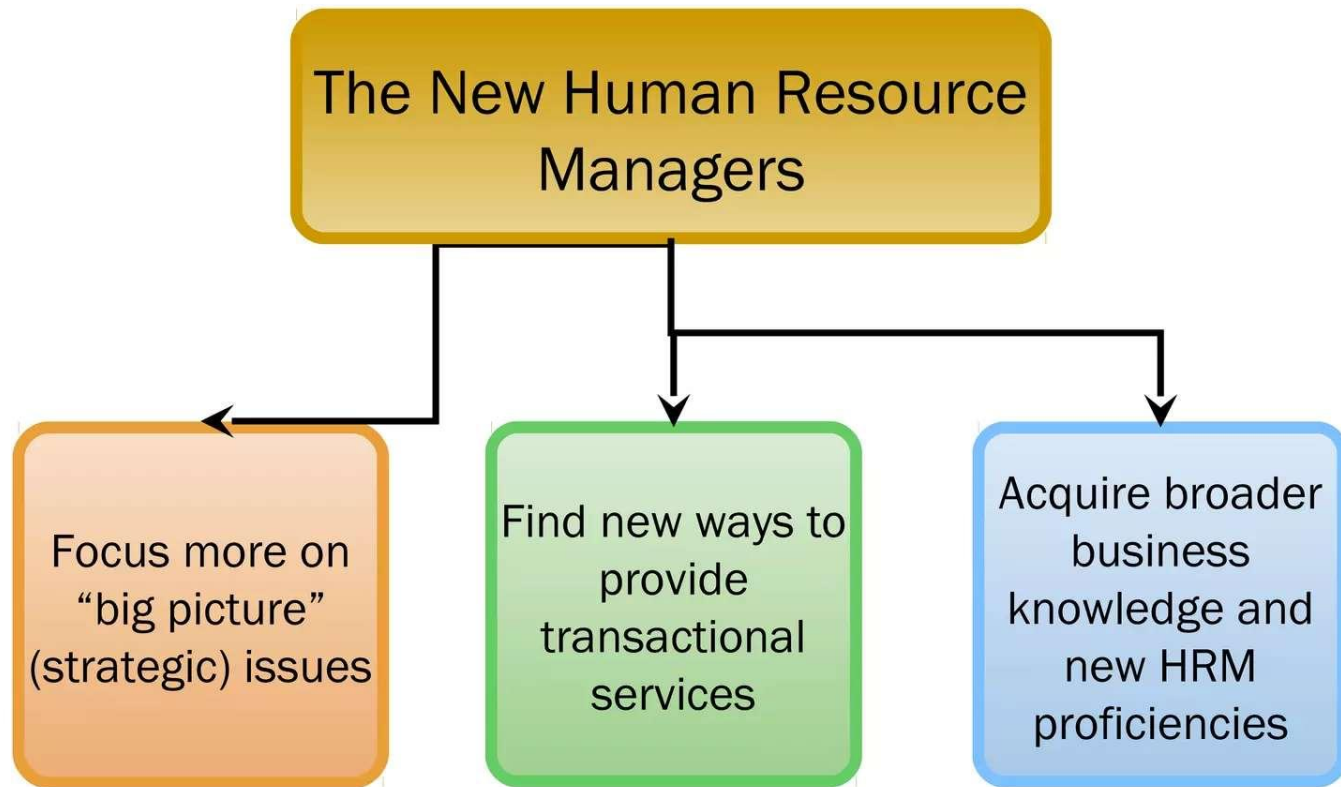
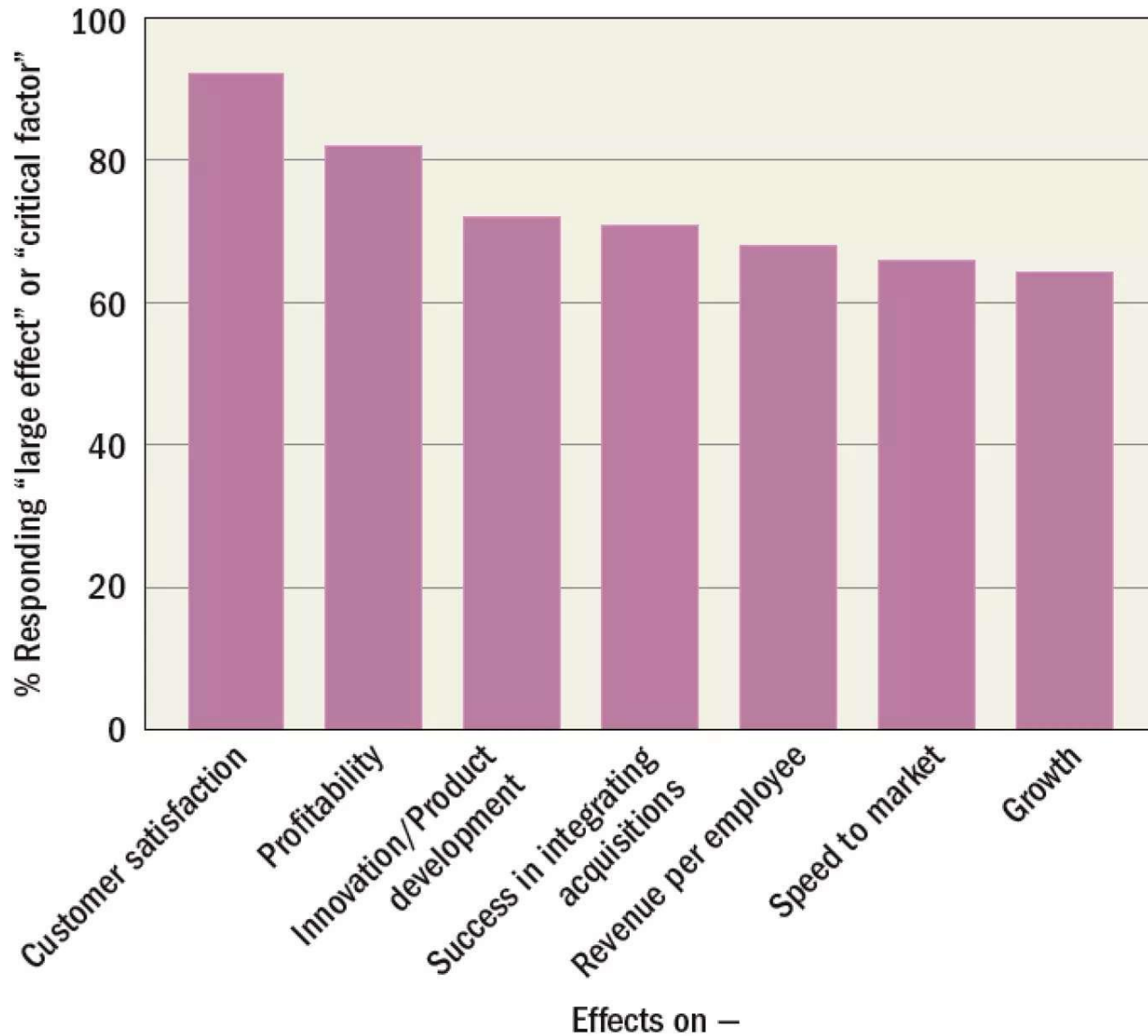


TABLE 1–2 Some Technological Applications to Support HR

Technology	How Used by HR
Application service providers (ASPs) and technology outsourcing	ASPs provide software application, for instance, for processing employment applications. The ASPs host and manage the services for the employer from their own remote computers
Web portals	Employers use these, for instance, to enable employees to sign up for and manage their own benefits packages and to update their personal information
Streaming desktop video	Used, for instance, to facilitate distance learning and training or to provide corporate information to employees quickly and inexpensively
Internet- and network-monitoring software	Used to track employees' Internet and e-mail activities or to monitor their performance
Electronic signatures	Legally valid e-signatures that employers use to more expeditiously obtain signatures for applications and record keeping
Electronic bill presentment and payment	Used, for instance, to eliminate paper checks and to facilitate payments to employees and suppliers
Data warehouses and computerized analytical programs	Help HR managers monitor their HR systems. For example, they make it easier to assess things like cost per hire, and to compare current employees' skills with the firm's projected strategic needs

FIGURE 1–8 Effects CFOs Believe Human Capital Has on Business Outcomes

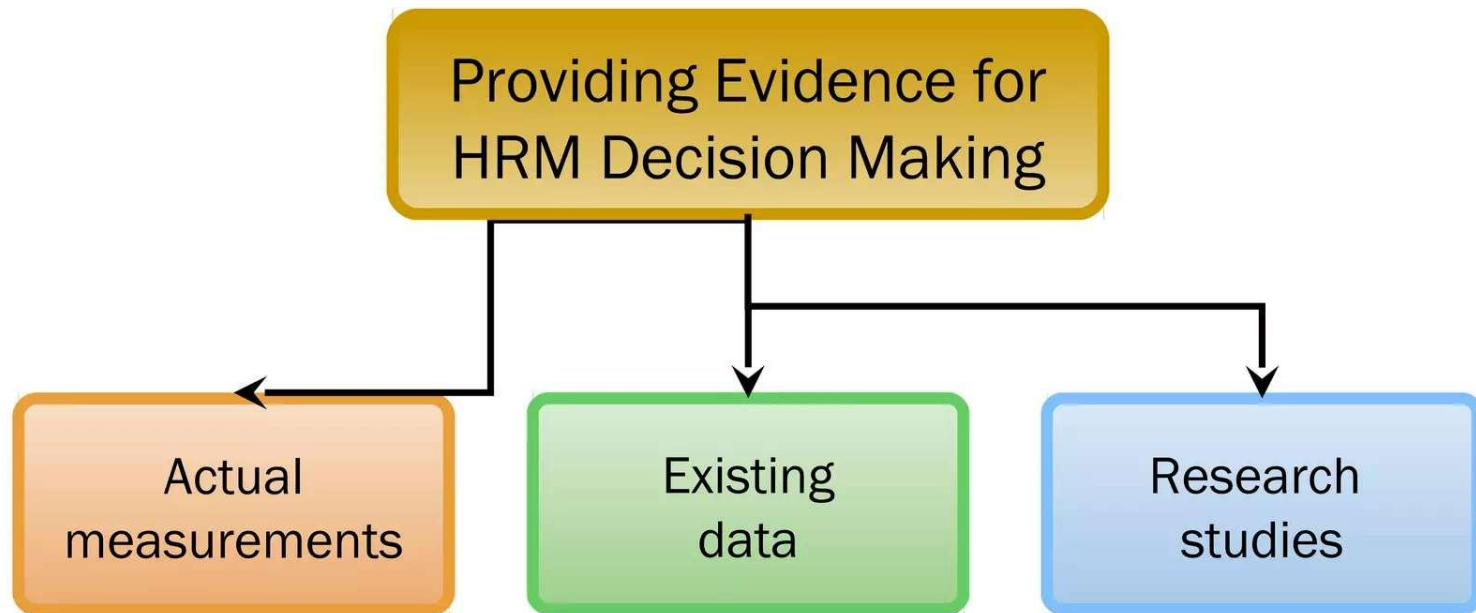


High-Performance Work Systems

- **Increase productivity and performance by:**
 - Recruiting, screening and hiring more effectively
 - Providing more and better training
 - Paying higher wages
 - Providing a safer work environment
 - Linking pay to performance



Evidence-Based HRM



Managing Ethics

- **Ethics**
 - Standards that someone uses to decide what his or her conduct should be
- **HRM-related Ethical Issues**
 - Workplace safety
 - Security of employee records
 - Employee theft
 - Affirmative action
 - Comparable work
 - Employee privacy rights



HR Certification

- HR is becoming more professionalized.
- Society for Human Resource Management (SHRM)
 - SHRM's Human Resource Certification Institute (HRCI)
 - ❖ SPHR (Senior Professional in HR) certificate
 - ❖ GPHR (Global Professional in HR) certificate
 - ❖ PHR (Professional in HR) certificate



The Plan of This Book: Basic Themes

- **HRM is the responsibility of every manager.**
- **The workforce is becoming increasingly diverse.**
- **Current economic challenges require that HR managers develop new and better skills to effectively and efficiently deliver and manage HR services.**
- **The intensely competitive nature of business today means human resource managers must defend their plans and contributions in measurable terms.**

FIGURE 1–10 Strategy and the Basic Human Resource Management Process



KEY TERMS

organization

manager

management process

human resource management (HRM)

authority

line authority

staff authority

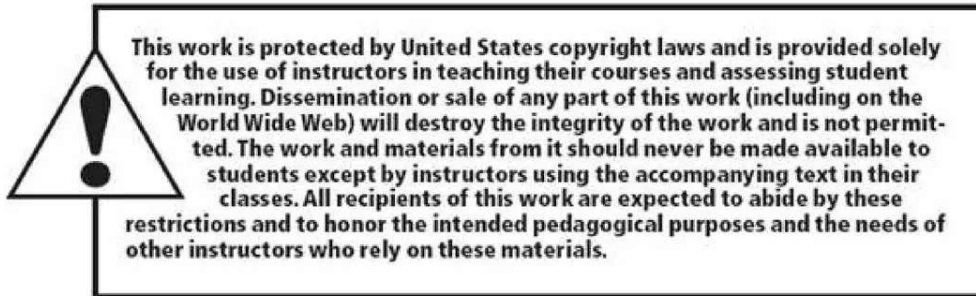
line manager

staff manager

functional authority

globalization

human capital



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Chapter 2

Fundamentals of Strategic HRM



Introduction



People, not buildings, make a company successful.

Introduction



- It is important to note that achieving organizational goals cannot be done without human resources.
- What is Google without its employees?
- A lot of buildings, expensive equipment, and some impressive bank balances.
- Similarly, if you removed the employees from such varied organizations as the Phillies, Microsoft, Hallmark, what would you have left? Not much.
- People—not buildings, equipment, or brand names—make a company.

Why Is HRM Important to an Organization?



- New requirements on employers concerning hiring and employment practices.
- Jobs have changed. They have become more technical and require employees with greater skills.
- Global competition has increased the importance of improving workforce productivity and looking globally for the best-qualified workers.

The Strategic Nature



- **Strategic planning** is a process used by an organization to determine its long-term vision and goals and how to accomplish them.
- Many companies today recognize the importance of people in meeting their goals.
- HRM must therefore balance two primary responsibilities:
 1. assisting the organization in its strategic direction
 2. representing and advocating for the organization's employees.
- HR professionals must align HR practices and plans with the overall organizational strategy.

Importance of HRM



HRM has a dual nature:

supports the
organization's strategy

represents and advocates
for the employees

Strategic HRM provides a clear connection between the organization's goals and the activities of employees.

Strategic human resource management



- SHRM is aligning HR policies and decisions with the organizational strategy and mission.
- Strategic human resource management creates a clear connection between the goals of the organization and the activities of the people who work there.
- All employees should see the link between their daily tasks and achievement of a purpose or goal.

The HRM Functions



HRM has four basic functions:

staffing

training and
development

motivation

maintenance

In other words, hiring people, preparing them, stimulating them, and keeping them.

The HRM Functions



staffing

- strategic human resource planning: match prospects' skills to the company's strategy needs
- recruiting: use accurate job descriptions to obtain an appropriate pool of applicants
- selection: thin out pool of applicants to find the best choice

➤ Google example

Staffing has fostered the most change in HR departments during the past 30 years.

The HRM Functions



training and development

- orientation: teach the rules, regulations, goals, and culture of the company
- employee training: help employees acquire better skills for the job
- employee development: prepare employee for future position(s) in the company
- organizational development: help employees adapt to the company's changing strategic directions
- career development: provide necessary information and assessment in helping employees realize career goals

The goal is to have competent, adapted employees.

The HRM Functions



motivation

- theories and job design: environment and well-constructed jobs factor heavily in employee performance
- performance appraisals: standards for each employee; must provide feedback
- rewards and compensation: must be link between compensation and performance
- employee benefits: should coordinate with a pay-for-performance plan

The HRM Functions



maintenance

- safety and health: caring for employees' well-being has a big effect on their commitment
- communications and employee relations: keep employees well-informed of company doings, and provide a means of venting frustrations

Job loyalty has declined over the past decade.

HRM from Islamic perspective



1. Staffing

The Qur'an states, (28:26): “said one of the (damsels): O my (dear) father! Engage him on wages; truly the best of men for you to employ is the (man) who is strong and trust worthy.”

2. Training and development

Allah said (39:9) “are those who know equal to those who know not? But only they who are endowed with understanding keep this in mind.”

The Prophet Muhammad (S.A.W) also declared it compulsory for Muslims to acquire knowledge when he said “*Seeking knowledge is a duty on every Muslim man and woman*”.

Week 5
Slides 15-26



And prepare against them whatever you are able of power and of steeds of war by which you may terrify the enemy of Allah and your enemy and others besides them whom you do not know [but] whom Allah knows. And whatever you spend in the cause of Allah will be fully repaid to you, and you will not be wronged (Anfal:60).

3. Motivation & maintenance

And for all there are degrees [of reward and punishment] for what they have done, and [it is] so that He may fully compensate them for their deeds, and they will not be wronged (46:19).

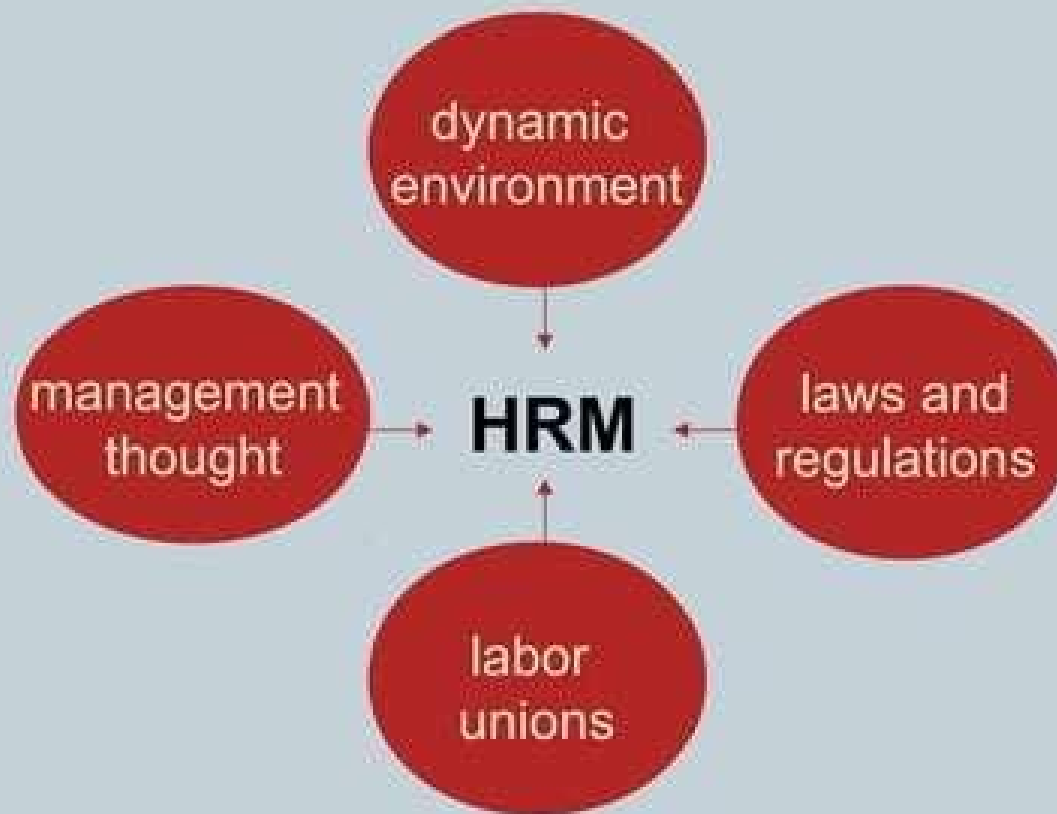
The employees should be rewarded as soon as their work done and completed (*Sunan Ibn Majah*)



"As for one who wrongs, we will punish him. Then he will be returned to his Lord, and He will punish him with a terrible punishment". (Surat Al-Kahf)

"No soul shall have a burden laid on it greater than it can bear." (Surat Al-Baqarah) .

External Influences on HRM



External influences affect HRM functions.

External Influences on HRM



dynamic
environment

globalization

decentralized work sites

workforce diversity

technology

teams

employee involvement

changing skill requirements

ethics

continuous improvement

External Influences on HRM



laws and regulations

- legislation has an enormous effect on HRM
- laws protect employee rights to union representation, fair wages, family medical leave, and freedom from discrimination based on conditions unrelated to job performance

External Influences on HRM



labor unions

- assist workers in dealing with company management
- negotiate wages, hours, and other terms of employment
- promote and foster complaint procedure between workers and management

When a union is present, employers can not fire workers for unjustified reasons.

External Influences on HRM



management thought

Early theories of management that promoted today's HRM.

Frederick Taylor developed principles to enhance worker productivity

Hugo Munsterberg devised improvements to worker testing, training, evaluations, and efficiency

Mary Parker Follet advocated people-oriented organizations

Elton Mayo's Hawthorne Studies: dynamics of informal work groups have a bigger effect on worker performance than do wage incentives

The Hawthorne Studies gave rise to the human relations movement: benefits, healthy work conditions, concern for employee well-being.

Structure of the HR Department



There are four areas in a typical HR department:

employment

compensation /
benefits

training and
development

employee
relations

Many HR departments also offer services such as making child-care arrangements, providing security, or running medical or food services.

Structure of the HR Department



employment

promotes staffing activities, recruits new employees, but does not make hiring decision

training and development

helps workers adapt to change in the company's external and internal environments

compensation/ benefits

pays employees and administers their benefits package

employee relations

ensures open communication within the company by fostering top management commitment, upward and accurate communication, feedback, and effective information sources

Careers in HR



HR positions include:

- assistants who support other HR professionals
- generalists who provide service in all four HR functions
- specialists who work in one of the four HR functions
- executives who report to top management and coordinate HR functions to organizational strategy

Interpersonal communication skills and ambition are two factors that HR professionals say advance their careers.



Organizations that spend money for quality HR programs perform better than those that don't. (Human Capital Index study)

Quality programs:

- reward productive work
- offer a flexible, work-friendly environment
- properly recruit and retain quality employees
- provide effective communications

Make sure HR services match the overall organizational strategy.

Match the Fours



Week 6
Slides 2-10

Chapter 6

Employee Recruitment



Introduction



Once an organization identifies its human resource needs through employment planning, it can begin recruiting candidates for actual or anticipated vacancies.

Recruiting brings together

those with jobs to fill

and

those seeking jobs

Recruiting Goals



- recruiting provides information that will attract a significant pool of qualified candidates and discourage unqualified ones from applying
- recruiters promote the organization to prospective applicants



Video: Kevin Gazurra

Find the Right People and Keep Them Engaged

Recruiting Goals



Factors that affect recruiting efforts:

- organizational size
- employment conditions in the area
- effectiveness of past recruiting efforts
- working conditions, salary, and benefits offered
- organizational growth or decline

Recruiting Goals



Constraints on recruiting efforts:

- organization's image
- job attractiveness
- internal organizational policies
- government policy and laws
- recruiting costs

Recruiting Sources



internal
searches

employee
referrals

external
searches

online and
alternative

*The Internet is blazing
trails in recruiting
practices*

Recruiting Sources



internal search

Organizations that promote from within identify current employees for job openings

- by having individuals bid for jobs
- by using their **HR** management system
- by utilizing employee referrals

Recruiting Sources



Promoting from Within

Advantages

- good public relations
- morale building
- encouragement of employees and members of protected groups
- knowledge of existing employee performance
- cost-savings
- candidates' knowledge of the organization
- opportunity to develop mid- and top-level managers

Disadvantages

- possible inferiority of internal candidates
- infighting and morale problems
- potential inbreeding

Recruiting Sources



employee referrals

Current employees can be asked to recommend recruits.

Advantages:

- the employee's motivation to make a good recommendation
- the availability of accurate job information for the recruit
- employee referrals tend to be more acceptable applicants, more likely to accept an offer, and have a higher survival rate

Disadvantages:

- the possibility of friendship being confused with job performance
- the potential for nepotism
- the potential for adverse impact

Recruiting Sources



external searches

Advertisements: Must decide type and location of ad, depending on job; decide whether to focus on job (*job description*) or on applicant (*job specification*).

Three factors influence the response rate:

- identification of the organization
- labor market conditions
- the degree to which specific requirements are listed.

Blind box ads do not identify the organization.

Week 7
Slides 12-20

Recruiting Sources



Employment Agencies:

➤ *public or state employment services* focus on helping unemployed individuals with lower skill levels to find jobs

www.careeronestop.org

➤ *private employment agencies* provide more comprehensive services and are perceived to offer positions and applicants of a higher caliber

➤ *management consulting firms* (“headhunters”) research candidates for mid- and upper-level executive placement

➤ *executive search firms* screen potential mid/top-level candidates while keeping prospective employers anonymous

Recruiting Sources



Schools, colleges, and universities:

- may provide entry-level or experienced workers through their placement services
- may also help companies establish cooperative education assignments and internships

Recruiting Sources



Job fairs:

attended by company recruiters seeking resumes and info from qualified candidates

- Virtual online job fairs could bring employers and job seekers together online by logging into a specific Web site at a certain time. Some sites use avatars as candidates and recruiters.

Work Solutions

Meetings and Events in Second Life



See:

<http://www.inxpo.com/products/virtual-career-fairs/index.htm>

<http://work.secondlife.com/worksolutions/meetings/>

From the WSJ:

<http://online.wsj.com/article/SB118229876637841321.html>

Recruiting Sources



Professional organizations:

- publish rosters of vacancies
- run placement services at meetings
- control the supply of prospective applicants
- labor unions are also in this category

Unsolicited applicants (walk-ins):

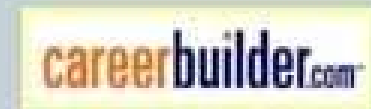
- may provide a stockpile of prospective applicants if there are no current openings

Recruiting Sources



online
sources

- most companies use the Internet to recruit employees
- job seekers use online resumes and create Web pages about their qualifications



Recruiting Sources



recruiting alternatives

Temporary help services:

- temporary employees help organizations meet short-term fluctuations in HRM needs
- older workers can also provide high-quality help

Employee leasing:

- trained workers are employed by a leasing company, which provides them to employers when needed for a flat fee
- typically remain with an organization for longer periods of time

Independent contractors:

- do specific work either on or off the company's premises
- costs of regular employees (i.e. taxes and benefits costs) are not incurred

A Global Perspective



For some positions, the whole world is a relevant labor market. So, **HR** can recruit

- home-country nationals when searching for someone with extensive company experience to launch a product in a country where it has never sold before
- host-country nationals when a foreign subsidiary is being established and HQ wants to retain control yet hire someone with local market knowledge
- candidates of any nationality, creating a truly international perspective

Your Own Job Search



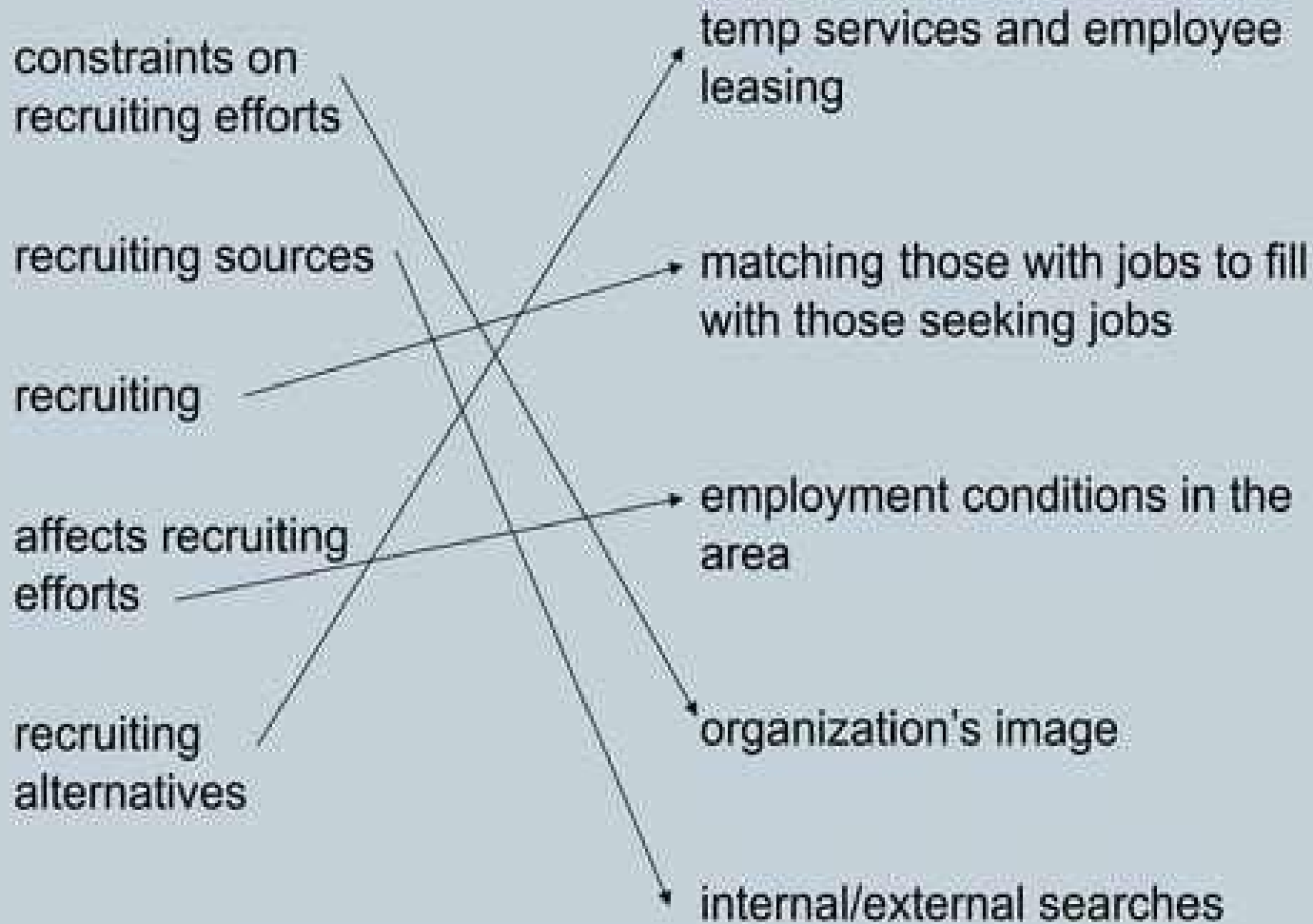
Job searching takes training, commitment, endurance, and support. Start searching well before you plan to start work.

Preparing Your Resume

- use quality paper and easy-to-read type
 - proofread carefully
 - include volunteer experience
 - use typical job description phraseology
- use a cover letter to highlight your greatest strengths

Use networking to gain access to an organization.

Matching



Week 8
Slides 1-12

Chapter 7

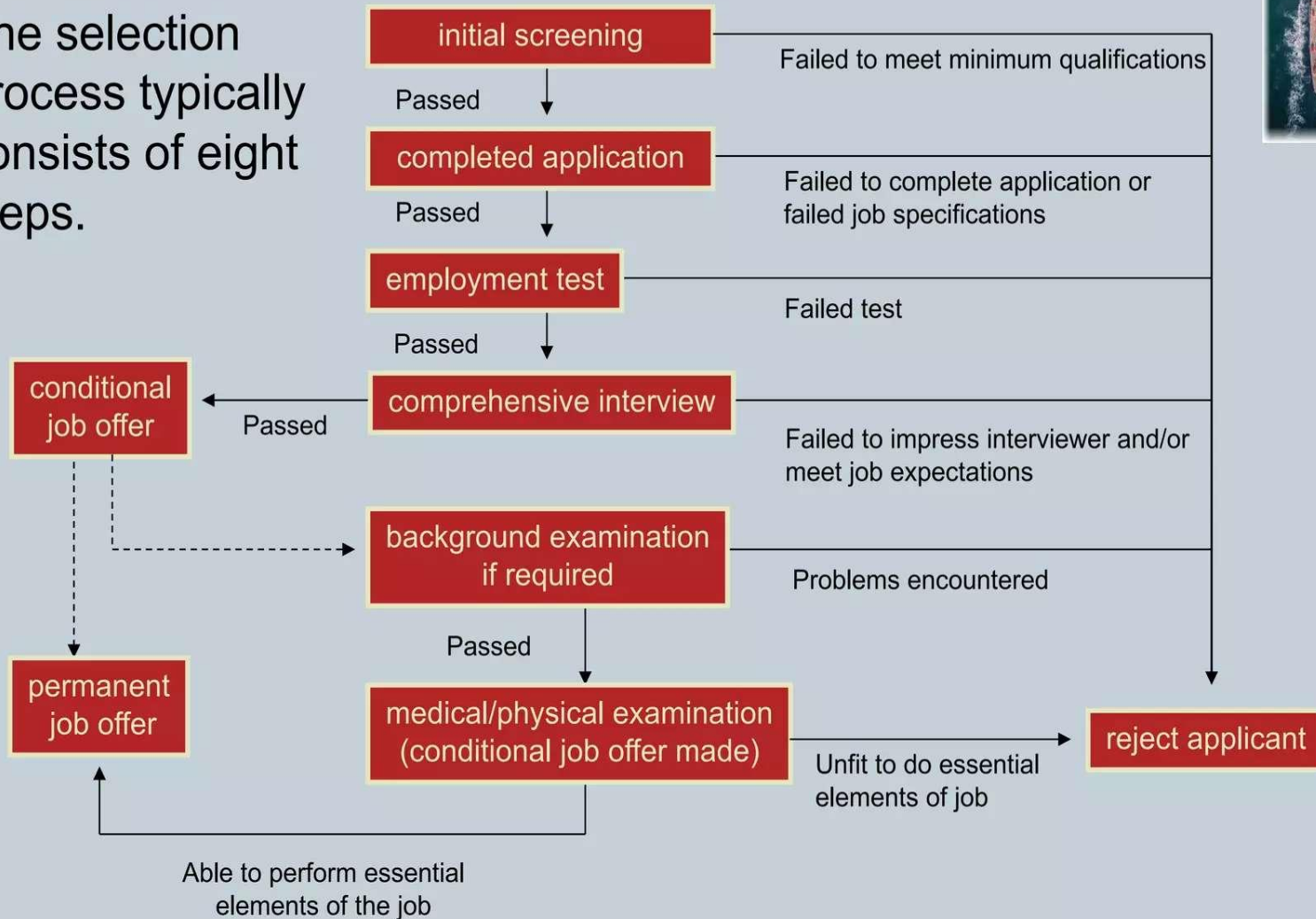
Selecting Employees



The Selection Process



The selection process typically consists of eight steps.



The Selection Process



initial screening interview

Job description information is shared
along with a salary range.

- weeding out of applicants who don't meet general job requirements
- screening interviews help candidates decide if position is suitable

The Selection Process



completing
the application

Gives a job-performance-related synopsis of what applicants have been doing, their skills and accomplishments.

➤ Legal considerations

1. omit items that are not job-related; e.g., sex, religion
2. includes statement giving employer the right to dismiss an employee for falsifying information
3. asks for permission to check work references
4. typically includes “employment-at-will” statement

The Selection Process



completing
the application

Weighted application forms

- individual pieces of information are validated against performance and turnover measures and given appropriate weights
- data must be collected for each job to determine how well a particular item (e.g., years of schooling, tenure on last job) predicts success on target job

The Selection Process



completing the application

- information collected on application forms can be highly predictive of successful job performance
- forms must be validated and continuously reviewed and updated
- data should be verified through background investigations

The Selection Process



pre-employment testing

- ***performance simulation tests*** require applicants to engage in job behaviors necessary for doing the job successfully
- ***work sampling*** uses job analysis to develop a miniature replica of the job so the applicant can demonstrate his/her skills
- ***assessment centers*** give tests and exercises, (individual and group), to assess managerial potential or other complex skills

Selection practices must be adapted to cultures and regulations of the host country.

The Selection Process



comprehensive interviews

- assesses motivation, values, ability to work under pressure, attitude, ability to fit in
- can be traditional, panel, or situational
- especially useful for high-turnover jobs and less routine ones

The interview is only as effective as those conducting it.



Video: Justin Menkes, Interviewing for Executive Intelligence

The Selection Process



comprehensive interviews

- *impression management*, (applicant's desire to project the "right" image), may skew interview results
- interviewers have short and inaccurate memories: note-taking and videotaping may help
- behavioral interviews are much more effective at predicting job performance than traditional interviews
- realistic job previews (brochures, videos, plant tours, work sampling) help reduce turnover rates

The Selection Process



conditional
job offer

- **HR** manager makes an offer of employment, contingent on successful completion of background check, physical/medical exam, drug test, etc.
- may use only job-related information to make a hiring decision

The Selection Process



background investigation

Verifies information from the application form.

- references
- former employers
- education
- legal status to work in U.S.
- credit references
- criminal records

Online searches can yield too much information on applicants. See <http://www.privacyrights.org/fs/fs16-bck.htm> for an analysis of online background checks as they pertain to employer/employee rights.

The Selection Process



background investigation

- **qualified privilege:** employers may discuss employees with prospective employers without fear of reprisal as long as the discussion is about job-related, documented facts
- one-third of all applicants exaggerate their backgrounds or experiences
- a good predictor of future behavior is an individual's past behavior

Companies can be held liable for failure to properly hire.

Week 9
Slides 14-25

The Selection Process



medical investigation

- used only to determine if the individual can comply with essential functions of the job
- *Americans with Disabilities Act* requires that exams be given only after conditional job offer is made
- drug tests can be given at this time

The Selection Process



job offer

- actual hiring decision generally made by the department manager, not **HR** manager
- candidates not hired deserve the courtesy of prompt notification

Resources for Job Seekers: Evaluating Companies

Dun & Bradstreet's Million Dollar Directory

Standard and Poor's Register of Corporations

Mergent's Industrial Review (formerly Moody's Industrial Manual)

Thomas Register of American Manufacturers

Ward's Business Directory

From: <http://www.bls.gov/oco/oco20046.htm>

The Selection Process



The Comprehensive Approach

Comprehensive selection puts applicants through all the steps in the selection process before making a decision.

- assesses both strengths and weaknesses, and is considered more realistic
- must measure factors related to the job only

The Selection Process



Now It's Up to the Candidate

- most people want jobs compatible with their personality
- applicants who are not hired this time will still form an impression about the company
- management should assure the selection process leaves them with a favorable impression of the company

Key Elements for Successful Predictors



What test elements help predict which applicants will be successful on the job?

reliability

validity

cut scores

Key Elements for Successful Predictors



reliability

The ability of the selection tool to measure an attribute consistently.

- **HR** managers need reliable tests to make sure the applicant will perform satisfactorily

There are companies that specialize in employment testing. For example, watch the demo at www.eSkill.com

Key Elements for Successful Predictors



validity

The relationship between scores on a selection tool and a relevant criterion, such as job performance.

- There are three types:
 - content
 - construct
 - criterion-related

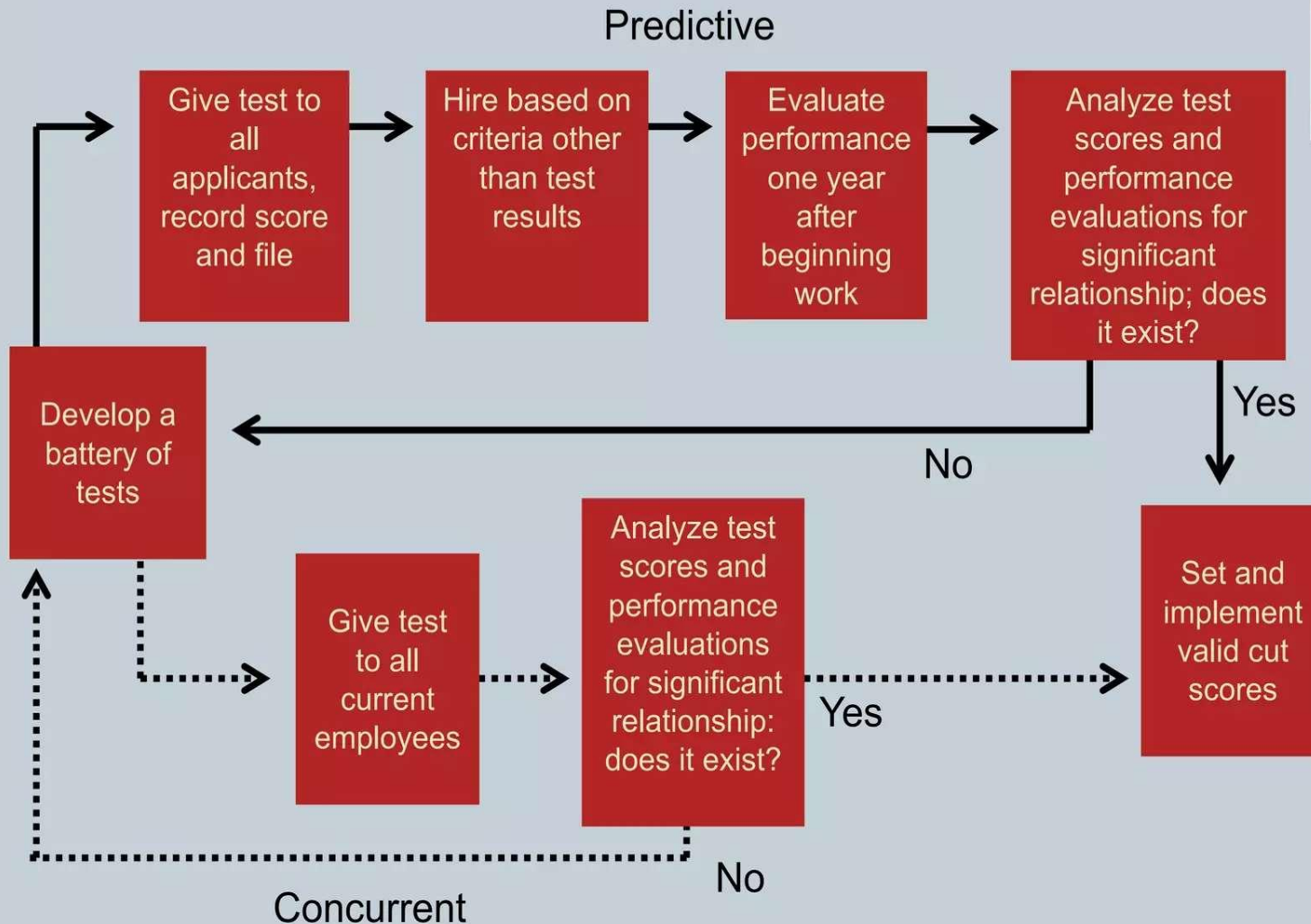
Key Elements for Successful Predictors



validity

- **Content validity:** degree to which the content of the test, as a sample, represents situations on the job
- **Construct validity:** degree to which a particular (abstract) trait is related to successful job performance
- **Criterion-related validity:** degree to which a selection device accurately predicts important elements of work behavior
 - *Predictive validity* uses test scores of applicants to compare with their future job performance
 - *Concurrent validity* correlates test scores of current employees with measures of their job performance

Key Elements for Successful Predictors



Key Elements for Successful Predictors



cut scores

The cut score separates successful from unsuccessful performers.

- cut scores on a selection device can be determined by validity studies
- applicants scoring below the cut score are predicted to be unsuccessful on the job and are rejected

Selection From a Global Perspective



- selection criteria for international assignments:
 1. interest in working overseas
 2. ability to relate to different cultures and environments
 3. supportiveness of the candidate's family
- female executives have done well abroad in Asia and Latin America, despite past reluctance to assign them to these countries

For Further Information

www.expatswomen.com: resources for women taking overseas positions

Best Practices for Managers and Expatriates: A Guide on Selection, Hiring and Compensation By Stan Lomax: book for managers and overseas assignees

<http://www.allbusiness.com/human-resources/858623-1.html> analyzes HR models that predict expatriate success

Excelling at the Interview



Suggestions for making your interviews as an applicant successful:

1. do some homework on the company
2. get a good night's rest the night before
3. dress appropriately
4. arrive for the interview a few minutes early
5. use a firm handshake
6. maintain good eye contact
7. take the opportunity to have practice interviews
8. thank the interviewer in person, and send a thank-you note

For the “don’t do’s” see http://hotjobs.yahoo.com/career-articles-10_ways_to_be_liked_in_your_job_interview-947

Week 10
Slides 1-12

Chapter 8

Training and Developing Employees



Introduction



- Ideally, employees who understand and accept the organization's ways will be able to attain their own goals.
- **HR** helps employees become well-adjusted and productive through socialization, training, and development programs.

In other words, they're hired – now what?

The Insider-Outsider Passage



Socialization, or “onboarding” is a process of adaptation to a new work role

- adjustments must be made whenever individuals change jobs
- the most profound adjustment occurs when an individual first enters an organization, *i.e., outside to inside*

The Insider-Outsider Passage



The Assumptions of Employee Socialization

1 socialization strongly influences employee performance and organizational stability

2 new members suffer anxiety

3 socialization does not occur in a vacuum

4 individuals adjust to new situations in similar ways

The Insider-Outsider Passage



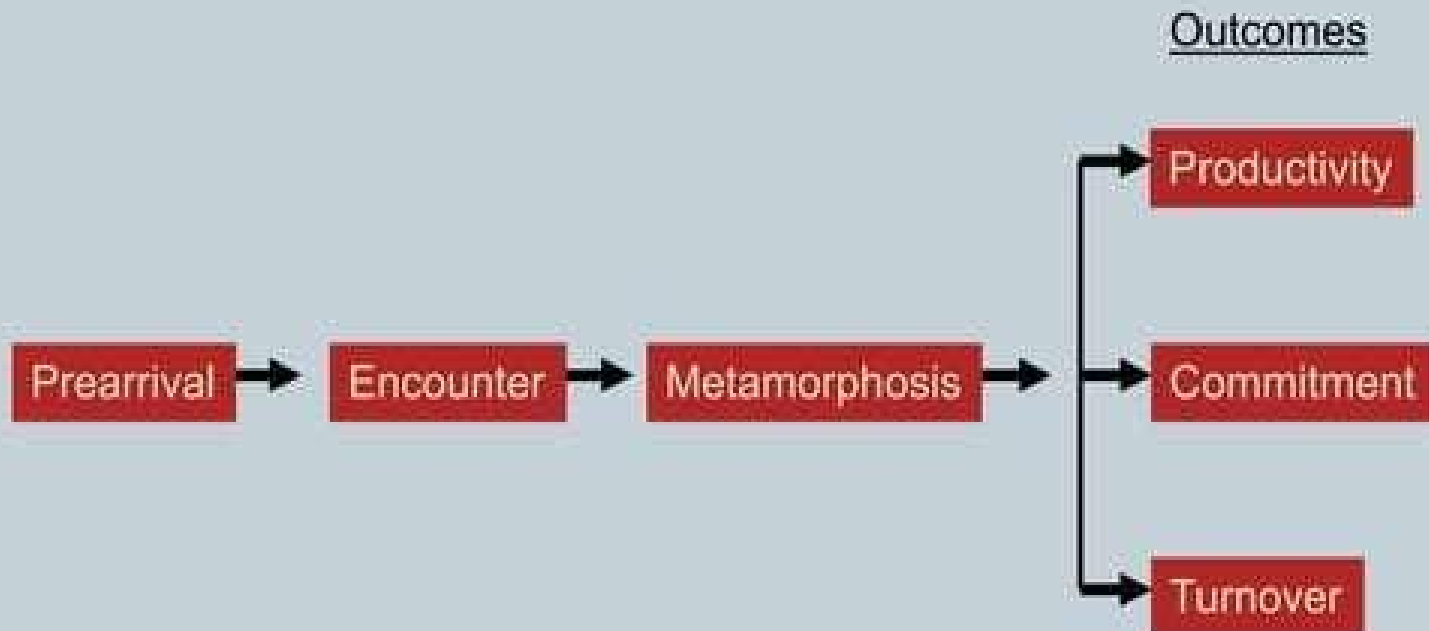
The Socialization Process

- **Preadvival** Individuals arrive with a set of values, attitudes, and expectations developed from previous experience and the selection process.
- **Encounter** Individuals discover how well their expectations match realities within the organization. Where differences exist, socialization occurs to imbue the employee with the organization's standards.
- **Metamorphosis** Individuals have adapted to the organization, feel accepted, and know what is expected of them.

The Insider-Outsider Passage



The Socialization Process



The Purpose of New-Employee Orientation



Orientation

- may be done by supervisor, HR staff, computer-based programs, or some combination
- can be formal or informal, depending on the organization's size
- teaches the organization's culture, or system of shared meaning

What if a merger occurs? Merging cultures can be tricky.

See <http://www.inc.com/magazine/20080101/first-the-merger.html>

Socialized employees know how things are done, what matters, and which behaviors and perspectives are acceptable

The Purpose of New-Employee Orientation



See how some big companies define their cultures:



<http://www.southwest.com/careers/culture.html>



<http://www.hp.com/hpinfo/abouthp/diversity/sharedvalues.html>



<http://www.google.com/corporate/culture.html>



<http://walmartstores.com/AboutUs/321.aspx>

Employee Handbook



HR's permanent reference guide:
the employee handbook.

- a central source for teaching employees company mission history, policies, benefits, culture
- employers must watch wording and include a disclaimer to avoid implied contracts

http://humanresources.about.com/od/handbookspolicies/a/sample_handbook.htm
lists items that may be included in an employee handbook

The Purpose of New-Employee Orientation



Top management is often visible during the new employee orientation process.

CEOs can

1. welcome employees
2. provide a vision for the company
3. introduce company culture
4. convey that the company cares about employees
5. allay some new employee anxieties

HR has a dual role in orientation.

Coordinating Role: HRM instructs new employees when and where to report; provides information about benefits choices.

Participant Role: HRM offers its assistance for future employee needs (career guidance, training, etc.).

Employee Training



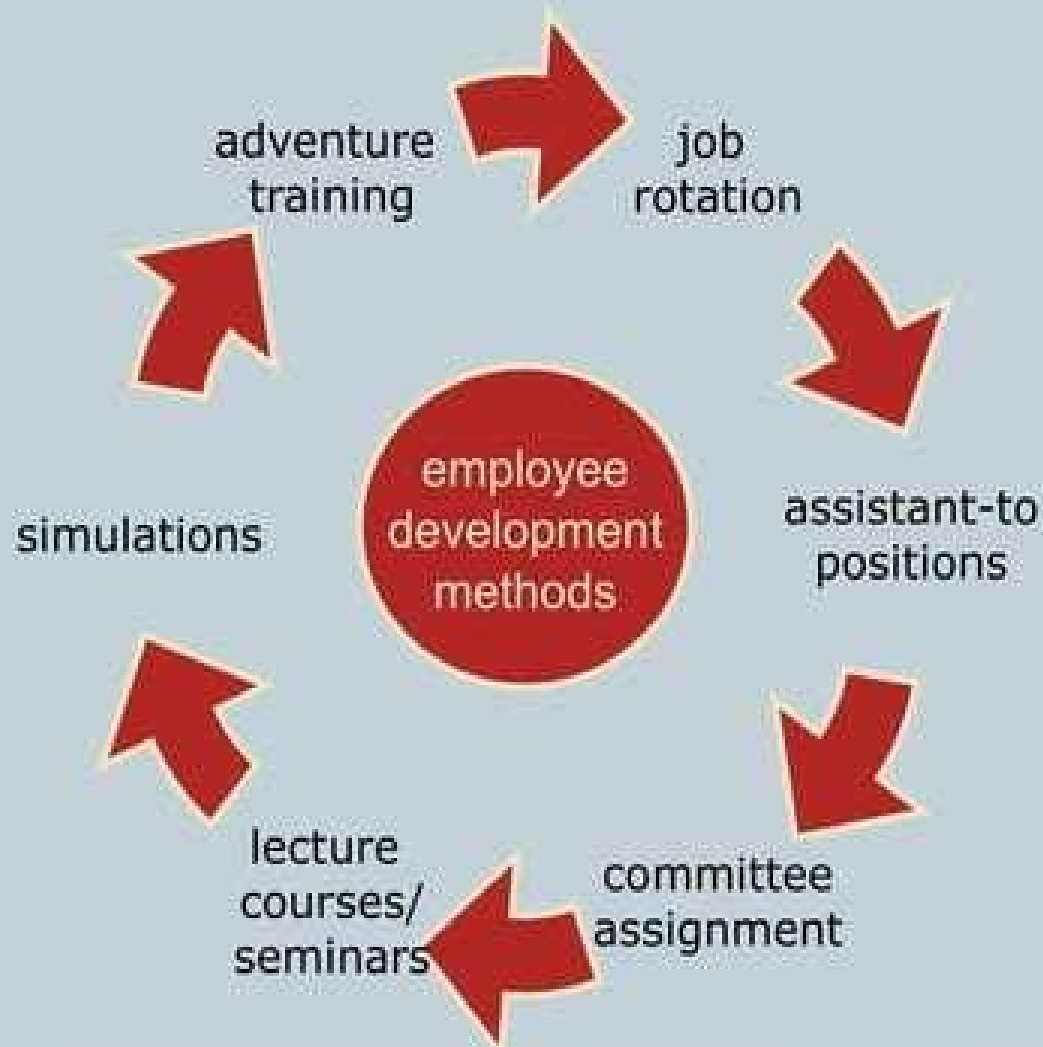
Employee training is now-oriented.

- designed to achieve a relatively permanent change in an individual that will improve his or her performance
- training goals should be tangible, verifiable, timely, and measurable
- training is either on-the-job or off-the-job

Employee development is future-oriented.

- helps employees to understand cause and effect relationships, learn from experience, visualize relationships, think logically.
- not only for top management candidates; all employees benefit

Employee Development



Week 11
Slides 14-24

Employee Development



job rotation

moving employees to various positions in the organization to expand their skills, knowledge, and abilities

assistant-to positions

employees with potential can work under and be coached by successful managers

Employee Development



committee
assignment

provide opportunities for decision-making, learning by watching others, and investigating specific organizational problems

lecture courses/
seminars

benefit from today's technology and are often offered in a distance learning format

Employee Development



simulations

include case studies, decision games, and role plays -
and are intended to improve decision-making

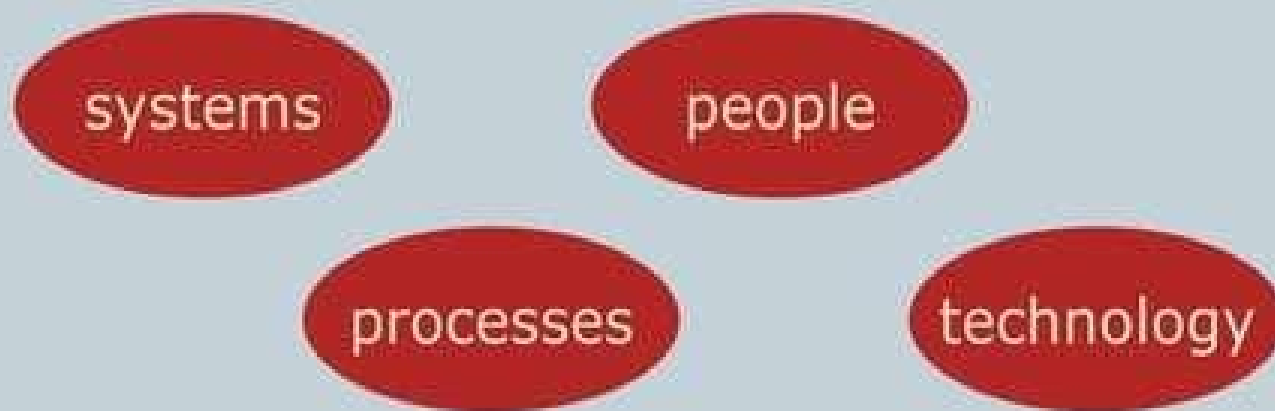
adventure training

typically involves challenges that teach trainees the
importance of teamwork

Organization Development



- organizational development (OD) efforts also force change on employees, whether newly hired or seasoned
- change agents help employees adapt to the organization's new



Organization Development



Two metaphors clarify the change process.

- calm waters: *unfreezing* the status quo, *change* to a new state, and *refreezing* to ensure that the change is permanent
- white-water rapids: recognizes today's business environment, which is less stable and not as predictable



Organization Development



Organizational development facilitates long-term organization-wide changes.

OD techniques include:

1. **survey feedback** gets workers' attitudes/perceptions on the change
2. **process consultation** gets outside experts to help ease OD efforts
3. **team building** strives for cohesion *in* a work group
4. **intergroup development** achieves cohesion among *different* work groups

change can be stressful for employees

Organization Development



A learning organization values continued learning and believes a competitive advantage can be gained from it.

Characterized by

- a capacity to continuously adapt
- employees continually acquiring and sharing new knowledge
- collaboration across functional specialties
- supporting teams, leadership, and culture



Evaluating Training Programs

- typically, employee and manager opinions are used,
 - these opinions or reactions are not necessarily valid measures
 - influenced by things like difficulty, entertainment value or personality of the instructor

- performance-based measures (benefits gained) are better indicators of training's cost-effectiveness

Evaluating Training and Development Effectiveness



How can **HR** evaluate training method results when measures aren't easy to calculate?

Through Kirkpatrick's model:

Level 1
What was reaction to training?

Level 2
What was learned?

Level 3
Did training change behavior?

Level 4
Did training benefit employer?

Evaluating Training and Development Effectiveness



HR can also use performance-based evaluation measures.

- **post-training method:** employees' on-the-job performance is assessed after training
- **pre-post-training method:** employee's job performance is assessed both before and after training, to determine whether a change has taken place
- **pre-post-training w/control group:** compares results of instructed group to non-instructed group

International Training and Development Issues



Training and development is critical to overseas employees.

Must teach the culture's:

politics

language

religion

economy

social climate

history

business practice

may involve role playing, simulations, and immersion in the culture

Week 12
Slides 2-11

Chapter 10

Performance Management



Introduction



- employees see performance evaluations as having a direct effect on their work lives
- questions regarding the performance management process:

Why evaluate?
Who benefits from the evaluation?
What format should be used?
What problems might arise?

Performance Management Systems



Performance management systems have three main purposes:

1. ***two-way feedback*** – performance measures mutually set between employee and employer
2. ***development*** – identify areas in which employees have deficiencies or weaknesses
3. ***documentation*** - to meet legal requirements

Performance Management Systems



Performance management systems aren't perfect.

- *focus on the individual*: discussions of performance may elicit strong emotions and may generate conflicts when subordinates and supervisors do not agree
- *focus on the process*: company policies and procedures may present barriers to a properly functioning appraisal process
- appraisers may be poorly trained

For further reading: when HR needs to overhaul its appraisal system:

<http://www.nysscpa.org/cpajournal/2008/208/essentials/p64.htm>

Performance Management and EEO



- EEO laws require performance management systems to be objective and job-related
- ADA: performance management systems must measure “reasonable” success. See:

<http://www.eeoc.gov/facts/performance-conduct.html#perf>

- valid performance appraisals are conducted at established intervals
- evaluations done by trained appraisers

The Appraisal Process



1

establish performance standards with employees

2

communicate expectations and set goals

3

measure actual performance

4

compare actual performance with standards

5

discuss the appraisal with the employee

6

if necessary, initiate corrective action

The Appraisal Process



1. establish performance standards

- derived from company's strategic goals
- based on job analysis and job description

2. communicate expectations

- goals must be articulated from supervisor to employee and from employee to supervisor

The Appraisal Process



3. measure actual performance

- measurement of performance using information from:
 - personal observation
 - oral reports
 - written reports
 - statistical reports

4. compare performance with standards

- explanation of different levels of performance and their degree of acceptability against the performance standard

The Appraisal Process



5. discuss appraisal
with employee

- feedback employees receive has strong impact on self-esteem and subsequent performance

6. initiate
corrective action

- immediate action deals with symptoms
- basic corrective action deals with causes

The Appraisal Process



Five common *mistakes* managers can make in giving a performance review:

- 1 waiting for the performance appraisal to give feedback
- 2 overemphasizing recent performances
- 3 being too positive or negative
- 4 being critical without being constructive
- 5 talking not listening

From <http://www.businessknowhow.com/manage/performance-appraisal.htm>

Appraisal Methods



The Three Appraisal Approaches

absolute standards

relative standards

achieved outcomes

no single approach is best; each has its strengths and weaknesses

Week 13
Slides 13-21

Appraisal Methods



absolute standards

- employee's performance is measured against established standards
- evaluation is independent of any other employee

Appraisal Methods



absolute standards

- ***critical incident appraisal***: based on key behavior anecdotes illustrating effective or ineffective job performance
- ***checklist appraisal***: appraiser checks off behaviors that apply to the employee
- ***graphic rating scale appraisal***: appraiser rates employee on a number of job-related factors; avoids abstract categories

Appraisal Methods



absolute standards

- ***forced-choice appraisal***: appraisers ponder sets of statements that appear to be equally favorable, then choose the statement that best describes the employee
- ***behaviorally anchored rating scales (BARS)***: appraiser rates employee on factors that are defined by behavioral descriptions illustrating various dimensions along each rating scale

Appraisal Methods



relative standards

- **group order ranking:** employees are placed in a classification reflecting their relative performance, such as “top one-fifth”
- **individual ranking:** employees are ranked from highest to lowest
- **paired comparison:** each individual is compared to every other final ranking is based on number of times the individual is preferred member in a pair

Appraisal Methods



achieved outcomes

Management by Objectives (MBO)

- includes mutual objective-setting and evaluation based on the attainment of the specific objectives
- firms overall objectives translate into specific objectives at the divisional/departmental/ individual levels

Appraisal Methods

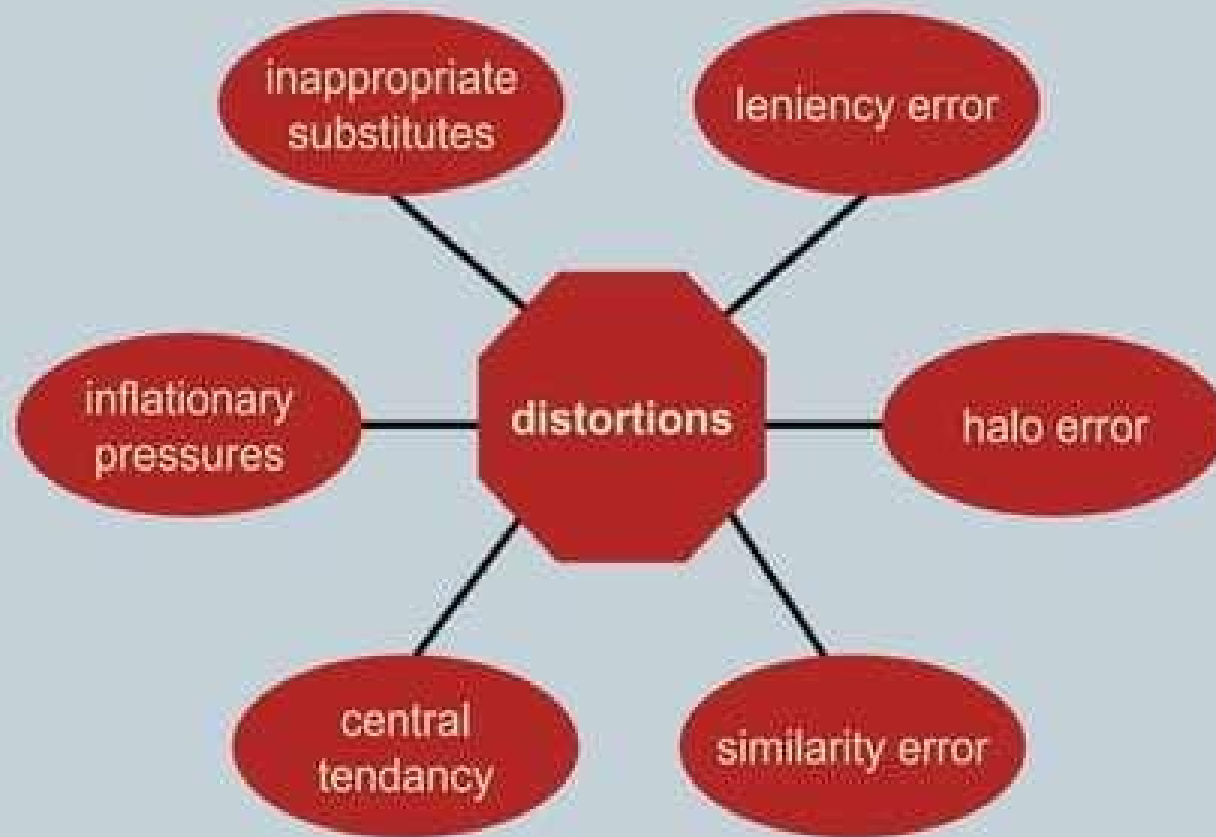


achieved outcomes

- common elements in an MBO program are:
 1. goal specific
 2. participative decision making
 3. a specific time period
 4. performance feedback

- effectively increases employee performance and organizational productivity, especially when goals are difficult enough to require stretching

Factors That Can Distort Appraisals



Factors That Can Distort Appraisals



- **leniency error** : each evaluator has his/her own value system; Some evaluate high (positive leniency) and others, low (negative leniency)
- **halo error** : evaluator lets an assessment of an individual on one trait influence evaluation on all traits

Factors That Can Distort Appraisals



- **similarity error:** evaluator rates others in the same way that the evaluator perceives him or herself
- **low appraiser motivation:** evaluators may be reluctant to be accurate if important rewards for the employee depend on the results

Week 14
Slides 23-30

Factors That Can Distort Appraisals



- **central tendency:** the reluctance to use the extremes of a rating scale and to adequately distinguish among employees being rated
- **inflationary pressures:** pressures for equality and fear of retribution for low ratings leads to less differentiation among rated employees
- **inappropriate substitutes for performance:** effort, enthusiasm, appearance, etc., are less relevant for some jobs than others

Factors That Can Distort Appraisals



attribution theory: evaluations are affected based on whether someone's performance is due to:

- internal factors they can control
- external factors they cannot control

if poor performance is attributed to internal control, the judgment is harsher than when it is attributed to external control

Factors That Can Distort Appraisals



To create better performance management systems:

- **use behavior-based measures**, which are more job-related and elicit more inter-rater agreement than traits such as “loyalty” or “friendliness”
- **combine absolute and relative standards**: absolute standards tend to be positively lenient; relative standards suffer when there is little variability
- **provide ongoing feedback**: expectations and disappointments should be shared with employees on a frequent basis

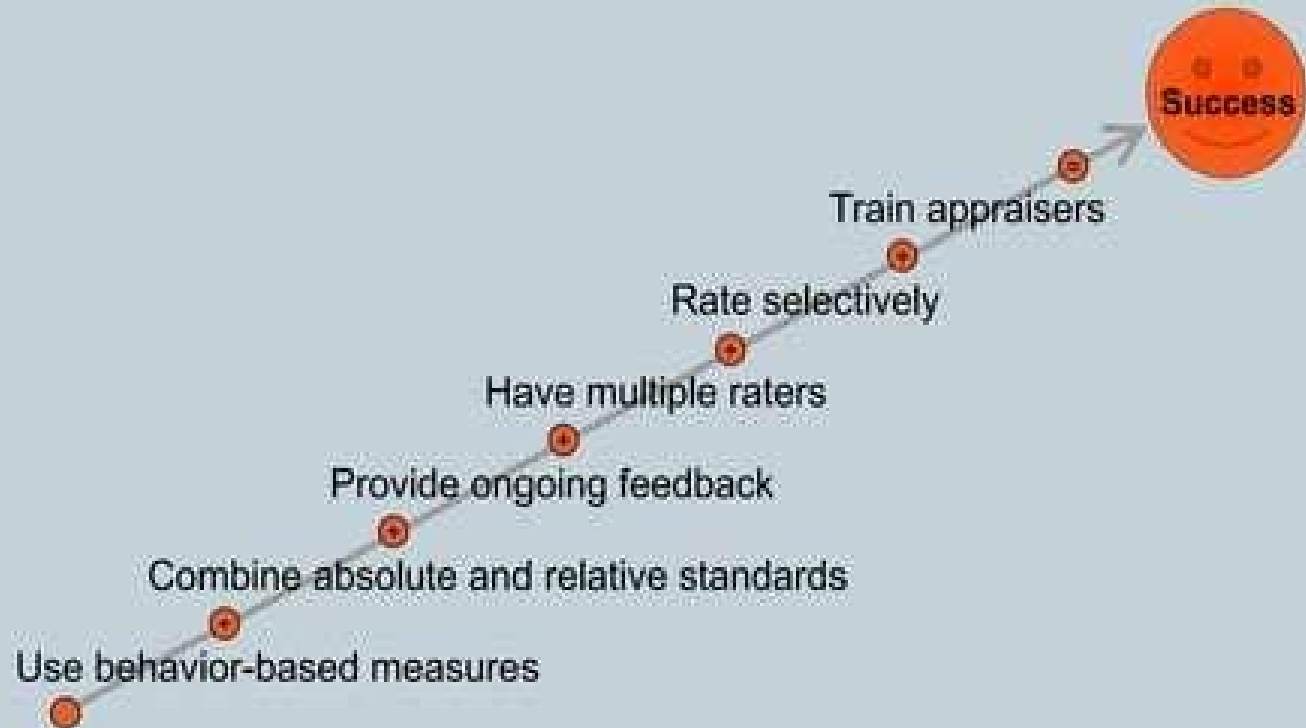
Factors That Can Distort Appraisals



To create better performance management systems:

- **use multiple raters:** the more used, the more reliable and valid the results (peer evaluations, upward and 360-degree appraisals)
- **rate selectively:** appraisers should evaluate only in areas about which they have sufficient knowledge, they should be organizationally close to the individual being evaluated, and should be an effective rater
- **train appraisers** because poor appraisals can demoralize employees and increase legal liabilities

The Performance Appraisal Meeting



Creating More Effective Performance Management Systems



For an effective performance appraisal meeting:

1. prepare/schedule meeting in advance
2. create supportive aura about meeting
3. describe appraisal's purpose
4. involve employee in appraisal discussion
5. focus on behaviors, not employee
6. cite specific examples
7. give positive and negative feedback
8. ensure employee understood appraisal
9. generate a development plan

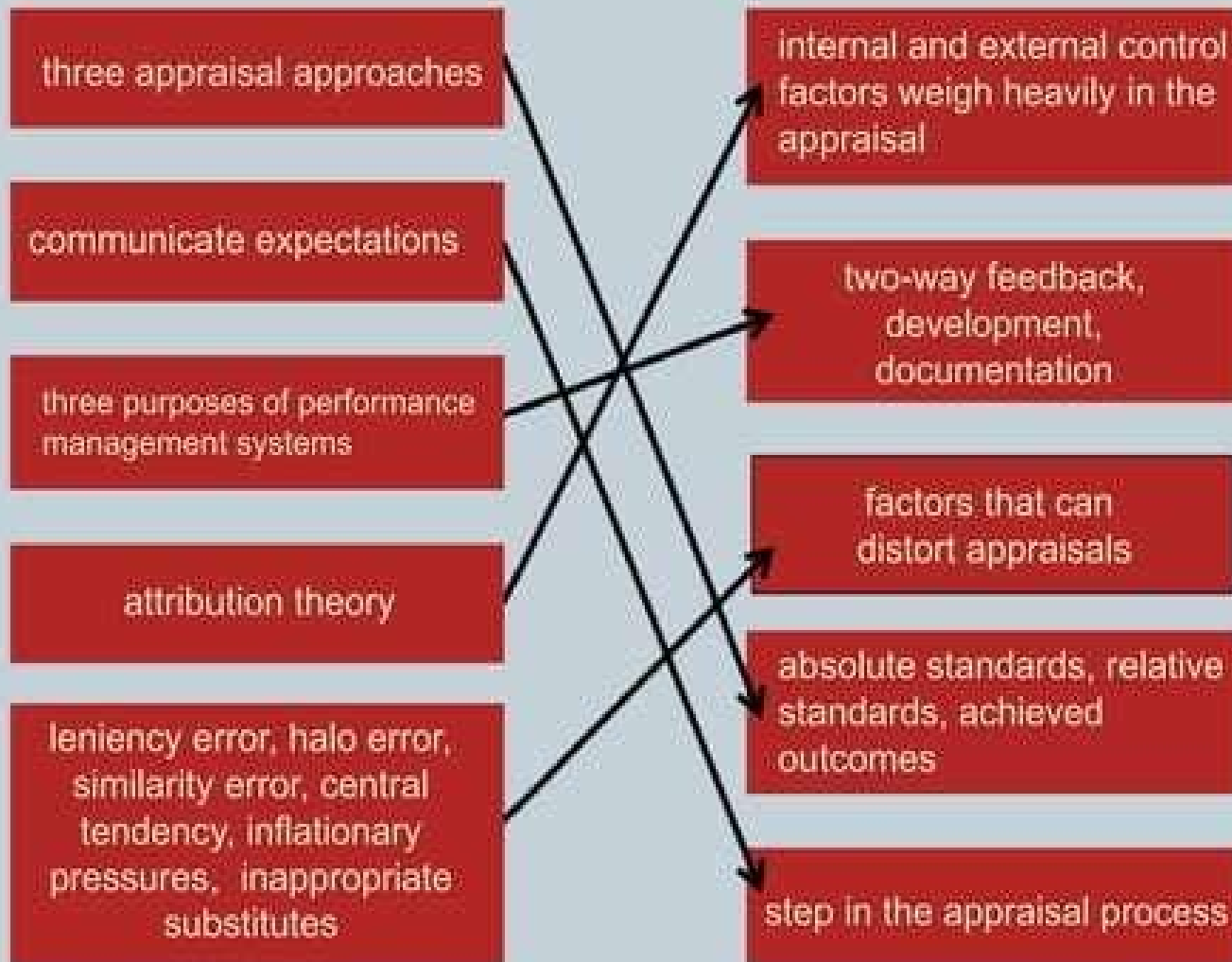
International Performance Appraisal



Challenges in evaluating overseas employees:

- different cultural perspectives and expectations between the parent and local country may make evaluation difficult
- evaluation forms may not be translated accurately
- quantitative measures may be misleading

Matching



Week 15
Slides 1-9

Chapter 11

Compensation



Introduction



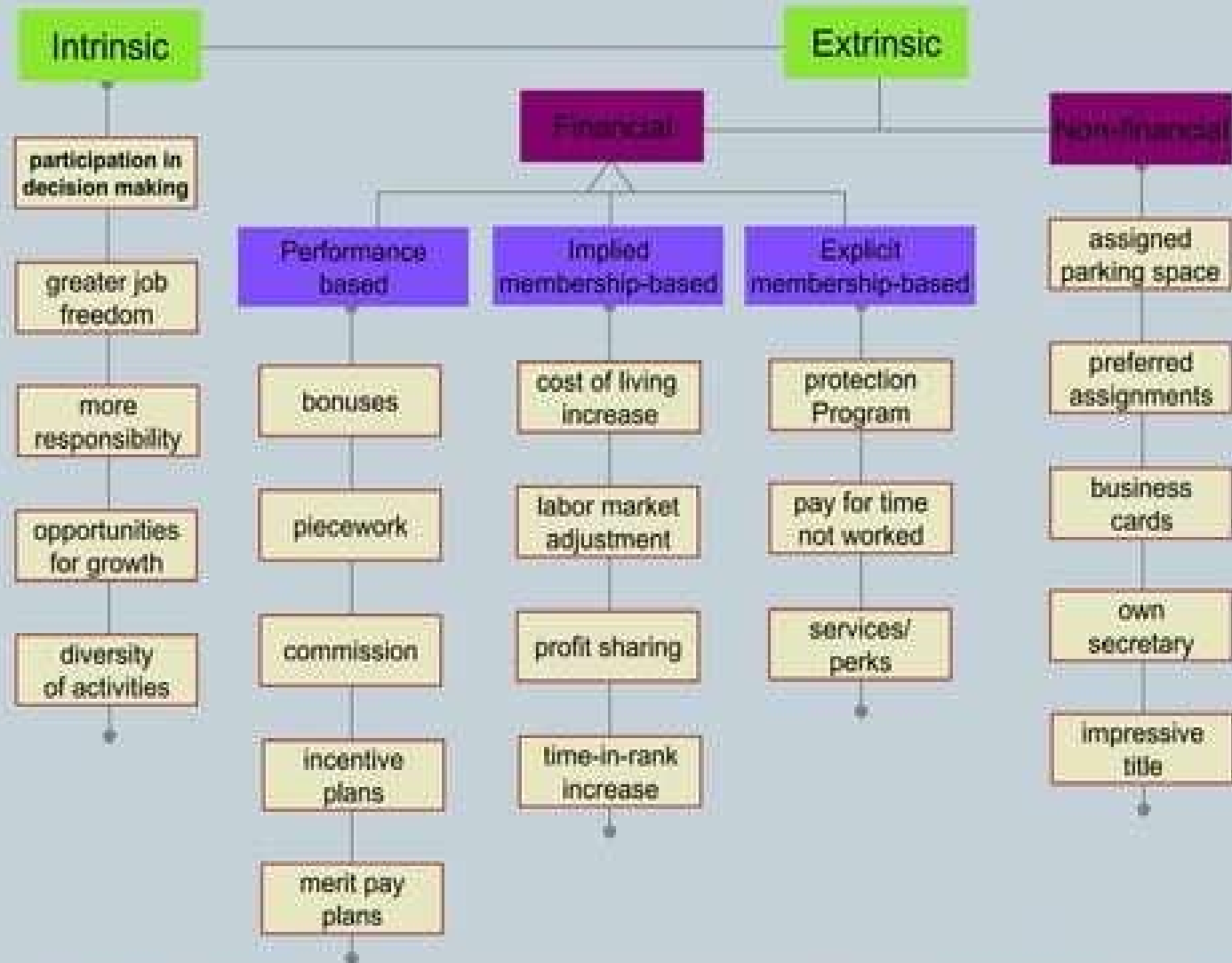
There are many work motivators, including

- promotions
- desirable work assignments
- peer recognition
- work freedom

but the focus in this chapter is pay.

they all help maintain employee commitment

Rewards Review



Types of Reward Plans



Intrinsic versus Extrinsic Rewards

➤ ***intrinsic*** rewards (personal satisfactions) come from the job itself, such as:

- pride in one's work
- feelings of accomplishment
- being part of a work team

➤ ***extrinsic*** rewards come from a source outside the job, mainly by management:

- money
- promotions
- benefits

Types of Reward Plans



Financial versus Nonfinancial Rewards

➤ *financial* rewards:

- wages
- bonuses
- profit sharing
- pension plans
- paid leaves
- purchase discounts

➤ *nonfinancial* rewards:

- make life on the job more attractive;
employees vary greatly on what types they like

Types of Reward Plans



Performance-based versus Membership-Based

- ***performance-based*** rewards are tied to specific job performance criteria
 - commissions
 - piecework pay plans
 - incentive systems
 - group bonuses
 - merit pay

- ***membership-based*** rewards such as cost-of-living increases, benefits, and salary increases are offered to all employees

Compensation Administration



Companies derive their compensation programs from job evaluation, which defines the appropriate worth of each job.

An effective, fair compensation program

➤ attracts ➤ motivates ➤ retains

competent employees.

Both employees and employers
can research compensation
facts and issues at

www.salary.com

<http://salary.nytimes.com/>

<http://www.salaryexpert.com/>

Compensation Administration



The Fair Labor Standards Act requires

- minimum wage
- overtime pay
- record-keeping
- child labor restrictions

exempt employees

include professional and managerial employees not covered under FLSA overtime provisions

nonexempt employees

eligible for premium pay (time and one-half) when they work more than 40 hours in a week

Compensation Administration



Equal Pay Act of 1963 requires that men and women hired for the same job be paid the same.

Civil Rights Act:

- broader than Equal Pay Act
- prohibits discrimination on the basis of gender
- used to support comparable worth concept
- salaries established based on skill, responsibility, effort, and working conditions

Week 16
Slides 11-17

Job Evaluation and the Pay Structure



Job evaluation helps set pay structure.

➤ Job analysis information determines the relative value, or *rank*, of each job in the organization.

Other pay structure factors:

- labor market conditions
- collective bargaining
- individual skill differences

Research wage information at
the Bureau of Labor Statistics
<http://www.bls.gov/bls/blswage.htm>

Job Evaluation and the Pay Structure



Job Evaluation Methods

ordering method

A committee places jobs in a simple rank order from highest (worth highest pay) to lowest.

classification method

Jobs placed in grades to compare their descriptions to the benchmarked jobs. Look for a common denominator (skills, knowledge, responsibility).

point method

Jobs are rated and allocated points on several criteria. Jobs with similar point totals are placed in similar pay grades. Offers the greatest stability.

Job Evaluation and the Pay Structure



Establishing the Pay Structure

compensation surveys

Used to gather factual data on pay rates for other organizations. Information is often collected on associated employee benefits as well.

wage curves

Drawn by plotting job evaluation data (such as job points or grades) against pay rates (actual or from survey data). Indicates whether pay structure is logical.

wage structure

Designates pay ranges for jobs of similar value. Results in a logical hierarchy of wages, in overlapping ranges.

Job Evaluation and the Pay Structure



External factors also influence pay structure.

- geographic differences (local supply and demand)
- labor supply (low supply = higher wages and vice versa)
- competition (HR can match, lead, or lag)
- cost of living as determined by the CPI
- collective bargaining (unions)

employees must know how the pay structure is derived

Special Cases of Compensation



Incentive Compensation Plans

individual

organization-wide

group

incentives can be added to the basic pay structure to provide rewards for performance

Special Cases of Compensation



Individual Incentives

- merit pay plans (annual increase, based on performance)
- piecework plans (pay based on number of units produced typically in a specified time period)
- time-savings bonuses and commissions

these work best where clear objectives are set and tasks are independent

Special Cases of Compensation



Group Incentives

Incentives can be offered to groups, rather than individuals, when employees' tasks are interdependent and require cooperation.

Advantages

- Focuses the group on specific performance targets.
- Since rewards are controllable by individuals, the programs can be very motivational.
- The program can be integrated with other corporate initiatives and leads to improved communication and employee relations

Disadvantages

- Can be costly to install and administer.
- De-emphasizes individual performance, which can result in excessive peer pressure.
- Requires open communication with employees on costs, profitability, etc. If the performance targets are not carefully selected, adverse results may occur.

See:

http://www.hrdrn.net/en/group_incentive.htm

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Slides 19-26

Special Cases of Compensation



Organization-wide Incentives

- direct employee efforts toward organizational goals (such as cost reduction)
- **Scanlon Plan** - supervisor and employee committees suggest labor-saving improvements.

See

<http://www.scanlonleader.org/index.php/Plans-ect./Plans-ect.html>

- **IMPROSHARE** - formula is used to determine bonuses based on labor cost savings.

See <http://www.qualitydigest.com/jul/gainshre.html>



Paying for Performance

- **Competency-based compensation**
 - Rewarded for skills, knowledge and behaviors
 - leadership
 - problem solving
 - decision making
 - strategic planning

- **Broad-banding:** pre-set pay levels that determine what people are paid based on their type and level of competency.

Special Cases of Compensation



Team-Based Compensation

- incentives for empowered work teams to exceed established goals and share equally in rewards

- depends on:
 - clarity of team purpose and goals
 - ability of the team to obtain needed resources
 - effective team communication skills and trust



Salaries of Top Managers

- executive pay can run 400 times higher than that of the average worker
- 2008 saw a decline in exec compensation, mostly due to economic and political forces.

See:

<http://online.wsj.com/article/SB123375514020647787.html>

- competition for executive talent raises the price of hiring an executive
- high salaries can be a motivator for executives and lower-level managers

Executive Compensation Programs



Supplemental Financial Compensation

- **deferred bonuses** – paid to executives over extended time periods, to encourage them to stay with the company
- **stock options** – allow executives to purchase stock in the future at a fixed price
- **hiring bonuses** – compensate for the deferred compensation lost when leaving a former company

Executive Compensation Programs



Supplemental Nonfinancial Compensation Perquisites



Executive Compensation Programs



Supplemental Nonfinancial Compensation Perks

- **Golden parachutes** protect executives when a merger or hostile takeover occurs by providing severance pay or a guaranteed position.

For the history of the golden parachute, see:

http://www.businessweek.com/magazine/content/05_50/b3963111.htm

Read about the top 10 golden parachute recipients:

<http://www.time.com/time/specials/packages/completelist/0,29569,1848501,00.html>

International Compensation



International compensation packages generally utilize the “balance-sheet approach,” using these four factors:

- **base pay:** the pay of employees in comparable jobs at home
- **differentials:** compensation given to offset higher costs of living abroad
- **incentives:** inducements given to encourage employees to accept overseas assignments
- **assistance programs:** payment for expenses involved in moving a family abroad and in providing some services overseas

HR needs to understand the statutory requirements of each country