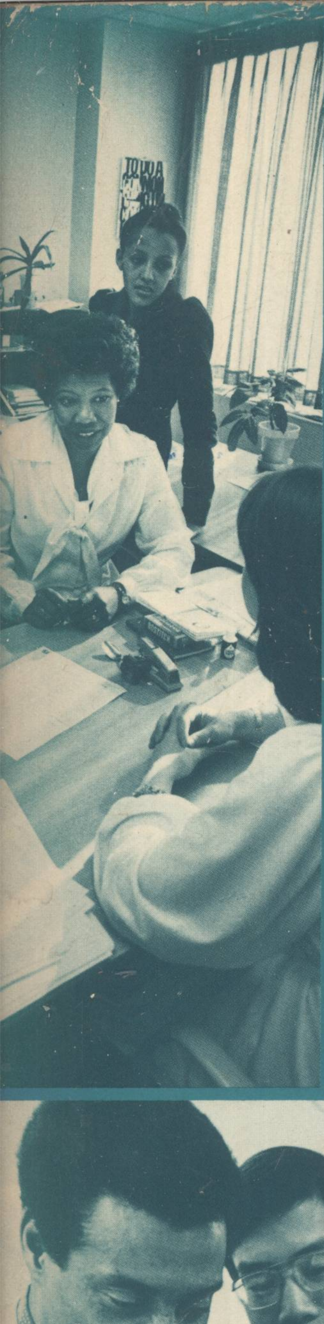


Current Issues in Personnel Management

Second Edition

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Gerald R. Ferris
Jay L. Sherman

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Preface

Four years have elapsed since we began work on the first edition of this book. We were just beginning at that time to hear professionals in the field contend that the personnel management function was undergoing a transition. Presumably disappearing was the image of the personnel manager as the person whose major responsibilities were "to visit the sick, lame, and lazy, and to carry the watermelon to the company picnic."

We continue to obtain evidence of an improved status for the field of personnel management in the research, professional, and popular press. The larger number and quality of books on personnel and human resources management published during the past few years also provide testimony to the increasing concern and attention being given to this field.

The second edition of *Current Issues in Personnel Management* follows the same objectives and general format as the first edition. The book is intended primarily for undergraduate students and practitioners who seek an up-to-date, readable, and practical survey of the field of personnel management. The readings are selected from such applied, professional journals as *Organizational Dynamics, Harvard Business Review, Fortune, Personnel Administrator, Management Review,* and *Personnel.* The articles present both traditional and currently popular personnel issues and emphasize the applications of concepts to organizational settings. Thus, the readings are addressed to those who will be (and are) responsible for the design and implementation of personnel programs in organizations.

Because of its applied orientation, this book can serve as a supplement to texts in personnel management, as well as a stimulus to classroom discussions on human resources issues in some graduate courses in organizational behavior and in management development seminars on personnel-related topics.

This edition of *Current Issues* has been restructured somewhat and now includes twelve chapters. A new addition is a chapter on *Productivity Improvement Strategies* (Chapter 9), which provides, from a behavioral science perspective, a number of strategies for reversing the productivity problems we seem to be experiencing today. Also, a chapter on Labor-Management Relations (Chapter 10) has been added. *Quality of Work Life* (Chapter 11) is still a focal issue in organizations and its importance is reflected by the six articles included in this chapter. Topics such as safety and health, stress, sexual harassment, and employee assistance programs depict aspects of the work environment that affect the quality of work life.

Current Issues is a result not only of our efforts, but also the efforts of others. We would like to gratefully acknowledge the support and encouragement of Jack Peters, our editor at Allyn and Bacon, and the help of Carol Halliday, Sue Ferris, Tom and Marla King, and Kathy Pannier in completing the necessary details of putting such a book together.

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Perspectives on Personnel Management

Prior to the 1900s, there were few, if any, formally established personnel departments in organizations, and employees were often treated as an economic commodity to be purchased and used in the production process. Those personnel-type activities that did exist were usually performed by the owner-manager or delegated back to the community.

As organizations grew larger, personnel departments began to appear. The earlier philosophy toward employees, however, generally prevailed and continued through the 1920s under the influence of the Scientific Management Era and the Industrial Psychology Era. Both of these eras emphasized efficiency and attempted to fit the employee to the job via a fairly structured, authoritarian approach. If the fit was unsuccessful, that is, inefficient, it was the employee's fault and he or she could be demoted or fired. Personnel managers at this time were involved primarily with the selection, training, and compensation of factory and office employees.

The philosophical pendulum began to swing more favorably toward employees during the 1930s with the beginning of the Human Relations Era. This era, which in part reflected dissatisfaction with the results of the earlier eras, the major economic depression of the 1930s, and the growth of the labor union movement, gave emphasis to improving social relationships among employees and between employees and their supervisors. The philosophy of this era was, "Happy workers are productive workers." The activities of personnel departments were expanded to include the development and implementation of social programs (i.e., intramural sports, service and retirement awards, company picnics), the selection, training, and compensation of managers, and the administration of collective bargaining agreements. These activities, of course, also required more specialized personnel staffs.

The passage of three major laws during the decades of the 1960s and 1970s led to what has been identified as the Quality of Work Life Era. The first of these laws was the Civil Rights Act of 1964, which (under Title VII) focused on the possible or experienced adverse effects of personnel policies and practices on the well-being of employees or potential employees, especially minorities and women. The second and third laws were the Occupational Safety and Health Act of 1970 and the Employee Retirement Income Security Act of 1974. These laws were different than those passed during the earlier eras. The major laws of the earlier eras (e.g., the National Labor Relations (Wagner) Act of 1935, the Labor-Management Relations (Taft-Hartley) Act of 1947, and the Labor-Management Reporting and Disclosure (Landrum-Griffin) Act of 1959) dealt with union-management relations or the rights of employees to organize and bargain collectively vis-à-vis the rights of the employer and the union. The laws of the 1960s and 1970s dealt primarily with the rights of the individual (or classes of individuals) on a wide range of issues vis-à-vis the rights of the employer. In contrast to the earlier laws, the laws of the 1960s and 1970s demonstrated interest in the employee as an individual. Efforts to improve productivity were supplemented with efforts toward providing equal employment opportunity, job enrichment, protection of privacy, reduction of stress, and so forth.

While it appears that the philosophy of the Quality of Work Life Era will continue to impact the field of personnel management during the 1980s, it will be tempered probably by concerns about inflation/recession, balanced budgets, employment/unemployment, and a variety of related issues. For example, concerns in the early 1980s were centered around the effects of increasing inflation on personnel management. By 1983, these concerns had shifted to retrenchment and unemployment. Other concerns may be emphasized in the years ahead.

In the first article of this chapter, Paul Thayer reviews a number of these issues and presents them as challenges to today's personnel manager. The second article, by Mary Anne Devanna, Charles Fombrun, and Noel Tichy, presents a broad and systematic perspective for diagnosing the state of the art of personnel management in an organization, assessing the organization's capability to improve its personnel management activities and programs through a human resources management audit, and then developing a strategy or course of action for bringing about desired change.

Suggestions for Further Reading

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Personnel Challenges in the Eighties

Paul W. Thayer

I hope to convince you that the Eighties will present a number of challenges which, if we are up to them, will permit the personnel manager to come into his or her own. It will not be a time for the poorly prepared, the indolent, the subservient staffer, or the go-for. Those among our ranks—and there are a few—who fit these categories will not make it, nor will those they serve. It will be a time for the well-trained, up to date, alert, opportunistic, aggressive professional with the broad view of things. Those among us—and there are quite a few—who fit these categories may not win them all, but they will serve themselves and the constituents well.

Well, what are some of the challenges? I'm going to talk about the implications of several demographic, societal, governmental and economic forces that will constitute the winds of change in the Eighties. Specifically, I'll be mentioning the changing work force and related issues, the demand for accountability, the growing resistance to public spending, the antidifferentiation movement, and the concerns for cost effective productivity. I'll close with a few cautions and some advice as that's what keynoters are supposed to do. That's a lot to cover, so let me begin.

CHANGING WORK FORCE

The Seventies saw rapid growth in the number and proportion of women in the work force and similar trends for the grown up results of the Baby Boom. The young people who came in brought with them new life styles—how many of us feel we were born too soon?—and both helped initiate and support the movement toward democratization of the workplace. Pressures for equal opportunity for women and minorities were hallmarks of that decade. I believe with Quinn Mills (1979) that these forces will intensify during the Eighties.

In addition, the labor force will grow more slowly, the proportion of women will continue to grow, those over fifty-five will constitute less and less of the work force and we will have big problems as the result of legal and illegal immigration.

During this decade, workers in the twenty-five to forty-four age group will grow from 42 percent of the work force to 52 percent. This bulge from the Baby Boom will present some very serious problems. Competition for promotion will be extremely intense and we can count on severe criticism of our efforts at career pathing, the structure of our career ladders and the tools we use to implement them. Add to this the increasing competition from minorities and women and you can see that the pressures will be very, very great.

It is quite clear that we must continue in our work in selection, training, work redesign, performance evaluation—all the tools of our trade—to take these forces into account. More on these later.

Equitable treatment will not be easily achieved, especially in some highly sensitive areas. In the Federal government, you are already confronting the problems surrounding the abolishment of compulsory retirement age. The challenge this presents to performance evaluation is immense. And the challenge for us to develop humanitarian support programs is equally large. I realize that the problem will be mitigated by the recognition by many of the diminution of earnings as retirement benefits grow. Many will retire voluntarily early or at the usual age. But many will not. We must develop fair procedures, fair to the potential retiree and fair to our governments and citizens.

As we think about these people or develop programs for them, we must be alert to their changing character. As human beings, we have a tendency to ignore change in people. It is a fact, however, that our older citizens of today are differ-

Thayer, P. W. Personnel challenges in the eighties. *Public Personnel Management Journal,* 1980, *9,* 327–335. Keynote address to the 1980 Annual Conference of the International Personnel Management Association, Denver, Colorado.

ent from the ones of yesterday, and the rate of change seems to be accelerating. The older persons are increasingly better educated, are healthier, have a greater life expectancy and much more varied life styles. If we fail to take these changes into account in our planning and program development, we will fail. We will be or should be held accountable.

ACCOUNTABILITY

And speaking of accountability, we are all aware of this force. Look back to those halcyon days of the Sixties when the public took little interest in governmental service output, except, of course, for those in public schools who were haunted by the impact of Sputnik. But with the Seventies, the concern for accountability came upon our stage in numerous guises: Institutional Review Boards, competency testing of public school students, sunsetting laws, consumer representation on licensing and other public bodies, legislative oversight committees at all levels of government, demands for continuing education for professionals, licensing of professionals within governmental agencies, etc.

While the demand for accountability is linked to the growing resistance to spending, we would be foolish not to recognize that it is a force in and of itself. Regardless of economic conditions, the Eighties will probably see more and more demand for justification of programs, demands for evaluations of programs and insistence on demonstrations of cost effectiveness. Both the public and our bosses are becoming more sophisticated in the questions they ask.

When we spend money on training programs, for example, they won't be satisfied—and we never should have been—with testimonials from our trainees. Opinions of trainees on course impact and effectiveness should be asked so we can do it better, but that is not evaluation. After all, you have to be pretty inept and/or naive not to be able to play on the guilt feelings or enthusiasms of trainees to be able to get favorable feedback. And certainly, we can no longer evaluate the effectiveness of training programs by counting the number of courses given, the number of people exposed to them, or the number of hours of exposure.

Those who have and will face up to the need for complete evaluation will find a warmer reception. We must, in all our programs, be able to demonstrate an impact *on the job,* that job performance has improved, that work is done more effectively and/or efficiently. Beyond that, we must be sensitive to the organizational waves that our programs do or do not create. We are all aware of the many organizational barriers to innovation. Inertia, resistance to change, failure to reinforce newly acquired behaviors, deliberate undercutting of the new program—you've seen it all. If we do a proper needs assessment and analysis *before* we innovate, we will be in a better position to protect the program from such forces, *and* at least as important, evaluate the numerous impacts of the program. Excuse-making after a program has failed will not work much longer. We hurt ourselves and our profession if we do not prepare ourselves for complete accountability. It's the sign of a real pro. And, it is reasonable.

But the demand for accountability is a two-edged sword. It can keep us on our toes and make us do what we know we should. It can also make us timorous, less venturous. Why, after all, take the risks of innovation if it's pretty clear that the outcome is not certain to be a success? Innovation is a risky business whether you are in government or the private sector. I'm afraid I believe that playing it safe will still be rewarded in the Eighties. I wish that were not so, but there are only so many things we can attend to and the things that are new or different will be the ones under scrutiny.

Despite that, we serve ourselves and our governments poorly if we do not innovate and embrace freely the concept of accountability. It will probably be more intimidating to our bosses than to us. But if we can demonstrate our competence in this area, our stock will rise with them.

RESISTANCE TO PUBLIC SPENDING

As I noted earlier, accountability is related to the increasing resistance to public spending. We've come from a period of affluence when there was almost an indifference to public spending, to a series of financial crises which has seen the taxpayers digging in their heels. A series of recessions, an oil embargo, hiking of prices by the

OPEC cartel, sky-rocketing interest rates, adverse balance of payments, inflation, stag-flation, income tax inflation—you name it—all have made the taxpayer much more conscious of where his or her dollars are going. We see increasing demands for balanced budgets—indeed some state constitutions demand it and the accounting miracles performed to accomplish that are wondrous to behold. The success of Proposition 13 has sensitized the politician to the political mileage possible under the banner of fiscal responsibility.

I recognize that fiscal conservatism is frequently a disguise for social conservatism. But many voters are very badly conflicted by their desires for both social change and their awareness of the cost of change. More and more we hear skeptical remarks about "throwing money at problems." Listen to the rhetoric of this presidential campaign. Resistance to spending will not only be with us during this decade, but my guess is that it will increase.

When the budget cuts come, you know where they usually come first. They usually hit the human resource or personnel function. There go the training programs, the travel budget for employee development—how did you manage to get here? There go our attempts at organizational development, for team-building. After all, we have to cut the personnel budget enough to hire more budget control officers whose job it will be to keep an eye on all of us to make sure we don't spend money in a way that might make political hay for the opposition. Is that a fair description of the problem?

If it is, then we seem to have two choices. We can pull in our horns and wait until it blows over. If that's your choice, I think you'll have a long wait. The other is to tighten your belt and carefully examine ways to reallocate the resources remaining, to institute savings by dumping useless but traditional activities, and by being alert to opportunities that come by.

I've gone through my share of budget freezes and cuts in both the private and public sector, and I've responded in both ways. Frankly, the second alternative is a lot more exciting and a lot more fun. One starts out, of course, quite discouraged, but it's a hallmark of the human condition that we often respond ingeniously to adversity. I've seen some very clever innovations come out of such situations. And, as real proof that it can be done, consider the fact that there are consulting firms that do very well by innovating in state and local governments and take as their fee the resultant savings brought about in the first year. If they can do it, why can't we figure out ways to reallocate resources and innovate with those savings? I prefer that to running for the storm cellar until the economic storm blows over.

ANTIDIFFERENTIATION

Now I'd like to move on to another force which has been with us since at least the early 1960s. I want to distinguish clearly at the outset between providing for equal opportunity and antidifferentiation. The two concepts or forces are frequently intertwined and are too often confused. Equal opportunity is exactly that. Antidifferentiation is the growing opposition to the measurement of individual and group differences. This force took visible form in the early '60s with the publication of Banesh Hoffman's *The Tyranny of Testing.* More recently, the National Education Association proposed a moratorium on all standardized ability and achievement testing in the schools. (One might note the interesting countertneme mentioned earlier—competency testing.)

I'm sure you're familiar with Harrington's 1977 proposed "Testing Reform Act," the bills introduced by Representatives Gibbons and Weiss last year, and the New York and California laws. Currently, nine other states have bills pending, bills have been introduced and died in nine others, and three more legislatures are considering the introduction of so-called "truth in testing" bills. (For those of you who are interested in a brief but thorough history of the anti-testing movement, get a copy of C. Paul Sparks' Presidential Address before Division 14 of the American Psychological Association last year.)

Those in education can be legitimately concerned about Harrington, Weiss and New York or California laws. Those in other parts of the public sector should be very concerned about Gibbons-type legislation, as that proposal applies to all testing, including testing for selection, promotion and other personnel activities.

There is no question that tests and similar devices have been misused and that individuals and groups have been badly abused by such misuse. As a psychologist, an educator, and a citizen, I am strongly opposed to such misuses, whether deliberate or inadvertent. It is both tragic and ironic that we need a set of federal guidelines to get us to do what we were, or should have been, trained to do. But as a psychologist and an educator, I cannot hide from the simple fact that individuals do differ in many, many ways. Those differences are measurable, important, and relevant to progress and paths to progress in education and in the world of work. To oppose testing or to destroy its effectiveness through Gibbons-type legislation is equivalent to killing the messenger who brings the bad news.

The position of the EEOC with regard to ranking and minimal qualifications is equally distressing to me. If there is clear evidence of a linear relationship between test and job performance, one should be permitted to select those who have the highest probability of high level performance, not just adequate performance.

That position does not deny the need to correct injustices and inequities. I believe the two can go hand in hand and that democracy can both survive and thrive with a recognition of individual differences. As we struggle with our social problems, let's not blind ourselves to reality.

Let me give you an example of how people can blind themselves in this area. As you know, I worked for twenty-one years at the Life Insurance Marketing and Research Association (LIMRA). That is a nonprofit trade association which provides research and training for the marketing side of the life insurance companies in the United States and Canada. For over forty years, it has provided a selection device for agents called the Aptitude Index Battery (AIB). This questionnaire is subject to continuous research, has good predictive validity and does not have adverse impact. Its major validity comes from the biographical items in the questionnaire.

Years ago, we discovered that we could improve the validity of individual items by adjusting weights for different age groups. This makes good sense, as age cohorts do differ in a number of ways. The sixty-year-old with a masters degree is considerably more unusual than the twenty-five-year-old with such a degree. A twenty-year-old with a net worth of $15,000 is very different from a fifty-year-old with the same net worth. I think you will see that it is essential to adjust scoring keys of such items for age so that you will *not* discriminate against younger or older persons, depending on the item. The questionnaire therefore asks for age, but that information is not shared with the local manager doing the hiring. The answer sheet is sealed in an envelope by the candidate and sent to LIMRA in Connecticut for scoring. This procedure has been cleared by state and federal officials.

Now to the point of all this. The Ontario commission charged with ensuring equal opportunity became concerned with questions about age. When we explained that such inquiry was essential to prevent discrimination, we were told to use items which were not age-related. Our response that it is impossible to know if an item is age-related unless one asks about age, was met with stonewalling. Well, Canada got its way. There is a questionnaire in Canada now, very similar to the one in the United States, which does not ask about age. And they are worse off for it.

Through the use of appropriate questions, keys can be constructed to prevent discrimination on age, sex, race and other crucial variables. We must not bury our heads in the sand hoping that differences will go away. We ensure equal opportunity by asking the right questions and doing quality research. Let's be careful that we do not respond to questions in this area in a stereotypic fashion—labelling the inquirer a reactionary. I believe that is another challenge for the Eighties.

PRODUCTIVITY

Another major challenge will be the demand for increased productivity in public and private sectors. As the economists discovered that our growth was falling more and more behind that of Japan, West Germany, and other nations, we began to hear cries for greater productivity. Congress responded with appropriate political sensitivity by funding centers for productivity *and* quality of work life. Frankly, I think that not only made political sense, it made human sense. We must be con-