



fundamentals of

# human RESOURCE Management

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# **fundamentals of** **Human** **Resource** **Management**

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## FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT

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In memory of my Mom

—R. A. N.

To my parents, Harold and Elizabeth, my wife, Patty,  
and my children, Jennifer, Marie, Timothy, and Jeffrey

—J. R. H.

To my parents, Robert and Shirley, my wife, Heather,  
and my children, Chris and Annie

—B. G.

To my parents, Patricia and Paul, my wife, Mary, and  
my sons, Michael and Matthew

—P. M. W.

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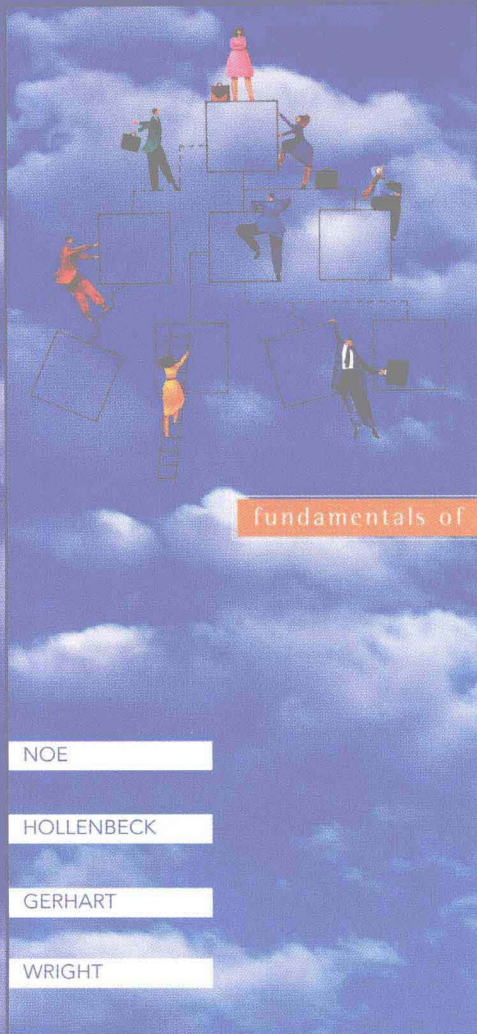
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# human RESOURCE Management



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FOCUSED.

ENGAGING.

APPLIED.

The first edition of *Fundamentals of Human Resource Management* has been developed to give students a brief introduction to HRM that is rich with examples and engaging in its application.

Please take a moment to page through some of the highlights of this new edition.



# FEATURES

This successful author team has developed a new text that is geared toward students and classes that want to learn more about how human resource management is used in the everyday work environment.

## WHAT DO I NEED TO KNOW?

These objectives open each chapter. They bring attention to the key topics in the chapter and are referenced in the margins of the chapter content so students can easily see where each topic is being discussed.

**Learning objectives** are referenced in the margins where that discussion begins. These refer to the What do I Need to Know objectives that open each chapter.

## Chapter

# 8

## Managing Employees' Performance

**What Do I Need to Know?** After reading this chapter, you should be able to:

1. Identify the activities involved in performance management.
2. Discuss the purposes of performance management systems.
3. Define five criteria for measuring the effectiveness of a performance management system.
4. Compare the major methods for measuring performance.
5. Describe major sources of performance information in terms of their advantages and disadvantages.
6. Define types of rating errors and explain how to minimize them.
7. Explain how to provide performance feedback effectively.
8. Summarize ways to produce improvement in unsatisfactory performance.
9. Discuss legal and ethical issues that affect performance management.

### Introduction

When Synergy, a Philadelphia-based software company, was a start-up, its seven employees would regularly meet to discuss performance issues. Sitting around a table,

#### organization analysis

A process for determining the appropriateness of training by evaluating the characteristics of the organization.

#### Organization Analysis

Usually, the needs assessment begins with the organization for determining the appropriateness of training. The organization analysis looks at the organization's strategy, resources available for training activities.

Training needs will vary depending on whether

#### presentation methods

Training methods in which trainees receive information provided by instructors or via computers or other media.

#### hands-on methods

Actively involve the trainee in trying out skills being taught.

#### group-building methods

When the needs assessment turns to the remaining organization, **person analysis** is a process for determining if individuals have the knowledge, skill, or ability? (If so, solutions are more relevant.)

ing?

The manager identify whether training is appropriate. In certain situations, such as the introduction of new technology, all employees may need training. However, in response to a performance problem, training

**person analysis**  
A process for determining individuals' needs and readiness for training.

## KEY TERMS

Key terms and definitions appear in the text margins, so terms are highlighted where they are discussed for each review and students can get to know the language of HRM.



Systems does. Does the consulting and software development company, located in Middletown, Connecticut, sends new hires to a website it calls "HQ." There, the newly hired individuals can view company policies and procedures, view the company's organization chart, or order business cards and company T-shirts. Thanks to these online services, employees are already acquainted with the company on their first day. During their first day at work, they meet with department heads to deepen their knowledge of the organization. Pinnacle believes that in-depth employee orientation and development require more than a virtual touch, however. Says Joanne Pincus, Pinnacle's director, "We wouldn't want to lose the personal touch, where you pick



# FEATURES

## Summary

1. Identify the elements of the selection process.  
Selection typically begins with a review of candidates' employment applications and résumés. The organization administers tests to candidates who meet basic requirements, and qualified candidates undergo one or more interviews. Organizations check references and conduct background checks to verify the accuracy of information provided by candidates. A candidate is selected to fill each vacant position. Candidates who accept offers are placed in the positions for which they were selected.
2. Define ways to measure the success of a selection method.  
One criterion is reliability, which indicates the method is free from random error, so that measurements are consistent. A selection method should also be valid, meaning that performance on the measure (such as a test score) is related to what the measure is designed to assess (such as job performance). Criterion-related validity shows a correlation between test scores and job performance scores. Content validity shows consistency between the test items or problems and the kinds of situations or problems that occur on the job. Construct validity establishes that the test actually measures a specified construct, such as intelligence or leadership ability, which is presumed to be associated with success on the job. A selection method also should be generalizable, so that it applies to more than one specific situation. Each selection method should have utility, meaning it provides economic value greater than its cost. Finally, selection methods should meet the legal requirements for employment decisions.
3. Summarize the government's requirements for employee selection.  
The selection process must be conducted in a way that avoids discrimination and provides access to persons with disabilities. This means selection methods must be valid for job performance, and scores may not be adjusted to discriminate against or favor any group.

Nearly all organizations gather information through employment applications and résumés. These methods are inexpensive, and an application form standardizes basic information received from all applicants. The information is not necessarily reliable, because each applicant provides the information. These methods are most valid when evaluated in terms of the criteria in a job description. References and background checks help to verify the accuracy of the information. Employment tests and work samples are more objective. To be legal, any test must measure abilities that actually are associated with successful job performance. Employment tests range from general to specific. General-purpose tests are relatively inexpensive and simple to administer. Tests should be selected to be related to successful job performance and avoid changes of discrimination. Interviews are widely used to obtain information about a candidate's interpersonal and communication skills. Structured interviews are more detailed information about a background. Structured interviews are more unstructured ones. Situational interviews provide greater validity than general questions. Interviews can introduce bias into the selection process. Organizations can minimize the drawbacks of interviews through preparation and training.

5. Describe major types of employment tests.  
Physical ability tests measure strength, endurance, and motor abilities, and other physical abilities can be accurate but can discriminate and are job related. Cognitive ability tests, or intelligence tests, tend to be valid, especially for complex jobs requiring adaptability. They are a relative way to predict job performance but have been challenged as discriminatory. Job performance tests are valid but are not always generalizable. A variety of job performance tests can be used to predict job performance but have been challenged as discriminatory. Job performance tests can be used to predict job performance but have been challenged as discriminatory. Job performance tests can be used to predict job performance but have been challenged as discriminatory. Job performance tests can be used to predict job performance but have been challenged as discriminatory.

**CHAPTER SUMMARIES** recap the "What Do I Need to Know?" objectives from the beginning of each chapter with brief summary discussions.

## BusinessWeek Case

### BusinessWeek It's Not Easy Making Pixie Dust

We are in the Utilidor—a series of tunnels below Disney World's Magic Kingdom theme park in Orlando. The tunnel complex is generally off-limits to outsiders, but not to 41 visiting managers whose companies have anted up \$2,295 a head so they can learn about Walt Disney Company's approach to people management.

This underground city is a beehive of activity. Employees rush through the gray concrete tunnels, scrambling to put on costumes and assume their roles upstairs. Golf carts sped by with supplies. Makeup artists prepare an array of Cinderella and Snow White wigs.

Before coming to this 3½-day seminar, I was skeptical. The program sounded like little more than a dream junkie: three nights at the resort's most elegant hotel, plus four-day passes to Disney's theme parks. Besides, I thought, what could any manager possibly learn at Disney World? By the end of the first day's activities, however, my note pad was brimming with ideas and lessons dished out by Disney staff.

My colleagues, most of them human-resource managers, take the program seriously. Most are facing a slew of challenges in need of Disney-style magic. A delivery manager at Anheuser-Busch Companies is trying to make his drivers more responsive to retailers. Personnel managers at a fast-growing bagel chain in Florida worry about maintaining standards as they beef up the chain's ranks. And an employee trainer at South Africa's state-owned transportation conglomerate is looking for ways to streamline the company's hiring process.

Disney's reputation for cleanliness, attention to detail, and helpful employees is what has drawn them here. "Everyone knows how wonderful Disney is, so you figure they must be doing something right," says Kathleen Scapini, who works for Multi-Media in West Hartford, Connecticut. That "something right" is what Disney refers to as the "pixie-dust" formula, with four key ingredients—employee selection, training, support, and benefits. Our seminar, "Disney's Approach to People Management," promises to reveal how the company motivates employees. Instructors, called facilitators, tell us that we cannot count on Tinkerbell. "The solutions are not complicated," assures Jeff Soluti, a Disney instructor. "It's attention to detail and hard-nosed business practices that produce the magic."

If there is pixie dust, it starts with the hiring process.

One of the first activities is a field trip to Disney's "casting center," a Venetian-style castle where job candidates view a video before being interviewed. The short film informs job seekers about the company's strict appearance guidelines (one ring per hand and no tattoos, please) and the rigors of the work. By being blunt and detailed, Disney says, it's able to weed out incompatible candidates at the first crack.

The critical part of the process, though, is employee training. New hires, who average less than \$10 an hour, are treated to a visual company history. They are told that they are not just employees but pivotal "cast members" in a "show." From street sweepers to monorail pilots, each cast member must go out of his way to make the resort seem unreal. No matter how tired workers are or how deeply guests may try their patience, they must never lose composure. To do so, the company tells its cast, is to risk alienating a guest, spoiling the illusion, and damaging Disney's standing in entertainment and American culture.

Between excursions, participants share what they have learned—and what they might use. Disney staffers with wireless microphones dart Oprah-like through a conference room seeking comments. They get plenty. John Lealos, the Anheuser-Busch manager, says he wants to incorporate more of an appreciative, team feel into his unit's corporate culture. "If we can get that kind of atmosphere at our company, the productivity will go up," he says. Hugo Strydom, the training manager at South Africa's Transnet Ltd., intends to use a Disney-style orientation to weed out weak candidates in a major hiring blitz.

SOURCE: Antonio Finn, "It's Not Easy Making Pixie Dust," *BusinessWeek*, September 19, 1997.

## Questions

1. This case reveals much about what Disney looks for in a job applicant as well as what it does (realistic job previews) to get unsuitable job candidates to remove themselves from the process. What characteristics would you expect Disney to be selecting for?
2. Based on the information given, what selection methods might be appropriate for further screening job applicants?
3. Why is selection an important part of a maintaining a competitive advantage at Disney? Would it be equally important at a bank? Why or why not?

**BUSINESSWEEK CASES** look at events at real companies as reported by the nation's number one business weekly and encourage students to critically evaluate each situation and apply the chapter concepts.

## VIDEO CASE

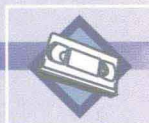
### Developing a Diverse Workforce

Most jobs start with an interview, whether it's conducted in person, by phone, or even online. Interpersonal dynamics can affect those interviews, so a human resource manager who is looking to develop a diverse workforce to meet company needs must be able to ask the right questions of a candidate and listen to the answers in

located. So, it makes sense to recruit, develop, and retain employees who can relate to this broadening customer base and meet their needs in specific ways.

Managers at all companies, whether product or service oriented, can reap the rewards of diversity for their organizations if they practice

employee—employer relationship but also boosts overall productivity of the company. Managers must be aware of the possibility of a glass ceiling in their organization, an invisible barrier that separates female employees or those of different cultural or ethnic backgrounds from top levels of the organization. One way to guard against



**VIDEO CASES** at the end of each Part include questions to challenge students to view HRM issues and problems from different perspectives. Teaching notes to the video cases are included in the Instructor's Manual.



## REVIEW AND DISCUSSION

**QUESTIONS** at the end of each chapter help students nail down the concepts presented in the chapter and understand potential applications of the chapter material.

**FINAL CASES** in each chapter take another look at companies and how their practices illustrate or apply concepts from the chapter. They provide external examples to bring into a lecture, along with questions for assignments or classroom discussion.

ences and job-related behaviors. The interviewers also should be prepared to provide information about the job and the organization.

scores poorly with one method may be selected if he or she scores very high on another measure.

### Review and Discussion Questions

1. What activities are involved in the selection process? Think of the last time you were hired for a job. Which of those activities were used in selecting you? Should the organization that hired you have used other methods as well?
2. Why should the selection process be adapted to fit the organization's job descriptions?
3. Choose two of the selection methods identified in this chapter. Describe how you can compare them in terms of reliability, validity, ability to generalize, utility, and compliance with the law.
4. Why does predictive validation provide better information than concurrent validation? Why is this type of validation more difficult?
5. How do U.S. laws affect organizations' use each of the employment tests? Interviews?
6. Suppose your organization needs to hire several computer programmers, and you are reviewing résumés you obtained from an online service. What kinds of information will you want to gather from the "work experience" portion of these résumés? What kinds of information will you want to gather from the "education" portion of these résumés? What methods would you use for verifying or exploring this information? Why would you use those methods?
7. For each of the following jobs, select the two kinds of

- a. City bus driver.
  - b. Insurance salesperson.
  - c. Member of a team that sells complex high-tech equipment to manufacturers.
  - d. Member of a team that makes a component of the equipment in (c).
8. Suppose you are a human resource professional at a large retail chain. You want to improve the company's hiring process by creating standard designs for interviews, so that every time someone is interviewed for a particular job category, that person answers the same questions. You also want to make sure the questions asked are relevant to the job and maintain equal employment opportunity. Think of three questions to include in interviews for each of the following jobs. For each question, state why you think it should be included.
    - a. Cashier at one of the company's stores.
    - b. Buyer of the stores' teen clothing line.
    - c. Accounts payable clerk at company headquarters.
  9. How can organizations improve the quality of their interviewing so that interviews provide valid information?
  10. Some organizations set up a selection process that is long and complex. In some people's opinion, this kind of selection process not only is more valid but also has symbolic value. What can the use of a long, complex

some time that companies were cutting retirement benefits for employees, for example, some were also creating special supplemental plans for their highest-paid executives that guaranteed lush retirements.

The crunched pay and benefits create more inequality. Employers are using variable pay to lavish financial resources on their most prized employees, creating a kind of corporate star system.

No doubt, dismantling the old entitlement culture is bound to create a whole new set of questions. "How do you communicate to a workforce that it isn't created equally?" asks Jay Schuster of Los Angeles-based compensation consultants Schuster-Zingheim & Associates. "How do you treat a workforce in which everyone has a different deal?"

SOURCE: M. Conlin, "A Little Less in the Envelope This Week," *BusinessWeek*, February 18, 2002, pp. 64+.

1. The case says many organizations shifted to greater use of variable pay during the 1990s, a time of rapid economic growth. What forms of variable pay are mentioned? What were some advantages of switching to variable pay during a growth period?
2. Variable pay helped IBM compete in the labor market during the 1990s. Since then, economic conditions have changed. How does variable pay affect IBM's competitiveness now?
3. At the end of this case, consultant Jay Schuster asks, "How do you communicate to a workforce that it isn't created equally?" and "How do you treat a workforce in which everyone has a different deal?" Considering that the way an organization implements its pay plan will affect that plan's success, how would you answer Schuster's questions?

### Case: Paying for Good Employee Relations

Organizations understand that their ability to reach financial goals depends largely on how well they manage relationships with customers and employees. Therefore, many organizations link incentive pay to customer satisfaction and employee satisfaction. Eastman Kodak, for example,

plan that directly rewards employee satisfaction produce only the intended positive consequences? Or might this practice also produce unintended and less desirable consequences?

Eastman Kodak and United are two examples of companies that have decided some direct incentive makes sense, even if the incentive is small compared with the rewards for satisfying other measures such as financial performance. Other companies have shied away from these incentives out of concern for unintended consequences. In this way, we can see that the organizations' pay strategies are related to their business goals.

Which of those activities were used in selecting you? Should the organization that hired you have used other methods as well?

2. Why should the selection process be adapted to fit the organization's job descriptions?
3. Choose two of the selection methods identified in this chapter. Describe how you can compare them in terms of reliability, validity, ability to generalize, utility, and compliance with the law.
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7. For each of the following jobs, select the two kinds of tests you think would be most important to include in the selection process. Explain why you chose those tests.

- c. Member of a team that sells complex high-tech equipment to manufacturers.
- d. Member of a team that makes a component of the equipment in (c).

8. Suppose you are a human resource professional at a large retail chain. You want to improve the company's hiring process by creating standard designs for interviews, so that every time someone is interviewed for a particular job category, that person answers the same questions. You also want to make sure the questions asked are relevant to the job and maintain equal employment opportunity. Think of three questions to include in interviews for each of the following jobs. For each question, state why you think it should be included.
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  - c. Accounts payable clerk at company headquarters.
9. How can organizations improve the quality of their interviewing so that interviews provide valid information?
10. Some organizations set up a selection process that is long and complex. In some people's opinion, this kind of selection process not only is more valid but also has symbolic value. What can the use of a long, complex selection process symbolize to job seekers? How do you think this would affect the organization's ability to attract the best employees?

### What's Your HR IQ?

The Student CD-ROM offers two more ways to check what you've learned so far. Use the Self-Assessment exercise to test your knowledge of employee selection. Go on-

line with the Web Exercise to see how well your knowledge works in cyberspace.

**WHAT'S YOUR HR IQ?** sections at the end of each chapter reference the assessment activities included on the Student CD with the desired outcomes of the Web exercises, which are hands-on activities to reinforce the specific chapter content.



# supplements for students and instructors



## INSTRUCTOR'S MANUAL

The Instructor's Manual includes chapter summaries, learning objectives, an extended chapter outline, key terms, description of text boxes, discussion questions, summary of end-of-chapter cases, video notes, additional activities, and references to Annual Editions articles.



## TEST BANK

The test bank includes multiple choice, true/false, and essay questions for each chapter. Rationales and page references are also provided for the answers.

## INSTRUCTOR PRESENTATION CD-ROM

This multimedia CD-ROM allows instructors to create dynamic classroom presentations by incorporating PowerPoint, videos and the Instructor's Manual and Test Bank.

## BROWNSTONE'S DIPLOMA FOR WINDOWS

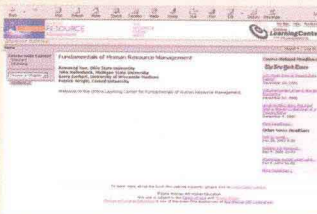
This test generator allows instructors to add and edit questions, create new versions of the test, and more.

## VIDEOS

Five new videos on HRM issues accompany this edition. The accompanying video cases are included in the text at the end of each Part. Teaching notes are included in the Instructor's Manual.

## POWERPOINT

This presentation program features 10–20 slides for each chapter, which are also found on the Instructor CD-ROM and on the Instructor Center of the Online Learning Center.



## ONLINE LEARNING CENTER

([www.mhhe.com/fundamentals](http://www.mhhe.com/fundamentals))

This text-specific website follows the text chapter by chapter. OLC content is ancillary and supplementary

germane to the textbook; as students read the book, they can go online to take self-grading quizzes, review material, or work through interactive exercises. OLCs can be delivered multiple ways—professors and students can access them directly through the textbook website, through PageOut, or within a course management system (i.e., WebCT, Blackboard, TopClass, or eCollege).

## STUDENT CD-ROM

This NEW CD-ROM contains the Self-Assessment and Internet Activities that are referenced in the text. It also includes chapter review questions, flashcards to review key terms, and a link to **Human Resources Online**. Students will stay current and expand their knowledge in the field of human resources by completing approximately 20 online exercises in such areas as training and employee development, selection and recruitment, compensation and benefits, labor relations, employee separation and retention, as well as training and employee development. In each exercise, students will review one or more online resources, such as articles covering a recent HRM trend. They will then answer some challenging questions. For the busy instructor, **Human Resources Online** includes password-protected teaching notes that provide insights and answers to each question.



## POWERWEB

Harness the assets of the Web to keep your course current with PowerWeb! This online resource provides high-quality, peer-reviewed content including up-to-date articles from leading periodicals and journals, current news, weekly updates with assessment, interactive exercises, Web research guide, study tips, and much more! Visit [www.dushkin.com/powerweb](http://www.dushkin.com/powerweb) or access through the OLC at [www.mhhe.com/fundamentals](http://www.mhhe.com/fundamentals).



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# Brief Contents

## 1 Managing Human Resources 1

### ■ PART 1

#### The Human Resource Environment 29

- 2 Trends in Human Resource Management 30
- 3 Providing Equal Employment Opportunity and a Safe Workplace 66
- 4 Analyzing Work and Designing Jobs 101

**VIDEO CASE** Southwest Airlines Competes by Putting People First 130

### ■ PART 2

#### Acquiring and Preparing Human Resources 133

- 5 Planning for and Recruiting Human Resources 134
- 6 Selecting Employees and Placing Them in Jobs 170
- 7 Training Employees 199

**VIDEO CASE** Developing a Diverse Workforce 234

### ■ PART 3

#### Assessing Performance and Developing Employees 237

- 8 Managing Employees' Performance 238
- 9 Developing Employees for Future Success 273

## 10 Separating and Retaining Employees 308

**VIDEO CASE** Creative Staffing Solutions Pairs Workers with Employers 340

### ■ PART 4

#### Compensating Human Resources 343

- 11 Establishing a Pay Structure 344
- 12 Recognizing Employee Contributions with Pay 373
- 13 Providing Employee Benefits 402

**VIDEO CASE** Compensating Workers through Pay and Benefits 437

### ■ PART 5

#### Meeting Other HR Goals 439

- 14 Collective Bargaining and Labor Relations 440
- 15 Managing Human Resources Globally 477
- 16 Creating and Maintaining High-Performance Organizations 513

**VIDEO CASE** Workplace Ergonomics Is Good Business 540

Glossary 542

Photo Credits 553

Name and Company Index 555

Subject Index 561

# Contents

## 1 Managing Human Resources 1

### Introduction 1

### Human Resources and Company Performance 3

### Responsibilities of Human Resource Departments 5

Analyzing and Designing Jobs 6  
Recruiting and Hiring Employees 6

### BEST PRACTICES

Success in Global Fast Food Depends on Good Selection for Overseas Assignments 7

Training and Developing Employees 8  
Managing Performance 9  
Planning and Administering Pay and Benefits 10  
Maintaining Positive Employee Relations 11  
Establishing and Administering Personnel Policies 11  
Ensuring Compliance with Labor Laws 11  
Supporting the Organization's Strategy 13

### Skills of HRM Professionals 13

### HR HOW TO

Winning the War for Talent 14

Human Relations Skills 14  
Decision-Making Skills 15  
Leadership Skills 16  
Technical Skills 16

### HR Responsibilities of Supervisors 16

### Ethics in Human Resource Management 17

Employee Rights 18  
Standards for Ethical Behavior 19

### Careers in Human Resource Management 20

### Organization of This Book 21

Summary 23  
Review and Discussion Questions 24  
What's Your HR IQ? 25

### **BusinessWeek** BusinessWeek Case

The Human Factor 25  
Case: The Container Store: Human Resource Management Excellence Takes Different Forms 26  
Notes 27

## ■ PART 1

### The Human Resource Environment 29

### 2 Trends in Human Resource Management 30

### Introduction 30

### Change in the Labor Force 32

An Aging Workforce 32  
A Diverse Workforce 32  
Skill Deficiencies of the Workforce 36

### High-Performance Work Systems 36

### HR HOW TO

Keeping Up with Change 37

Knowledge Workers 37  
Employee Empowerment 40  
Teamwork 40

### BEST PRACTICES

Team Spirit Makes Winners of Whole Foods Employees 41

### Focus on Strategy 42

High Quality Standards 43  
Mergers and Acquisitions 44  
Downsizing 44  
Expanding into Global Markets 46  
Reengineering 48  
Outsourcing 49

### Technological Change in HRM 49

A Changing Economy 50  
 Human Resources in E-Business 51  
 E-HRM Applications in Other Organizations 52

## **E-HRM**

Help Yourself to HRM 54

## **Change in the Employment Relationship 55**

A New Psychological Contract 55  
 Flexibility 56  
 Summary 58  
 Review and Discussion Questions 60  
 What's Your HR IQ? 60

## **BusinessWeek Case**

Click Here for HR 61

Case: HRM Flies through Turbulence at Delta  
 Air Lines 62

Notes 63

## **3 Providing Equal Employment Opportunity and a Safe Workplace 66**

### **Introduction 66**

### **Regulation of Human Resource Management 68**

### **Equal Employment Opportunity 68**

Constitutional Amendments 69  
 Legislation 69

### **BEST PRACTICES**

Blind Feeding the Blind 76

Executive Orders 77

### **The Government's Role in Providing for Equal Employment Opportunity 77**

Equal Employment Opportunity Commission  
 (EEOC) 77

Office of Federal Contract Compliance  
 Procedures (OFCCP) 81

### **Businesses' Role in Providing for Equal Employment Opportunity 82**

Avoiding Discrimination 82  
 Providing Reasonable Accommodation 85  
 Preventing Sexual Harassment 86  
 Valuing Diversity 87

### **Occupational Safety and Health Act (OSH Act) 88**

General and Specific Duties 88

## **HR HOW TO**

Off to a Safe Start 90

Enforcement of the OSH Act 91  
 Employee Rights and Responsibilities 92  
 Impact of the OSH Act 93

## **Employer-Sponsored Safety and Health Programs 94**

Identifying and Communicating Job  
 Hazards 94

Reinforcing Safe Practices 95

Promoting Safety Internationally 95

Summary 95

Review and Discussion Questions 96

What's Your HR IQ? 97

## **BusinessWeek Case**

Racism in the Workplace 97

Case: Home Depot's Bumpy Road  
 to Equality 98

Notes 99

## **4 Analyzing Work and Designing Jobs 101**

### **Introduction 101**

### **Work Flow in Organizations 102**

Work Flow Analysis 102

Work Flow in Organizations 104

### **BEST PRACTICES**

Team-Based Jobs Put the Focus on Patient Care 105

### **Job Analysis 105**

#### **HR HOW TO**

Writing a Job Description 106

Job Descriptions 106

Job Specifications 108

Sources of Job Information 110

Position Analysis Questionnaire 111

Task Analysis Inventory 112

Fleishman Job Analysis System 112

Importance of Job Analysis 113

Trends in Job Analysis 115

### **Job Design 116**

Designing Efficient Jobs 116

Designing Jobs That Motivate 117

Designing Ergonomic Jobs 122



Designing Jobs That Meet Mental Capabilities and Limitations 124

Summary 125

Review and Discussion Questions 126

What's Your HR IQ? 127

**BusinessWeek BusinessWeek Case**

The New Factory Worker 127

Case: From Big Blue to Efficient Blue 128

Notes 129

**VIDEO CASE**

Southwest Airlines Competes by Putting People First 130

■ **PART 2**

**Acquiring and Preparing Human Resources 133**

**5 Planning for and Recruiting Human Resources 134**

**Introduction 134**

**The Process of Human Resource Planning 135**

Forecasting 136

Goal Setting and Strategic Planning 139

**BEST PRACTICES**

Just Enough People at ZF Micro Devices 140

**HR HOW TO**

Minimizing the Pain of Layoffs 143

Implementing and Evaluating the HR Plan 147

Applying HR Planning to Affirmative Action 148

**Recruiting Human Resources 148**

**Personnel Policies 149**

Internal versus External Recruiting 150

Lead-the-Market Pay Strategies 150

Employment-at-Will Policies 152

Image Advertising 152

**Recruitment Sources 153**

Internal Sources 153

External Sources 155

**E-HRM**

Web Opens the Door to a Global Labor Market 159

Evaluating the Quality of a Source 160

**Recruiter Traits and Behaviors 161**

Characteristics of the Recruiter 161

Behavior of the Recruiter 163

Enhancing the Recruiter's Impact 163

Summary 164

Review and Discussion Questions 165

What's Your HR IQ? 165

**BusinessWeek BusinessWeek Case**

Forget the Huddled Masses: Send Nerds 165

Case: Southwest Airlines Focuses on Takeoffs, Not Layoffs 166

Notes 167

**6 Selecting Employees and Placing Them in Jobs 170**

**Introduction 170**

**Selection Process 171**

Reliability 172

Validity 173

Ability to Generalize 175

Practical Value 175

Legal Standards for Selection 176

**Job Applications and Résumés 178**

Application Forms 178

Résumés 180

References 180

Background Checks 181

**Employment Tests and Work Samples 182**

Physical Ability Tests 182

Cognitive Ability Tests 182

Job Performance Tests and Work Samples 184

Personality Inventories 184

Honesty Tests and Drug Tests 185

**BEST PRACTICES**

Impairment Tests: Ready or Not, Here They Come 186

Medical Examinations 187

**Interviews 187**

Interviewing Techniques 187

Advantages and Disadvantages of

Interviewing 189

Preparing to Interview 189

**HR HOW TO**

Interviewing Effectively 190

**Selection Decisions 191**

How Organizations Select Employees 191

Communicating the Decision 192