

# HUMAN RESOURCES MANAGEMENT

## *Readings*

FRED K. FOULKES

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**HUMAN  
—RESOURCES—  
MANAGEMENT**

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**READINGS**



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Prentice Hall, Englewood Cliffs, New Jersey 07632

**Library of Congress Cataloging-in-Publication Data**

Human Resources Management.

I. Personnel management. I. Foulkes, Fred K.

II. Title.

HF5549.H8736 1989

658.3

88-36387

ISBN 0-13-445917-2

Interior design: *Joe O'Donnell*

Editorial/production supervision: *Nancy Havas Farrell*

Cover design: *Diane Conner*

Manufacturing buyer: *Ed O'Dougherty*



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A Division of Simon & Schuster

Englewood Cliffs, New Jersey 07632

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Printed in the United States of America

10 9 8 7 6 5 4 3 2

ISBN 0-13-445917-2

PRENTICE-HALL INTERNATIONAL (UK) LIMITED, LONDON

PRENTICE-HALL OF AUSTRALIA PTY. LIMITED, SYDNEY

PRENTICE-HALL CANADA INC., TORONTO

PRENTICE-HALL HISPANOAMERICANA, S.A., MEXICO

PRENTICE-HALL OF INDIA PRIVATE LIMITED, NEW DELHI

PRENTICE-HALL OF JAPAN, INC., TOKYO

SIMON & SCHUSTER ASIA PTS. LTD., SINGAPORE

EDITORA PRENTICE-HALL DO BRASIL, LTDA. RIO DE JANEIRO

# PREFACE



Although this reader was developed as a companion volume to the revised edition of *Human Resources Management: Cases and Text*, it also can stand alone. Its organization, however, parallels the volume it was designed to accompany; the articles selected relate to the case studies and text.

In the Overview, there is a brief introduction that discusses the articles selected for each of the seven sections of the reader.

In making selections, I was guided by three criteria: The vast majority of the articles had to be relatively recent, they had to represent a variety of perspectives, and they had to represent the best strategic thinking in human resources. As a result, authors include academicians, business and union leaders, consultants, human resources practitioners, and professional business writers. These experts draw upon both theory and practice, providing a useful intellectual framework as well as practical results from the field. The articles, which can be read either alone or in conjunction with the cases and text book, will give the reader a useful framework or perspective. They also will give the reader insights not available from studying the cases and text alone.

I am grateful to the authors for the outstanding contributions they have made to the human resources management field. A brief biographical statement for each of the authors is given in the introductory section. I am also in debt to the publishers for giving me permission to reprint these articles. In addition, I want to thank Alison Reeves, Gay Auerbach, Carmen Jacobson and Ellen Cain. I am appreciative to Alison for her patience and good advice. I am grateful to Gay for superb editorial assistance and to Carmen for excellent administrative support. And Ellen, an MBA student and part-time research assistant, worked wonders in both the development and completion phases of this project during the 1987/1988 academic year.

This reader developed from the requests of many professors around the country who were using our cases and textbook, and it includes several articles that they suggested. I trust, therefore, that students, professors, and practitioners will find it a useful publication, one worthy of their time and their intellectual energies.

FKF

## ABOUT THE AUTHORS



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Steven H. Appelbaum is dean of the faculty of commerce and administration and professor of management at Concordia University in Montreal. Previously personnel director at Na-Lor Manufacturing Company, personnel manager at TRW, Inc., and executive director of the Executive Advisory Program of the Jewish Employment and Vocational Services, he has taught at, directed, and chaired management programs at several universities in United States and Canada. Dean Appelbaum is the author of ten books on business and management issues.

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Carolyn A. Bardsley is a senior management development specialist for the General Products Division of IBM Corporation in San Jose, California. She designed IBM-San Jose's career development program for both managers and non-managers and has taught career workshops for many levels of management.

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William E. Dodd joined the IBM Corporation in 1959, where he has held a variety of

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Mr. Drucker is Clarke professor of social sciences at the Claremont Graduate School. Called the "founding father of the science of management" by the *Los Angeles Times*, Mr. Drucker is a leading authority on management. He has published several books, including *The End of Economic Man*, *The Practice of Management*, *The Effective Executive*, *Managing in Turbulent Times*, *Managing for Results and Management: Tasks, Responsibilities, Practices*. He has been a frequent contributor to magazines for many years and is an editorial columnist for the *Wall Street Journal*.

#### FORUM CORPORATION

The Forum Corporation is an international sales training, management development and human resources consulting firm dedicated to helping organizations achieve competitive advantage through people. In particular, the firm has expertise in the areas of creating

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Mr. Fraser was appointed to the staff of the United Auto Workers (UAW) in 1947, and rose through the ranks to become the UAW's sixth international president in 1977, a position he held until his retirement in 1983. In addition to his public service after retirement, Fraser has taught labor studies at Wayne State University, the John F. Kennedy School at Harvard University, and the University of Michigan.

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Dr. Gershenfeld serves as an arbitrator, mediator and factfinder in private and public sector disputes. He is Emeritus Professor of Industrial Relations at Temple University. Dr. Gershenfeld is the author, co-author or editor of seven books and over fifty articles in the field of industrial relations. He is a recipient of the Lindback award for distinguished teaching and the School of Business and Management

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Julius Getman is the Earl E. Sheffield Regents Chair and Associate Dean for Faculty Research at the University of Texas School of Law in Austin. In addition to teaching, Professor Getman has arbitrated extensively in the midwest and California in both the public and the private sectors. He has published a number of articles in leading law journals in his fields of expertise, which include labor law, contracts, legal education, women's rights, employment discrimination and criminal law.

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Stephen B. Goldberg is Professor of Law at Northwestern University of Law School. He was a visiting professor at Harvard Law School and consultant to President Carter's Commission on Coal in 1979-1980. In 1987, the Society of Professionals in Dispute Resolution presented Professor Goldberg with the Willoughby Abner Award for practical research in public service labor-management relations. Professor Goldberg is the coauthor of *Union Representation Elections: Law and Reality* and *Dispute Resolution*.

### ANDREW S. GROVE

In 1968, Mr. Grove participated in the founding of Intel Corporation, where, after serving as vice president and director of operations, he became executive vice president in 1975 and chief operating officer in 1976. In 1979, he was named president of Intel and remains chief operating officer. Mr. Grove has written over 40 technical papers, and is author of *Physics and Technology of Semiconductor Devices*, *High Output Management*, and *One on One With Andy Grove*.

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Eleanor Holmes Norton, professor of law at Georgetown University Law Center, was appointed by President Carter to chair the Equal Employment Opportunity Commission, the first woman to be named to head the agency. She is noted for her work in developing equal employment law and policy, and in using lean, efficient systems that reformed EEOC operations. She has received many honors, including 33 honorary degrees, and serves on numerous boards. She co-authored *Sex Discrimination and the Law: Causes and Remedies*.

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### ROSABETH MOSS KANTER

Rosabeth Moss Kanter is the Class of 1960 Professor at the Harvard Business School and co-founder and Chairman of the Board of Goodmeasure, Inc., a Boston-based management consulting firm. She has written a number of books including *The Change Masters* and *Men and Women of the Corporation*. She is a coauthor with Governor Michael Dukakis of the book, *Creating the Future*. Her newest book, to be published in 1989, is tentatively titled *The Great Corporate Balancing Act*.

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Mr. Walter Kiechel III, a graduate of Harvard Business School, is a member of the board of editors of *Fortune*, where he writes the regular "Office Hours" feature.

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Janice A. Klein is an Assistant Professor at the Harvard Business School, where she teaches production and operations management. Prior to her appointment at Harvard, she worked for General Electric Company in various manufacturing and human resource management positions. Her research focuses on workplace management, job design and the changing role of lower levels of management with the introduction of new technology and participative management programs.

### ALEX KOTLOWITZ

Alex Kotlowitz has worked as a staff reporter with the *Wall Street Journal* since 1984. Prior to this, he worked as a freelance writer, reporting for the MacNeil-Lehrer News Hour and the National Public Radio, and wrote for various national magazines. He has received



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### JOYCE A. LANNING

Joyce A. Lanning has a B.S. degree in economics from the University of Alabama and an MA in Urban Affairs from UAB. Her major interests in the program were health policy, health economics, and health-care finance. While in the program she presented numerous papers at the Academy of Management meetings and received several awards including a dissertation grant from the National Centers for Health Services Research. She is now Adjunct Professor at Birmingham Southern College, Birmingham, Alabama.

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Edward E. Lawler III is professor of management and organization in the Business School at the University of Southern California. He joined USC in 1978 and, in 1979, became director of the University's Center for Effective Organizations. In 1982 Dr. Lawler was named research professor at USC. He has consulted with over 100 organizations and is the author and coauthor of over 150 articles and 15 books. His most recent books include *Pay and Organization Development*, *Managing Creation*, and *High Involvement Management*.

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## **REGAINING THE COMPETITIVE EDGE - ROUNDTABLE DISCUSSION**

Participating in the roundtable discussion were Jerry Holder, senior vice president, administration, Marion Laboratories, who served as moderator; Bruce Ellig, vice president, personnel, Pfizer; Howard Knicely, vice president of human relations, TRW; and Dallas Reynolds, vice president of personnel, State Farm Insurance Companies.

### **MARY P. ROWE**

Mary Rowe is adjunct professor, Sloan School of Management and special assistant to the president of Massachusetts Institute of Technology. She is an Institute ombudsman, and involved in internal management consulting, teaching, research and writing. She has written articles and book reviews in the areas of child care, human resource management, harassment, sex roles, and mediation. She is also a consultant and lecturer to corporations and non-profit institutions concerned with local, national and international problems of work process, including non-union complaint systems and intra-institutional conflict management, and mentoring systems.

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### WILLIAM URY

Dr. Ury co-founded and serves as Associate Director of the Harvard Law School's Program on Negotiation. A specialist in the arts of negotiation, mediation and arbitration, Dr. Ury conducts workshops with many large corporations. He is co-author of *Getting to Yes: Negotiating Agreement Without Giving In* and author of *International Mediation: A Working Guide*.

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Dr. Walker is a partner in The Walker Group, a Phoenix consulting firm specializing in human resource strategy and management effectiveness. Dr. Walker is widely known for his writing, consulting and other professional activities in human resource planning. He is author of numerous books, including the

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### GORDON WHITE

Sir Gordon White co-founded Hanson Industries in 1973 and became the company's chairman in 1983. He supports a wide variety of charities and Anglo-American associations. As chairman of the International Committee of the US Congressional Award, he was the first Briton to receive the National Voluntary Leadership Award. Following his work with the Congressional Award, Sir Gordon was presented with the People to People Award in October 1986 for outstanding achievement in advancing international understanding.

### JAMES T. WRICH

James T. Wrich is president of Employee Assistance Services for Parkside Medical Services Corporation in Chicago. He has played a leading role in developing techniques for early identification of chemical dependency. In the mid-1970s, he was executive director of the Minnesota alcohol and drug authority. From 1978 to 1984 he was director of the United Airlines employee assistance program. He is author of *The Employee Assistance Program, Updated for the 1980s*.

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Egon Zehnder is Chairman of Egon Zehnder International Inc., a management consulting firm specializing in executive search, management appraisals and mergers and investments. He is Chairman of the Harvard Club of Switzerland, Chairman of the Public Affairs Committee of the Swiss-American Chamber of Commerce, and Member of the Board of the Swiss-American Society for Cultural Relations.

# OVERVIEW



## CHAPTER ONE: INTRODUCTION

The articles in this introductory section will give the reader a grounding in the current trends in human resources management. In particular, these readings illustrate how human resources has become more aligned with overall corporate strategy. In looking at the changing role of the HR staff function, most of the authors focus on change and effectiveness within the HR department.

The articles ("Goodbye to the Old Personnel Department," by management authority Peter Drucker, "Is Anyone Minding the Monitors?" by Intel Corporation president Andrew Grove, and "Human Resources Management: Meeting the New Challenges," by Professor Edward Lawler), describe in tough and precise language new roles and responsibilities for the personnel/human resources department if it is to be relevant in the future. Lawler persuasively argues that to meet the changes in the business environment, the human resources function must expand in four key areas: information systems, technical expertise, strategy development and implementation, and culture development. In the article ("Living With Human Resources,") Walter Kiechel, III, of *Fortune* builds on this theme and speaks of the "mutual understanding necessary for line and staff to work together effectively." The article ("Where is HR Management Going?" by Professors Michael Driver, Robert Coffey, and David Bowen) presents six models of human resources management and discusses which will be most prevalent in the future.

The next article ("CEOs: What They Want From HRM," by consultants James W. Walker and Gregory Moorhead) reports the results of a survey of senior human resources professionals about the expectations today's CEOs have of their HR units. The respondents were asked to provide the views of their chief executive officers about changes within the following areas: involvement in HR activities, involvement in line management activities, changes in the HR function, and the development of HR staff capabilities. The results of the survey are amplified in the reading ("Regaining the Competitive Edge"), a discussion by HR vice presidents who also address the new responsibilities of human resources professionals.

The two articles (*An Agent of Change*," the first in a series of profiles in success in the *Personnel Administrator*, and "Linking Competitive Strategies with Human Resource Management Practices, by Professors Randall S. Schuler and Susan E. Jackson) together make up a comprehensive treatment of the integration of human resource activities with business strategy. In "An Agent of Change," Walton E. Burdick, personnel vice president for IBM, talks about personnel's role in the transformation of IBM. Professors Schuler and Jackson, using case examples, look at a range of human resource management practices in light of changed competitive strategies. Because these two articles articulate the central themes of this book, they serve as an appropriate conclusion to the introductory section.

## CHAPTER TWO: EMPLOYMENT AND PROMOTION POLICY AND ADMINISTRATION

Recruiting, hiring, and promoting are what sustain the organization. The early identification and development of talent can give the employer significant competitive advantages. All of the articles in this section will give the reader insights into these complex processes from a strategic as opposed to a reactive or short-term point of view.

The articles that begin this section concern strategic staffing practices. The first ("Organization Staffing: Integrating Practice With Strategy," by Professors Judy Olian and Sara Rynes) represents a superb preliminary attempt to outline some of the ways in which organizational contingencies might influence the effectiveness of external staffing procedures. The authors use a five-stage model of staffing, complete with a common organizational typology, to develop research propositions that link organizational strategies to variations in the effectiveness of staffing practices. In the second article ("Staffing Policy as a Strategic Response: A Typology of Career Systems"), Professor Jeffrey Sonnenfeld and Maury Peiperl offer a four-cell systematic classification of career systems that reflects two critical dimensions along which organizations select a staffing strategy: "supply flow" and "assignment flow." The authors think that the decisions a company makes in managing its overall strategy determine career profiles within the company, which can be used to both describe and predict the composition of a company's workforce.

In refreshing contrast to these academic articles, both of which await empirical research, Egon Zehnder ("Relying on Intuition to Pick a Winner"), head of a large international executive search firm, makes no apology about the importance of "gut feel" in the evaluation and selection of candidates for senior executive positions in our "data-oriented world."

In the fourth article ("Giving It The Old College Try"), Professors John Boudreau and Sara Rynes share with the reader the findings of their extensive survey of members of the Fortune 1000 regarding their college recruiting programs. The article discusses the effectiveness of recruiting and ways in which recruiting programs might be improved.

The next three articles relate employment to broad social issues. Equal opportunity and affirmative action have been the law of the land for a long time, but progress, with some notable exceptions, has been slow. In "Step by Step, the Court Helps Affirmative Action," Professor Eleanor Holmes Norton, who was chairwoman of the Equal Employment Opportunity Commission between 1977 and 1981, gives a good review of the court's action in recent years with respect to Title VII of the 1964 Civil Rights Act.

A more recent social issue of increasing concern is substance abuse. There are estimates

that at least 10 percent of the workforce is afflicted with alcoholism or drug addiction. In "Beyond Testing: Coping with Drugs at Work," James Wrich assesses the problem and recommends a comprehensive approach, including drug testing and employee assistance programs. In "Employer Screening for Genetic Disease: Current Legal Problems," Mary Rowe, Malcolm Russell-Einhorn, and Jerome Weinstein raise legal and ethical issues about the rise of technology that will be able to identify genetically promising candidates for employment and promotion. The use of such techniques raises a host of problems that are addressed openly in this carefully reasoned article.

The final step of employment in a time of global competition in many companies is de-recruitment, or outplacement. In "The Tough Test of Downsizing," Steven Appelbaum, Roger Simpson, and Barbara Shapiro show that a layoff that is strategically planned and skillfully implemented can revitalize the organization. This is especially important because the morale and performance of those who survive a reduction in the workforce is affected by the way in which the company treats those who leave.

### CHAPTER THREE: THE CONDUCT OF LABOR RELATIONS

Labor relations in the United States has three phases: organization, contract negotiation, and contract administration. During the organizing phase, a union tries to convince a majority of a company's employees that, if it represents them through collective bargaining, their wages, hours and working conditions will improve. During the second phase, the company's management and the union's leaders try to negotiate a labor agreement, generally for a term of one, two, or three years. Such agreements specify the web of rules by which the parties will live during the administration phase and cover everything from pay rates to the way in which overtime will be distributed.

The character and quality of the relationship between a union and an employer depend on many factors, including the personalities of the leaders of both organizations. At one end of the spectrum, the relationship may be one of hostility and open conflict. At the other end, the relationship may be one of trust and cooperation. It is important for students of collective bargaining not only to assess the nature of the relationship but to determine in which direction it is moving. On the one hand, the parties may be trying to move toward a more cooperative relationship, with mutual understanding and joint problem solving the objective, as appears to be the case with General Motors and the United Auto Workers. On the other hand, in some situations management never accepts the union and tries to frustrate the union with the hope that some day the employees will vote to decertify it.

The six articles selected for this section cover the full range of labor relations. The first ("Unions May Be Poised to End Long Decline, Recover Some Clout," from the *Wall Street Journal*) speculates that the union movement in the United States may have hit bottom and begun a phase of resurgence. In the second ("Unions and the New Management," by Professor Edward E. Lawler and Dr. Susan A. Mohrman), the authors worry about the losses to society of a weakened labor movement and discuss some of the changes that unions will have to make to survive and again play an influential role. In the third article ("Douglas Fraser: A Unique Perspective"), a respected labor leader looks at the current labor/management scene. This article, in the form of an interview, presents Fraser's thinking on the current labor movement and the role of human resource managers as employee advocates.

In "Mediation and Organizational Development: Models for Conflict Management," Professors Brett, Goldberg, and Ury discuss and contrast two models for third-party intervention when a company is unable to avoid frequent wildcat strikes. The piece will give the reader an idea of the reality and dynamics of a union and management in uncontrollable conflict. In the next article ("Detroit's Strange Bedfellows," by Michael Massing), the reader will learn more about a new partnership between the United Auto Workers and the General Motors management. While some may raise questions about labor's new stance (Is it a matter of cooperation or being co-opted?), this case example qualifies as an important experiment in labor relations. The behavior described is risky for both sides, but the disadvantages of continuing to follow traditional approaches may be much greater for all in the long run.

In the final article "Ruminations on Union Organizing in the Private Sector," Professor Julius Getman, based on traditional academic study, a major field research project, and investigation of the successful union organizational drive among clerical and technical employees at Yale University, presents some nontraditional views of the current state of union organizing.

## CHAPTER FOUR: THE COMPENSATION SYSTEM

More than 40 years ago, the National War Labor Board said "there is no single factor in the entire field of labor relations which does more to break down morale, create individual dissatisfaction, encourage absenteeism, increase labor turnover, and hamper production than obviously unjust inequities in the wage rates paid to the same individuals in the same labor group within the same plant."<sup>1</sup> Today, managers and compensation experts still wrestle with "just inequities" and other complex compensation problems.

If compensation programs are designed in conjunction with overall corporate strategy, they will assist the organization in attracting, retaining, and motivating talented employees. In addition, compensation programs must be cost effective. That is to say, just as underpaying has business implications, overpaying, too, has competitive ramifications. Finally, compensation programs must be perceived as fair and, for both legal and moral reasons, must be nondiscriminatory.

In the late 1980s, there has been much innovation and experimentation with pay plans as companies search for ways to increase employee commitment and involvement and, at the same time, remain competitive on a global basis. The three articles selected for this section focus on both old and new issues in compensation management and performance appraisal.

The first article ("About Incentives: The Worst Thing Is A Bogus Bonus") is a thoughtful piece by Sir Gordon White, chairman of Hanson Industries, stating what he believes are four common sense guides for establishing a system of performance bonuses for divisional managers.

The second article ("From Status to Contribution: Some Organizational Implications of the Changing Basis For Pay," by Professor Rosabeth Kanter) documents and interprets important pay trends that are taking place. Professor Kanter believes that these changes go beyond particular innovations such as pay for performance, employee ownership plans, gainsharing, and skill or knowledge-based pay and have far-reaching implications for the way organizations operate.

<sup>1</sup>Pigors, Paul, and Charles A. Myers, *Personnel Administration* (New York:McGraw Hill, 1947), pp. 219-220.



The third article ("The Legal Ramifications of Performance Appraisal," by Professors Martin, Bartol, and Levine) concerns an area of increasing sensitivity and importance in our litigious society. Practices in hiring, promoting, paying, and terminating employees can become the source of individual or class action lawsuits. Although performance appraisals should be conducted as part of all these procedures, their use has instigated charges of employment discrimination in some companies. In this article, the authors show that employers who have credible performance appraisal systems and make human resources decisions that are congruent with performance evaluations are in the best position to avoid or, if necessary, effectively deal with employment discrimination lawsuits.

## CHAPTER FIVE: BENEFIT POLICIES AND ADMINISTRATION

With the cost of employee benefits close to 40 percent of payroll, no one can afford to ignore "fringe" benefits. They are a critical part of the compensation package and the company-employee relationship. The design, implementation, communication, and funding of employee benefits has become a very important specialization within large corporations.

An especially rapidly growing component of benefit expenses has been the cost of health care. Even in a period of low inflation, employers have come to expect double-digit annual increases in health insurance premiums. As a way to manage costs and respond more effectively to an increasingly diverse workforce, many companies have implemented different forms of flexible, or so-called "cafeteria," benefit plans. The three articles in this section are about flexible benefits, health-care cost containment, and the future of benefits.

The first article, ("The Pioneer Plans: A Firm Foundation for Flex," by consultant Robert M. McCaffery) gives an excellent overview of the development of flexible benefits by the pioneers of such plans—namely, TRW, Educational Testing Service, and American Can. This article covers the myriad of economic, tax, employee relations, and administrative issues that must be addressed in introducing more employee choice into benefits.

The second article ("A Comprehensive Incentive Approach to Employee Health Care Cost Containment," by Myron D. Fottler and Joyce A. Lanning) offers a model incentive strategy for containing health care costs. The authors evaluate different strategies to reduce these costs, showing the focus of activity and the probable length of time each takes to have impact.

## CHAPTER SIX: WORK RESTRUCTURING AND MOTIVATION

At one time, interest in work restructuring and motivation was primarily ideological, focusing on job satisfaction, employee participation, and the quality of working life. In recent years, the primary concern has shifted to productivity improvement and competitiveness. In a comprehensive and encyclopedic chapter developed for the Industrial Relations Research Association, Professor Walter Gershenfeld, of Temple University, reviews the literature and history of employee involvement. He then looks at quality-of-working-life problems and concludes by examining program evaluation and outcome.

If employee involvement programs are to be successful, the role of the supervisor is critical. In "Good Supervisors are Good Supervisors—Anywhere," Professors Janice Klein and