

key concepts

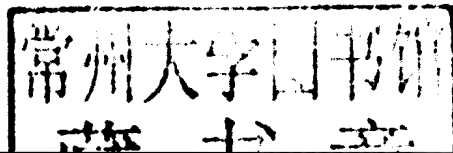
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Key Concepts in  
**Human Resource  
Management**

JOHN MARTIN



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# Key Concepts in Human Resource Management



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# Introduction

*Key Concepts in Human Resource Management* offers an important guide to making the most of, and extending your understanding of the key concepts in your human resource management (HRM) course. It will provide you with essential help designed to enhance your understanding in line with your course requirements.

The book should be used as a supplement to your HRM textbook and lecture notes. You should read the relevant entries in parallel with your course lectures and wider reading and note where each topic is covered in both the syllabus and this book. Ideally, you should buy this book at the beginning of your HRM course – it will provide you with a brief explanation of any topics you are having trouble with, and of course its value in revising for assignments and exams should not be underestimated!

This *Key Concepts* book is intended to:

- Provide you with a summary of key concepts that will facilitate your understanding of them when they are encountered in lectures and tutorials.
- Provide you with a summary of key concepts that will facilitate your understanding of textbooks and the associated wider reading.
- Identify which key concepts are primarily associated with each other through the 'See also' feature.
- Identify significant recommended reading and references for each key concept discussed.
- Save you time when you are preparing for seminars and tutorials by providing key information on the main terms that you would be expected to know and use.
- Save you time when you are preparing coursework by providing summary information on key terms that you would be expected to know and use.
- Save you time when you are revising for exams by providing a ready source of material in relation to HRM key concepts.
- Provide a framework to organise the most important HRM points from textbooks, lecture notes, and other learning materials.

Whichever HRM textbook you are using you should read this *Key Concepts* book in parallel with it to identify where specific topics are covered because some topics will appear in more than one location in a textbook. For example, performance appraisal has relevance in reward management, training and career development and might be covered in each of those chapters in a textbook. Each entry or key concept that follows is intended to summarise that topic and some of the debates surrounding it. The approach adopted by the book does not automatically assume a managerial perspective in that managers will sometimes have an agenda or perspective which would be different from that of employees, the owners of a business or academics that study HRM. It is therefore intended that each key concept discussed provides an insight into more than one perspective on the topic discussed. As a student of HRM, you need to be aware of how practitioners think about the key issues that face them as professionals seeking to provide a business with the best people management advice and guidance. But you also need to be aware of some of the other points of view and interpretations in relation to the key concepts in HRM. For example, the UK is a predominantly capitalist-based economy and that carries with it certain expectations in relation to the nature of organisations; the role of work; and the relative rights and obligations of employees, managers, owners, politicians, and society at large. HR managers must work within these 'givens' as the behaviour of employees is strongly grounded in the social structures that shape society. The strongest and most able HR managers are aware of the socially determined nature of work and much of what they do, and can work with the degree of ambiguity and uncertainty implied by such perspectives.

One difficulty in defining what HRM means arises because the term 'human resource management' is used in two different ways. Firstly it can refer to the department within an organisation that has the responsibility for policy and practice in relation to 'people management' within the business. The primary activities embraced within such a department would typically be those covered by most HRM textbooks. Used in the second way, HRM seeks to reflect a particular approach to the management of people as distinct from the earlier approach adopted under the umbrella term 'personnel management'. Because the practices associated with the organisational need to manage people are subject to constant adaptation as a consequence of fashion, legislative,

social, educational, organisational, economic and labour market changes, it has been argued that personnel management had become outdated and that the philosophy, focus and approach to people management offered by HRM more effectively meet the needs of modern organisations.

It is against that background and on the following criteria that the HRM key concepts were selected for inclusion:

- *Concepts of significance in the HR discipline* There is a vast range of topics, concepts and perspectives that have significance for the theory and practice of HRM. Every HRM concept is ultimately related to every other concept in a complex web of interactions, dependencies and consequential chains of events. For example, performance appraisal occurs in many areas of HR practice including resourcing, performance management, career development, promotion, discipline and redundancy decisions. Consequently a way had to be found to provide a comprehensive, meaningful and accessible listing of key concepts. Some compromise was inevitable.
- *Concepts that have some durability* In HRM new ideas and approaches emerge on a frequent basis and some practices will disappear or change just as quickly as they emerge. Only a few will display durability and consequently in selecting the concepts to include here the decision was taken to adopt a 'topics' rather than 'practices' approach. The topics included were selected to provide the best focus on appropriate concepts with scope for a discussion of actual practices within each as appropriate.
- *Concepts that were neither too small or too large* This was the most difficult decision criteria to achieve in that some concepts had of necessity to be broken down into a number of separate entries whilst others were not so easily dealt with and so some degree of compromise had to be made between the relative magnitude and the number of concepts to be included.
- *Concepts that could provide a basis for discussion* The purpose of this book is to explore the key concepts in some degree of depth. As a result, although some degree of description is necessary it is not intended to be a practitioner handbook or a recipe book based on 'How to do HRM'. Consequently, the number and range of concepts cover the most significant issues and so provide an opportunity to discuss the academic perspectives on each.



# Absence Management

***Absence refers to an individual not being at work at a time when they would normally be expected to be present. This can be for many reasons both acceptable and unacceptable. Absence management refers to the processes and procedures adopted by management to identify and wherever possible control and minimise avoidable absence.***

The levels of attendance at work can be viewed as a reflection of the general wellbeing of an organisation as well as the individuals that work within it. That is because it can be viewed as having causes beyond the immediate health issues of the employees concerned and therefore as a reflection of what goes on within the organisation. For example, people may stay away from work because they are being bullied, or they are under too much pressure, or their boss has an aggressive management style. It is also possible that stress at work can cause physical or psychological problems for employees and in turn this will make it impossible for employees to attend work. It is a significant problem for UK employers. For example, it has been suggested that the cost to UK employers in 2002 was £11.6 billion. The employee reactions might include a lowering of morale among workers having to cover for absent colleagues and management's loss of credibility by not dealing effectively with people considered to be 'pulling a fast one'. It has been suggested that approximately 26 million requests are made each year for medical sick-notes, of which about 9 million are perhaps not genuine.

The CIPD (2008) annual survey of absence found that during the previous 12 months the levels of absence in both the public and private sectors had reduced. In the public sector it was reported as 9.8 days per employee and in the private sector as 8.4 days per employee. The average cost of absence was reported as being £666 per employee per year, up by about £7 on the previous year. The survey also found that the main causes of short-term absence for all employees were minor illnesses such as colds, flu and stomach upsets. Among all workers these were followed by back pain, musculoskeletal injuries, and stress together with home and family responsibilities. The main causes of long-term

absence reported among manual workers were acute medical conditions, back pain, musculoskeletal conditions, stress and mental health problems. Among non-manual workers stress was reported as the major cause of long-term absence, followed by acute medical conditions, mental health problems (anxiety and depression), musculoskeletal conditions and back pain.

A number of sources suggest that absence from work can result from a number of factors that can be categorised under the following headings:

- 1 *Job content and context* This can include factors such as the design of the job; work output pressures; the stress levels associated with work; work group dynamics; management style; company procedures and policies; nature and type of employment contract (permanent or fixed/short-term); and group/organisational norms with regard to attendance.
- 2 *Employee values* The level of responsibility that the individual feels towards the job; customers; the work group; management; and the organisation. The personal values that an individual holds in relation to regular attendance under particular conditions (their personal work ethic).
- 3 *Employee characteristics* Factors such as age; education; family circumstances and background; and personality.
- 4 *Pressure to attend work* Factors such as economic and market conditions; company wage policies and incentive arrangements; company disciplinary and other absence management policies and practice; work group norms and dynamics; and level of organisational commitment.
- 5 *Ability to attend work* Factors such as illness (short- or long-term); accidents (at work or outside); family responsibilities and commitments; and transport difficulties.

Each of the first four categories will impact on the motivation (or likelihood) that the individual will attend work on a regular basis, whilst the fifth will impact on the ability of an individual to actually do so.

There are a number of statistics that can be calculated to measure absence rates, including the following:

- 1 *The Lost Time Rate* This reflects the percentage of total working time (hours or days) available in a given period (week, month, quarter or annual) which has been lost due to absence. It can be calculated

for the company, department, team or individuals to identify relative absence rates:

$$\frac{\text{Total absence (hours or days) in the period} \times 100}{\text{Possible total (hours or days) in the period}}$$

- 2 *The Frequency Rate* This reflects the number of absences on average taken by employees, expressed as a percentage of the total number of employees:

$$\frac{\text{Number of spells of absence in the period} \times 100}{\text{Number of employees}}$$

So, for example, where an organisation employs 250 workers, and during this time there was a total of 25 occurrences of absence, the frequency rate would be:

$$\frac{25}{250} \times 100 = 10\%$$

Replacing the total number of occurrences of absence with the number of employees having at least one spell of absence in the period, this calculation produces an individual level frequency rate. So, for example, by using the same organisation from the example above which employed 250 workers, and calculating that during the review period there was a total of 18 employees who each had at least one occurrence of absence, the frequency rate would be:

$$\frac{18}{250} \times 100 = 7.2\%$$

- 3 *The Bradford Factor* The Bradford Factor identifies frequent short-term absences by individuals, by measuring the number of spells of absence. The formula is:

$$\text{Absence score} = (\text{Spells of absence} \times \text{Spells of absence}) \times \text{Total duration of absence}$$

This measure considers both the number and duration of absences, but gives a heavier weighting to the number of spells of absence. It is also usually calculated over a one year time period. For example:

- 15 one-day absences:  $(15 \times 15) \times 15 = 3375$
- 5 two-day absences:  $(5 \times 5) \times 10 = 250$
- 2 five-day absences and 4 three-day absences:  $(6 \times 6) \times 22 = 792$

The issue common to each of these measures of absence is that the results in themselves don't provide an absolute indication of the existence of a problem; they simply provide a measure of the magnitude of the occurrence. It is for each organisation to decide for itself what 'level' of absence is acceptable and at what point some form of action will become necessary to deal with the implications that such figures indicate. In that sense the results of these calculations provide a comparative measure – one that gains significance from a comparison with the same results obtained from somewhere else or at another time: for example, the same data from a previous year (or years); the same data from a benchmark company; the same data from the same industry or locality. Each of these comparisons provides a basis for decision making in relation to the absence data collected.

Traditionally, absence will have been dealt with through the disciplinary processes that an organisation has available to it. The underlying logic here is that the contract of employment requires absolute attendance unless a serious issue prevents it. From the discussion above it should be clear that there are many reasons for absence and that a more sophisticated approach is required that would take account of the wide variety of potential causes. One approach to guiding the development of an absence strategy involves the following stages:

- *Assess the absence problem* Use appropriate and accurate records (perhaps by adopting the measures outlined above) to monitor general and specific incidences of absence. Also engage in benchmarking absence levels against other organisations and industries.
- *Locate specific absence problems, areas or individuals* Not everyone or every department will have significant absence problems and so it is necessary first to identify where high absence levels exist and who takes the most time off work, and more importantly for what reason.
- *Identify and prioritise absence causes* This process does not automatically indicate that everyone so identified will be subjected to disciplinary action. It might identify sections in which the stress levels are very high due to work pressures or other factors; it might identify areas of work activity with particular safety problems; it might also identify areas of poor job design. There are many possible reasons for absence and it is necessary to begin to find out what lies behind this before deciding on appropriate courses of action.
- *Evaluate current absence control methods.*

- *Redesign (if necessary) the absence control procedures* Set targets for absence levels and absence reduction and determine action levels. Establish procedures and guidelines for return to work interviews and 'during absence'/progress reviews. Consider the impact of absence on performance management; career development; and incentive payment practices.
- *Implement the absence control policy and procedures* Form clear procedural links between the disciplinary procedure and its appropriate application for instances of absence. Disciplining for absence (including dismissal) can be a potentially fair action but only if it is undertaken in an appropriate manner and based on sound information.
- *Monitor the effectiveness of the procedure* Monitor absence levels and take appropriate action within the established procedures.
- *Provide training and support for line managers.*
- *Consider health promotion and occupational health involvement in work design and employee support.*
- *Consider various support issues* These could include flexible working; job sharing; part-time working; tele-working; and medical insurance as ways of minimising the disruptive effects (for employees and employers) of some forms of absence.

The CIPD (2009) suggest that absence policies should clearly set out employees' rights and obligations when taking time off from work due to sickness by:

- Providing details of contractual sick pay terms and its relationship with statutory sick pay.
- Outlining the process employees must follow if taking time off sick, covering when and whom employees should notify if they are not able to attend work.
- Including when (after how many days) employees will need a self-certificate form.
- Containing information on when they will require a medical certificate (sick-note) from their doctor to certify their absence.
- Mentioning that the organisation reserves the right to require employees to attend an examination by a company doctor and (with the employee's consent) to request a report from the employee's doctor.
- Outlining the role of any occupational health department or provision (if such exists) in developing proactive measures to support staff health and wellbeing.

- Including a provision for return to work interviews (identified as one of the most effective interventions to manage short-term absence).
- Including an indication of company intentions with regard to maintaining contact with sick employees and also to facilitating effective return to work strategies.

When seeking to manage absence levels care should be taken to avoid presenteeism, which refers to situations where individuals will feel pressured to attend work when they should not do so and to stay at work beyond their normal working hours. Common difficulties with effective return to work arrangements include a lack of consultation with employees, their trade union, HR staff and line managers; a lack of training in making work/job adjustments possible; and little or no budget allocations for such adaptations or return to work processes. It is often difficult to persuade other departments to absorb workers for whom special provision might be necessary or who have been out of the workforce for some considerable time. Wellness management is a topic beginning to emerge in organisations which includes a range of services, processes and facilities to promote good health. Benefits can result in resourcing, the psychological contract, duty of care and productivity aspects of HR activity.

**See also:** *behaviour management; counselling, coaching and mentoring; discipline and grievance; employee empowerment and engagement; incentive schemes; organisational culture; quality of working life and the psychological contract*

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# Assessment/ Development Centre

***A recruitment or development process using a series of tests, interviews, group and individual exercises that are scored by a team of assessors in order to evaluate candidates.***

The origins of assessment centres go back to the 1940s in the UK when they were used by War Office Selection Boards. They were developed because the then current officer selection system had resulted in a significant proportion of officers being subsequently rejected as unsuitable. The officer selection system at the time was based on interviews incorporating factors such as social and educational background, achievement in the “other ranks” (if candidates were already serving in the military), and exceptional smartness in appearance and presentation. The revised selection process involving the development of what would now be recognised as an assessment centre was based on the types of behaviour that a successful officer was considered to display. The tasks included leaderless group exercises, selection tests and individual interviews carried out by a senior officer, junior officer, and a psychiatrist. The proportion of officers being subsequently defined as unfit for duty dropped significantly as a result of the revised selection process.

The major strength of an assessment or development centre is that it allows for a broader range of relevant methods to be used in the recruitment or development process. It is claimed in the CIPD (2009) factsheet that assessment centres used as part of the recruitment and selection process allow the potential employee to experience a microcosm of the actual job that they have applied for; and that from the employer’s perspective these allow job behaviours to be displayed by candidates working both individually and in groups and to be assessed by a range of assessors. Interviews could also be used to assess existing performance and predict future job performance. Of course that implies that the assessment centre is designed to include such opportunities. It also implies that assessment centres would be specific to each job for which they are to be

used. As a development tool, such centres can be specifically designed to explore delicate behaviours in a range of job situations and to identify development needs as a consequence. The design of an assessment centre should reflect (according to the same CIPD factsheet):

- The ethos of the organisation.
- The actual skills required to carry out the job.
- Potential sources of recruits.
- The extent to which recruitment is devolved to line managers.
- The HR strategy.

It is also suggested that organisations undergoing significant change should seek to assess the learning capability in candidates (to deal with the consequences of the change process), whereas those organisations in a 'steady state' situation should assess existing skills and abilities (as these are of more immediate use and value). Centres which look for potential should also be designed and developed differently from those which are looking for current knowledge and skills. The essential design criteria of any assessment/development centre should include a consideration of issues such as:

- Duration of the centre (for example, one day might be insufficient for more senior posts).
- Content and mix of activities to be included in the particular centre.
- Location (for example, a real work environment or conference room-type surroundings, accessibility for any candidates with disabilities).
- Facilities available during the running of the centre (for example, the need for hotel accommodation and provision of meals).
- Number of candidates brought together (for example, five may be too few for comfort under observation and more than eight gives problems in sharing the assessed time).
- Candidate background and comparability of past experience.
- Number, mix, training and experience of assessors.

There will inevitably be two levels of desirable characteristics, competencies, and job behaviours that would be sought within any centre. These could be classified as either 'essential' or 'desirable' depending on their importance to the achievement of job performance and effectiveness. These should then be matched to techniques and tasks which can



test them. Depending on the nature of the job and the purpose of the centre, the tasks might include (either as individual or group activities): being able to act upon written and/or oral instructions; being able to produce written and/or oral reports of case-study recommendations/solutions; being able to undertake in-tray exercises, the analysis of (sometimes) complex financial, market or operational data, individual problem solving; leading or participating in group discussions and/or problem-solving exercises; engaging in tasks which reflect actual business or job activities; and participating in personal and/or functional role-play exercises. Exercises should be as realistic as possible, should identify clear outcomes or objectives, and also have a specified time-limit. Reasonable preparation time before exercises should be allowed. The exercises might be designed to encourage competitiveness or co-operation, and to test for creativity or building the building of consensus or building on the ideas of others in a productive manner.

Bradley and Povah (2006) identified four broad categories into which the most popular tools used within an assessment centre will fall:

- Interview-based processes and techniques.
- The use of application or nomination forms.
- Questionnaires, such as psychometric tests or 360-degree or self-perception appraisal-based forms.
- Assessment centre exercises or simulations, providing high face validity as they are designed to replicate the tasks involved in daily work relevant to the assessment centre. That might involve meetings, decision making, report writing, presentations, prioritising emails and other tasks, performance reviews, meetings with external clients, etc. The scoring of such tasks would need to be standardised and based on objective (behavioural) evidence of candidate capability – the assumption being that such measures provide a good indication of future potential.

It is often suggested that one assessor is necessary for every two candidates in order to ensure that adequate and effective candidate concentration, focus and scoring can be undertaken. It is also necessary to have relevant checklists of the competencies being sought through each activity to serve as score and/or comment sheets so that adequate records can be produced which, when completed by assessors, can form the basis of decision making and feedback. The scheduling of candidates through the various activities is also necessary to ensure that everyone knows where they should be at a certain time and what will be happening at every