

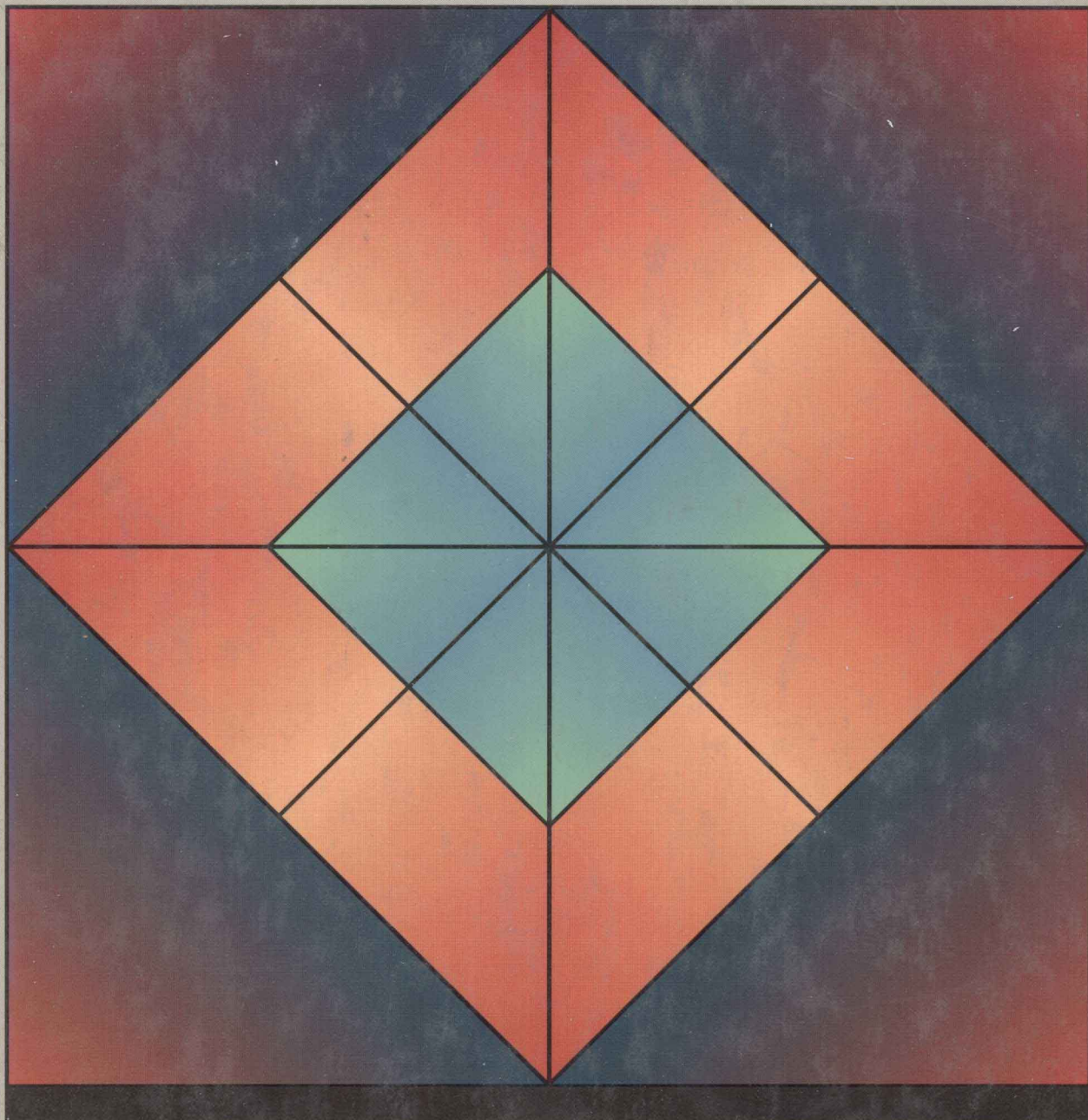
McGRAW-HILL SERIES  
IN MANAGEMENT



# *Managing Human Resources*

PRODUCTIVITY, QUALITY OF WORK LIFE, PROFITS

SECOND EDITION



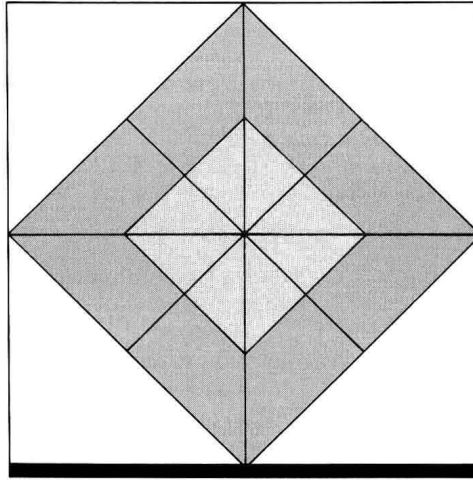
*Wayne F. Cascio*

# *Managing Human Resources*

**PRODUCTIVITY, QUALITY OF WORK LIFE, PROFITS**

---

**S E C O N D E D I T I O N**



*Wayne F. Cascio*

GRADUATE SCHOOL OF BUSINESS, UNIVERSITY OF COLORADO, DENVER

**McGRAW-HILL BOOK COMPANY**

New York St. Louis San Francisco Auckland Bogotá Caracas Colorado Springs  
Hamburg Lisbon London Madrid Mexico Milan Montreal New Delhi  
Oklahoma City Panama Paris San Juan São Paulo Singapore Sydney Tokyo Toronto

## MANAGING HUMAN RESOURCES: Productivity, Quality of Work Life, Profits

Copyright © 1989, 1986 by McGraw-Hill, Inc. All rights reserved.  
Printed in the United States of America. Except as permitted under the  
United States Copyright Act of 1976, no part of this publication may be  
reproduced or distributed in any form or by any means, or stored in a data  
base or retrieval system, without the prior written permission of the  
publisher.

2 3 4 5 6 7 8 9 0 D O C D O C 8 9 3 2 1 0 9

ISBN 0-07-010377-1

*This book was set in Century Expanded by J. M. Post Graphics, Corp. (CCU).  
The editors were Kathleen L. Loy and Linda Richmond; the designer was Joan  
Greenfield; the production supervisor was Denise L. Puryear.  
The drawings were done by Accurate Art, Inc.  
R. R. Donnelley & Sons Company was printer and binder.*

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

Cascio, Wayne F.

Managing human resources: productivity, quality of work life,  
profits/Wayne F. Cascio.—2nd ed.

p. cm.—(McGraw-Hill series in management)

Includes bibliographies and indexes.

ISBN 0-07-010377-1

1. Personnel management. I. Title. II. Series.

HF5549.C2975 1989

658.3—dc19

88-13353

*Managing Human Resources*  
*Productivity, Quality of Work Life, Profits*

**McGRAW-HILL SERIES IN MANAGEMENT**  
**Fred Luthans and Keith Davis, Consulting Editors**

ALLEN: The Management Profession  
ARNOLD and FELDMAN: Organizational Behavior  
BENTON: Supervision and Management  
BUCHELE: The Management of Business and Public Organizations  
CASCIO: Managing Human Resources: Productivity, Quality of Work Life, Profits  
CLELAND and KING: Management: A Systems Approach  
CLELAND and KING: Systems Analysis and Project Management  
DALE: Management: Theory and Practice  
DAVIS and NEWSTROM: Human Behavior at Work: Organizational Behavior  
DEL MAR: Operations and Industrial Management: Designing and Managing for Productivity  
DOBLER, LEE, and BURT: Purchasing and Materials Management: Text and Cases  
DUNN and RACHEL: Wage and Salary Administration: Total Compensation Systems  
FELDMAN and ARNOLD: Managing Individual and Group Behavior in Organizations  
FINCH, JONES, and LITTERER: Managing for Organizational Effectiveness: An Experiential Approach  
FLIPPO: Personnel Management  
FREDERICK, DAVIS, and POST: Business and Society: Management, Public Policy, Ethics  
GERLOFF: Organizational Theory and Design: A Strategic Approach for Management  
HAMPTON: Management  
HAMPTON: Inside Management: Readings from *Business Week*  
HICKS and GULLETT: Management  
HICKS and GULLETT: Modern Business Management: A Systems and Environmental Approach  
HICKS and GULLETT: Organizations: Theory and Behavior  
HODGETTS: Effective Supervision: A Practical Approach  
JAUCH and GLUECK: Business Policy and Strategic Management  
JAUCH and GLUECK: Strategic Management and Business Policy  
JAUCH and TOWNSEND: Cases in Strategic Management and Business Policy  
JOHNSON, KAST, and ROSENZWEIG: The Theory and Management of Systems  
KARLINS: The Human Use of Human Resources  
KAST and ROSENZWEIG: Experiential Exercises and Cases in Management  
KNUDSON, WOODWORTH, and BELL: Management: An Experiential Approach  
KOONTZ, O'DONNELL, and WEIHRICH: Essentials of Management  
KOONTZ and WEIHRICH: Management  
KOPELMAN: Managing Productivity in Organizations: A Practical, People-Oriented Perspective  
LEVIN, McLAUGHLIN, LAMONE, and KOTTAS: Production/Operations Management: Contemporary Policy for Managing Operating Systems



LUTHANS: Organizational Behavior  
LUTHANS and THOMPSON: Contemporary Readings in Organizational Behavior  
MCNICHOLS: Executive Policy and Strategic Planning  
MCNICHOLS: Policymaking and Executive Actions  
MAIER: Problem-Solving Discussions and Conferences: Leadership Methods and Skills  
MARGULIES and RAI: Conceptual Foundations of Organizational Development  
MAYER: Production and Operations Management  
MILES: Theories of Management: Implications for Organizational Behavior and Development  
MILES and SNOW: Organizational Strategy, Structure, and Process  
MILLS: Labor-Management Relations  
MITCHELL and LARSON: People in Organizations: An Introduction to Organizational Behavior  
MOLANDER: Responsive Capitalism: Case Studies in Corporate Social Conduct  
MONKS: Operations Management: Theory and Problems  
NEWTROM, REIF, and MONCZKA: A Contingency Approach to Management: Readings  
NEWTROM and DAVIS: Organizational Behavior: Readings and Exercises  
PARKER: The Dynamics of Supervision  
PEARCE and ROBINSON: Corporate Strategies: Readings from *Business Week*  
PORTER and MCKIBBIN: Management Education and Development: Drift or Thrust into the 21st Century?  
PRASOW and PETERS: Arbitration and Collective Bargaining: Conflict Resolution in Labor Relations  
QUICK and QUICK: Organizational Stress and Preventive Management  
REDDIN: Managerial Effectiveness  
RUE and HOLLAND: Strategic Management: Concepts and Experiences  
RUGMAN, LECRAW, and BOOTH: International Business: Firm and Environment  
SARTAIN and BAKER: The Supervisor and the Job  
SAYLES: Leadership: Managing in Real Organizations  
SAYLES: Leadership: What Effective Managers Really Do . . . and How They Do It  
SCHLESINGER, ECCLES, and GABARRO: Managing Behavior in Organizations: Text, Cases, and Readings  
SCHROEDER: Operations Management: Decision Making in the Operations Function  
SHARPLIN: Strategic Management  
SHORE: Operations Management  
STEERS and PORTER: Motivation and Work Behavior  
STEINHOFF and BURGESS: Small Business Management Fundamentals  
SUTERMEISTER: People and Productivity  
VANCE: Corporate Leadership: Boards, Directors, and Strategy  
WALKER: Human Resource Planning  
WEHRICH: Management Excellence: Productivity through MBO  
WERTHER and DAVIS: Human Resources and Personnel Management  
WOFFORD, GERLOFF, and CUMMINS: Organizational Communications: The Keystone to Managerial Effectiveness

*Also available from McGraw-Hill*

## **SCHAUM'S OUTLINE SERIES IN ACCOUNTING, BUSINESS & ECONOMICS**

*Each outline includes basic theory, definitions, and hundreds of solved problems and supplementary problems with answers.*

*Current List Includes:*

Accounting I, 3d edition	Financial Accounting
Accounting II, 2d edition	Intermediate Accounting I
Advanced Accounting	International Economics, 2d edition
Advanced Business Law	Macroeconomic Theory
Advertising	Managerial Accounting
Bookkeeping & Accounting	Managerial Finance
Introduction to Business	Marketing
Business Law	Mathematics for Economists
Business Mathematics	Mathematics of Finance
Introduction to Business Organization & Management	Microeconomic Theory, 2d edition
Business Statistics, 2d edition	Money and Banking
College Business Law	Operations Management
Contemporary Mathematics of Finance	Personal Finance & Consumer Economics
Cost Accounting I, 2d edition	Principles of Economics
Cost Accounting II	Quantitative Methods in Management
Development Economics	Statistics and Econometrics
	Tax Accounting

---

**AVAILABLE AT YOUR COLLEGE BOOKSTORE**

## *About the Author*

Wayne F. Cascio earned his B.A. degree from Holy Cross College in 1968, his M.A. degree from Emory University in 1969, and his Ph.D. in industrial/organizational psychology from the University of Rochester in 1973. Since that time he has taught at Florida International University, the University of California-Berkeley, and the University of Colorado-Denver, where he is at present Professor of Management and Organization.

Professor Cascio is a Fellow of the American Psychological Association, a Diplomate in industrial/organizational psychology of the American Board of Professional Psychology, and a member of the Editorial Boards of *Human Performance* and the *Academy of Management Review*. He has consulted with a wide variety of organizations in both the public and private sectors on personnel matters, and periodically he testifies as an expert witness in employment discrimination cases. Professor Cascio is an active researcher and is the author of four books on human resource management.



To Dorothy and Joey,  
*the choicest blessings life has provided; constant reminders of what really counts.*

# Preface

This book was not written for aspiring personnel specialists. It was written for the student of general management whose job inevitably will involve responsibility for managing *people*, along with other organizational assets. A fundamental assumption, then, is that all managers are accountable to their organizations in terms of the impact of their human resource management (HRM) activities. They also are accountable to their peers and to their subordinates in terms of the quality of work life they are providing.

As a unifying theme for the text, there is explicit linkage in each chapter of the three outcome variables—productivity, quality of work life, and profit—to the HRM activity under discussion. This relationship should strengthen the student's perception of HRM as an important function affecting individuals, organizations, and society.

Each of the six parts that comprise the text includes a figure that illustrates the organizing framework for the book. The specific topics covered in each part are highlighted for emphasis.

Each chapter incorporates the following distinguishing features:

- A split-sequential case. Events in the case are designed to sensitize the reader to the subject matter of the chapter. The events lead to a climax, but then the case stops—like a two-part television drama. The reader is asked to predict what will happen next and to anticipate the impact of alternative courses of action. The case is followed by a new section entitled “What’s Ahead.” This section shows how the case ties in with the material to be presented and what the flow of topics in the chapter will be. Then the text for the chapter appears, replete with concepts, theories, research findings, and company examples that illustrate current practices. Ultimately we are trying to teach prospective managers to *make decisions* based on

accurate diagnoses of situations that involve HRM issues. Their ability to do this is enhanced by familiarity with theory, research, and practice.

At the end of the chapter we continue the case introduced at the outset, to see what happened. This dynamic design allows the student to move back and forth from concept to evidence to practice—then back to evaluating concepts—in a continuous “learning loop.”

- Relevant research findings plus clippings from the popular press (Company Examples) provide real world applications of concepts and theories. It has often been said that experience is a hard teacher because it gives the test first and the lessons afterward. Actual company examples allow the student to learn from the experience of others.
- Near the end of the chapter, before the summary and discussion questions, there is a section called “Tomorrow’s Forecast,” which looks ahead to emerging trends in each area of HRM.

Above all, I have tried to make the text readable, neither too simplistic nor too complex.

### *New topics in the second edition*

- International applications are interwoven throughout every chapter, and, as in the first edition, they also comprise a special chapter (Chapter 17).
- The changing nature of the competitive business environment, and the role and contribution of human resources in that environment (Chapter 1).
- Top management’s view of the strategic use of the HR department (Chapter 2).
- 1986 Immigration and Control Act, amendments to the Age Discrimination in Employment Act, and major new rulings by the Supreme Court on affirmative action (Chapter 3).
- New approaches to job design, including telecommuting (Chapter 4).
- Impact of downsizings and restructurings on internal labor markets and human resource planning (Chapter 5).
- Use of computers in recruitment, video résumés, drug screening, and honesty tests (Chapter 6).
- Company examples that illustrate the economic impact of training, plus the plight of displaced workers and corporate social responsibility for retraining them. In short, the economic as well as the human sides of training are presented (Chapter 7).
- Discussion of the “new breed” of chief executive officers, changes in the jobs of middle- and lower-level managers, and cumulative evidence on the relative effectiveness of alternative management development methods (Chapter 8).
- Updated information about the legal implications of performance appraisal systems, court-recommended safeguards against bias in appraisal, computer monitoring of job performance, and guidelines for managing “problem bosses” is presented (Chapter 9).

- The impact of mergers, acquisitions, and downsizing on corporate loyalty, mentoring for women and minorities, and updated research on myths versus facts about older workers (Chapter 10).
- The concept of “flexible pay”—putting more of one’s pay at risk—is examined, as are the implications of COBRA, cost-shifting of health-care expenses from the government to the private sector, and the impact of the 1986 Tax Reform Act on benefits (Chapter 11).
- Revised treatment of long-term incentives, in light of the 1986 Tax Reform Act, and company examples to illustrate (1) how long-term incentives are being tied to business strategy, (2) performance-linked pay plans for lower-level workers, and (3) union attitudes toward incentive plans (Chapter 12).
- The effect of mergers and acquisitions on labor relations is explored, as are local versus international union conflicts, management’s social responsibility to workers affected by plant shutdowns, and survival tactics of unions—mergers and corporate campaigns (Chapter 13).
- Power tactics by labor (e.g., in-plant slowdowns, “top-down” organizing) and management (e.g., plant-level bargaining, operating through strikes) are discussed in the context of an internationally competitive business environment. Expanded coverage of nonunion grievance procedures and employment-at-will (Chapter 14).
- Examination of job safety and health issues, domestic and abroad, from two perspectives: (1) management’s concern with the costs and benefits of job safety and health measures and (2) labor’s demand for ethical, socially responsible treatment by management of job safety and health issues. Also new: “right-to-know” rules in the chemical industry, and AIDS and business (Chapter 15).
- Updated treatment of procedures that can be used to determine the costs and benefits of employee absenteeism, turnover, selection, training, and employee assistance programs. Also, the growing use of attitude surveys in personnel research, particularly after mergers and acquisitions (Chapter 16).
- Coverage of the key differences between domestic and international HRM operations in each of the topical areas covered previously. Also, new impact of the 1986 Tax Reform Act on overseas compensation and impact of the Organization for Economic Cooperation and Development (OECD) guidelines regarding codes of conduct for multinational corporations (Chapter 17).

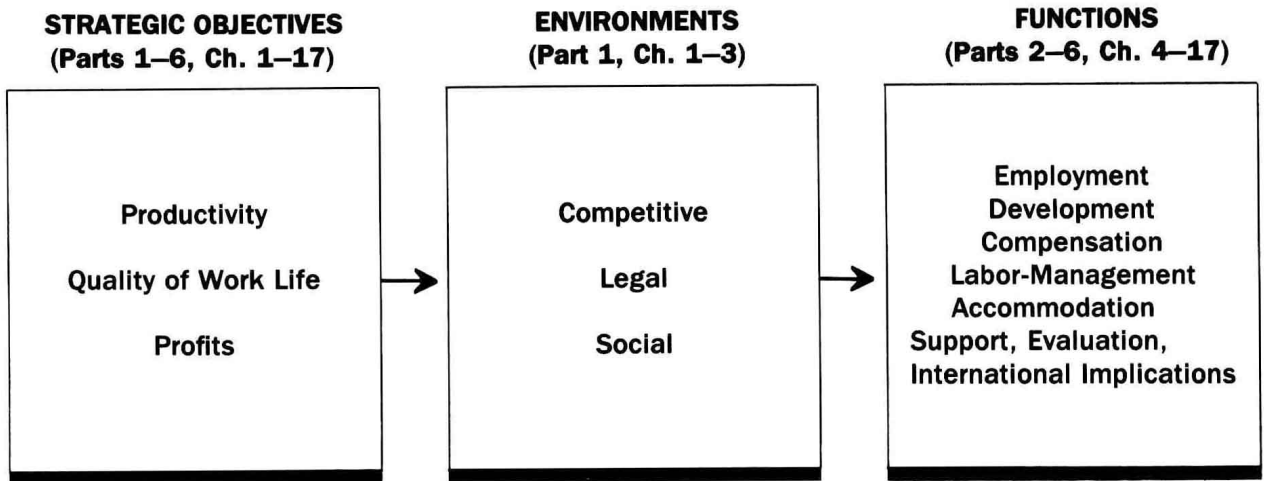
### *Organization and plan of the book*

The figure on the next page provides an organizing framework for the book. It will appear again at the opening of each of the six parts that comprise the book. Each component of the organizing framework will be highlighted for the student as it is discussed. The organization of the parts is designed to reflect the fact that human resource management (HRM) is an integrated, goal-directed set of functions, not just a collection of techniques.

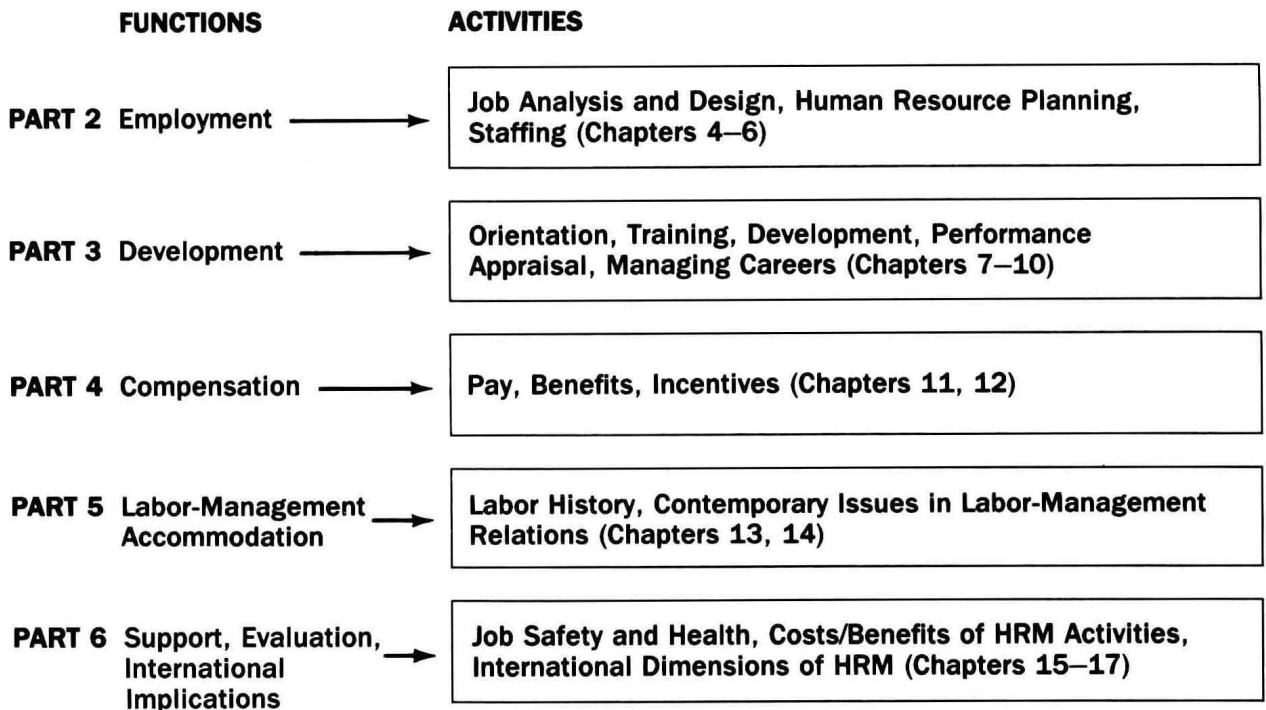
---

**A Conceptual View of Human Resource Management:  
Strategic Objectives, Environments, Functions**

---



**Relationship of HRM Functions to HRM Activities**



The text is founded on the premise that three critical strategic objectives guide all HRM functions: productivity, quality of work life, and profits. The functions (employment; development; compensation; labor-management accommodation; and support, evaluation, and international implications) in turn are carried out in the context of multiple environments: competitive, legal, and social.

Part 1, Environment, comprises Chapters 1, 2, and 3. It provides the backdrop against which to appreciate the nature and content of each HRM function. These first three chapters paint a broad picture of the competitive, legal, and social environments of HRM. They also describe key economic and noneconomic factors that affect productivity, quality of work life, and profits. The remaining five parts (14 chapters) in the book are presented in the context of this conceptual framework.

Logically, Employment (Part 2) is the first step in the HRM process. Job analysis and design, human resource planning, and staffing are key components of the employment process. Once employees are “on board,” the process of Development (Part 3) begins with orientation and is sustained through continuing training, performance appraisal, and career management activities.

Parts 4, 5, and 6 are all concurrent processes. That is, Compensation (Part 4), Labor-Management Accommodation (Part 5), and Support, Evaluation, and International Implications (Part 6) are all closely intertwined conceptually and in practice. They represent a network of interacting activities, such that a change in one of them (e.g., a new pay system or collective bargaining contract) inevitably will have an impact on all other components of the HRM system. It is only for ease of exposition that they are considered separately in Parts 4, 5, and 6. Chapter 17 of Part 6, International Dimensions of HRM, is a capstone chapter. That is, each of the topics we considered throughout the book is addressed in the special context of international business practices. It forces the student to consider the broad spectrum of HR activities across countries, across cultures, and across economic systems. The need to “fit” HRM practices to the company and country cultures in which they are imbedded, in order to achieve the strategic objectives of enhancing productivity, quality of work life, and profits, is an important concept for students to understand and to apply.

### *Acknowledgments*

Many people played important roles in the development of the first and second editions of this book, and I am deeply grateful to them. Ultimately, of course, any errors of omission or commission are mine, and I bear responsibility for them. I wrote the second edition while on sabbatical leave at the Industrial Research Unit of the Wharton School, University of Pennsylvania. Wharton provided a rich, intellectually stimulating atmosphere in which to work, while the extensive holdings of the IRU and Wharton libraries allowed me to draw



upon a vast collection of information. I am particularly grateful for the support of Dr. Richard Rowan—advisor and friend—throughout this project.

Three people at McGraw-Hill were especially helpful. Kathleen Loy and Mike Morales provided continual support and encouragement. As in the first edition, I found Mike Elia's help to be indispensable. Finally, the many reviewers of various portions of the first and second editions provided important insights that helped to improve the final product. They deserve special thanks.

Eileen Kelly Aranda, Ph.D.  
Arizona State University  
Professor Brian Becker  
SUNY, Buffalo  
Professor Randall De Simone  
University of Rhode Island  
Professor Russell W. Driver  
The University of Oklahoma  
Professor Donald Drost  
Mankato State University  
Professor Robert H. Faley  
Purdue University  
Professor Charles Fombrun  
The Wharton School  
University of Pennsylvania  
Professor Robert Gatewood  
The University of Georgia  
Professor Jai Ghorpade  
San Diego State University  
Professor Joyce B. Giglioni  
Mississippi State University  
Professor Michael Harris  
Purdue University  
Professor Stephen W. Hartman  
New York Institute of Technology  
Professor David Hegedus  
University of Wisconsin, Oshkosh  
Professor Peter Hess  
Western New England College  
Professor Wallace R. Johnston  
Virginia Commonwealth University  
Professor James W. Klingler  
Villanova University

Professor John Koziell  
Merrimack College  
Professor Janina C. Latack  
The Ohio State University,  
Columbus  
Professor Richard Lester  
University of Northern Alabama  
Professor Kathryn Lewis  
California State University, Chico  
Professor Fred Luthans  
University of Nebraska, Lincoln  
Professor Gregory Northcraft  
University of Arizona  
Professor Len Rico  
The Wharton School  
University of Pennsylvania  
Professor Sara Rynes  
Cornell University  
Professor Lee Stepina  
Florida State University  
Professor Cary D. Thorp, Jr.  
University of Nebraska, Lincoln  
Professor Nan Weiner  
The Ohio State University,  
Columbus  
Professor Arthur A. Whatley  
New Mexico State University, Las  
Cruces  
Professor Kenneth York  
Oakland University

*Wayne F. Cascio*

*Managing Human Resources*  
*Productivity, Quality of Work Life, Profits*

# Contents

## PREFACE

xxix

### PART ONE

### *Environment*

#### *Chapter 1*

#### *Human Resources in a Competitive Business Environment*

3

#### Case 1-1: Changes in the making and buying of cars

3

#### What's Ahead

5

#### Lesson Number One: People (and Generations) Are Different

5

#### The Changing Norms of American Life

6

#### Organizations: Why Do They Exist and How Do They Work?

8

#### Organizations Need People, and People Need Organizations

10

Demand for productive, efficient use of all resources • Consumer demand for goods and services • Global economic competition • Societal expectations • Striving for the “good life”

#### Productivity: What Is It?

13

#### Productivity Measurement

16

#### White-collar productivity

#### Productivity: What Ails It?

18

#### The Quality of Management

20

#### The Government's Role in Productivity Decline

21

#### Short-Run Planning

21

#### Paper Entrepreneurs

22

#### Lessons We Have Learned

23

#### Quality of Work Life: What Is It?

24

#### Components of Quality of Work Life

25

xi