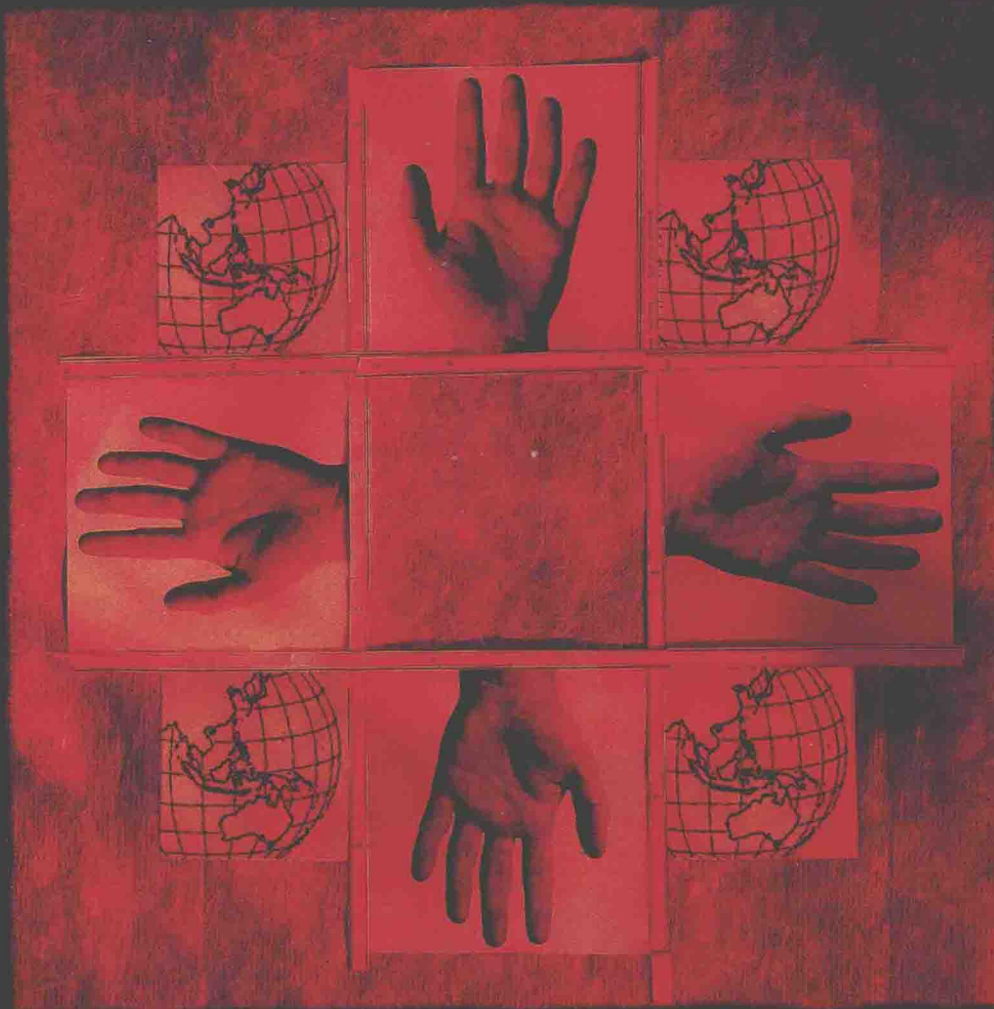# HUMAN RESOURCE MANAGEMENT

FOURTH EDITION

RAYMOND J. STONE

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John Wiley & Sons Australia, Ltd

To
Law King Han

To the memory of
Douglas McManus
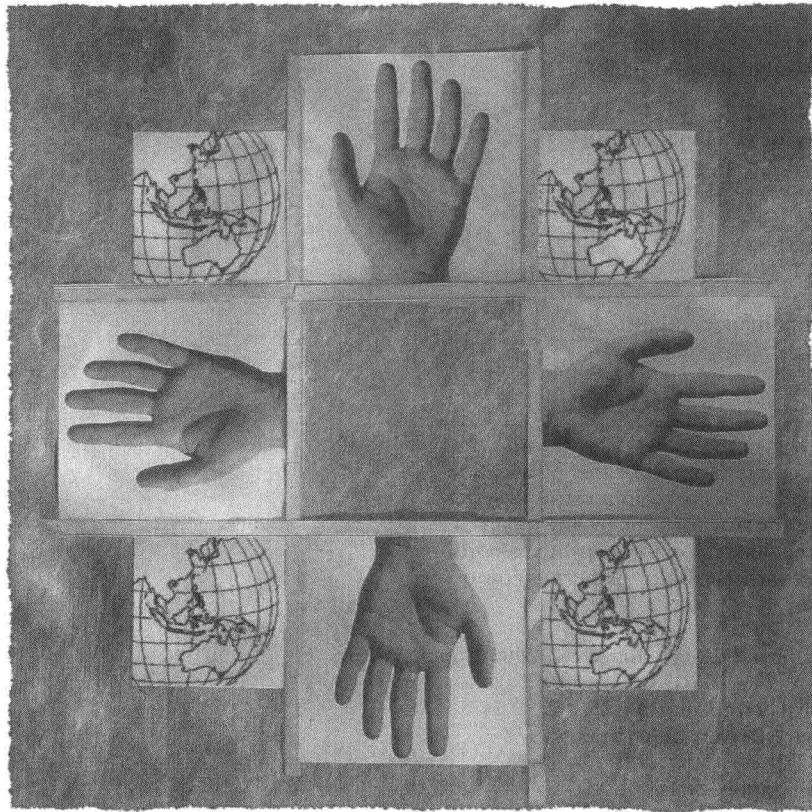*'One of Port's finest'*

PREFACE

The fourth edition of *Human Resource Management* emphasises a pragmatic approach to the study of human resource management. Common themes running through the book include the linking of HRM to organisational strategic business objectives; HRM's potential to contribute to organisational success and employee wellbeing; the commonality of interests existing between employers and employees; the globalisation of business; and the need for Australian organisations to become internationally competitive.

Every chapter from the third edition has been extensively revised. In addition, there are new chapters dealing with international human resource management and the management of international assignments. Each chapter has added questions and exercises (including Web exercises). The diagnostic model has been revised to provide a more comprehensive means for assessing environmental influences on HRM, demonstrating the link between strategic business objectives and HRM activities and measuring HRM performance.

The chapter material, diagnostic model, review questions, experiential exercises and cases are designed to promote discussions and practical application. Australian and Asian source material, news items, examples and cases have been used extensively to reflect Australia's changing circumstances and to increase the relevance for students and practitioners alike. Objectives are given at the beginning of each chapter. Each chapter ends with a summary, a list of key terms to know, review questions, a diagnostic model exercise, a 'What's your view?' question, a newsbreak exercise, a soapbox survey, an online exercise, an ethical dilemma question, a short case study, practical exercises, online references, suggestions for further reading and end notes. The suggestions for further reading are specifically linked to standard Australian and Asian texts. There is also an extended case study at the end of each part.

The text has been divided into seven parts. Part 1 deals with the context of human resource management including strategic HRM, HR planning, HR information systems and HRM and the law. Part 2 emphasises the importance of meeting the organisation's people requirements through job analysis, job design and the quality of work life, employee recruitment and selection. Part 3 deals with the development of human resources through human resource development, career planning and development, performance appraisal and performance management. Part 4 focuses on employee motivation, compensation, incentives and benefits. Part 5 is concerned with industrial relations, the management of change and workplace relations, negotiating in the workplace and employee health and safety. Part 6 contains chapters on international human resource management and managing international assignments. The concluding section, Part 7, deals with the assessment of human resource management.

Raymond J. Stone

ACKNOWLEDGEMENTS

ABOUT THE CONTRIBUTORS

Chapter 4 was written by Joe Catanzariti, BA, LLB (NSW). Catanzariti is a partner with the national law firm Clayton Utz. He is currently the Secretary of the Industrial Relations Society of Australia and is a counsellor of the New South Wales Law Society. He is a regular contributor to the *Weekend Australian*'s human resources pages and to the *Law Society Journal*.

The original text for chapter 13 was prepared by Graham O'Neill, BA (Hons) (Tasmania), Dip. App. Psych. (Adelaide), FAHRI, MAPS, MACA, Director of Operations, Melbourne, The HayGroup. O'Neill is Editor in Chief of the John Libby and Co. bi-monthly *Reward Management Bulletin*, has edited several books on compensation and human resources and is a frequent commentator and contributor to professional journals on remuneration and HR issues.

Chapter 19 was written by Dr Maureen Fastenau, Senior Lecturer in Management at RMIT University, Australia. Dr Fastenau practised for a number of years as a manager of EEO and AA programs, and continues to consult to private and public sector organisations in EEO, AA, diversity management, and sexual and racial harassment as well as to research in these areas. Dr Fastenau was until recently the EEO columnist for *HR Monthly*, the professional journal of the AHRI, and is the founding editor of the *International Employment Relations Review*.

Human Resource Management, 4th edition, has been designed with you, the student, in mind. The design is our attempt to provide you with a book that both communicates the subject matter and facilitates learning. We have tried to accomplish these goals through the following elements.

Newsbreaks are published articles on issues relating to HRM and are drawn from Australian and Asian newspapers. They are linked to an end-of-chapter exercise.

CHAPTER 13

INCENTIVE COMPENSATION[1]

LEARNING OBJECTIVES

When you have finished studying this chapter, you should be able to:

- Explain the concept of incentive compensation and why its use is spreading
- Identify the key objectives of incentive compensation plans
- Describe the major types of incentive pay systems and their advantages and disadvantages
- Understand the role of incentive pay in the overall context of employee rewards

The original text for this chapter was written by Graham O'Neill, Director of Operations, The HayGroup, Melbourne

'Few things are as unfair as the equal treatment of unequals.'[2]

Learning objectives provide succinct information about the expected measurable student outcomes after reading each chapter.

newsbreak

IT'S AN ILL TIME FOR THE INSECURE
BY STEPHEN LONG

Unemployment makes you sick. Since the Great Depression, numerous studies have documented the profound psychological costs of joblessness. What's less well-known is the way that living with job insecurity and working in a poor-quality job can undermine your health and well-being.

Yet the results of a large body of medical research are compelling: job insecurity is bad for you.

Over the past two years, Philip Bohle, Michael Quinlan and Claire Mayhew from the University of NSW have scanned the published medical and epidemiological research for studies on the health effects of job insecurity.

Given how little public comment this subject has elicited, what they found is extraordinary.

Of 59 usable studies, some 90 per cent found that job insecurity was associated with measurably worse occupational health and safety outcomes.

'Such a decisive set of results is unusual in any review of a large body of literature', Bohle, Quinlan and Mayhew say.

The health impacts linked to job insecurity were wide-ranging: increased blood pressure,

cardiovascular disease, higher injury rates and psychological distress, to name a few.

And the breadth of the studies lends credence to the findings. They were made in 11 countries and covered a wide range of industries, including the public sector, health care, manufacturing, transport, telecommunications, retailing, media, mining and financial services.

It's sobering news as the trends towards casual employment, contracting out and labour hire have made work much more precarious for so many.

The evidence that insecure and precarious work can be bad for your health raises big policy questions.

According to many economists, enacting laws such as prohibitions on unfair dismissal to boost employees' job security can increase the costs of employment and deter job creation.

The so-called 'diabolical trade-off' between benefits and protections for the employed and higher costs of unemployment is sometimes described as policy rewarding 'insiders' at the expense of 'outsiders'.

Given the strong evidence that it's not just joblessness but job insecurity that affects people's health adversely, the issues are not so simple.

Perhaps society needs a broader approach that looks at the quality of jobs, and not just unemployment, because a broader group is at risk.

These include people in precarious casual jobs; people caught up in repeated waves of downsizing; and the thousands of people who rotate between short-term casual jobs and unemployment.

'While unemployment has serious health consequences, insecure jobs, too, have negative effects on workers' health and well-being. Even if the health effects of unemployment are more severe – and this is yet to be demonstrated – policy makers need to recognise a more complex set of trade-offs', Bohle, Quinlan and Mayhew argue.

'Since job insecurity affects a large and growing component of the workforce, this represents a major but largely hidden cost to the community.'

SOURCE: *Australian Financial Review,* 16 May 2001, p. 55.

letter to the editor

This letter to the editor provides a provocative viewpoint. Do you agree? See 'What's Your View?' at the end of the chapter.

EMPLOYERS DON'T REGARD MBAs TO BE OF MUCH VALUE

Dear Editor,

I am writing to see if any of your readers can assist me with some career advice.

Several years ago, I completed a double degree in science and [...] major metropolitan university. Since then, I have [...] [profess]or at a medium-sized manufacturing company in [...] Melbourne. While the position is a good one, I [...] advance my career by undertaking postgraduate [...] I am beset by conflicting views about the value [...] MBA.

[Col]leagues believe that enrolling in an MBA is [an] exercise in futility. They argue that MBAs vary [in qual]ity that employers cannot pick the good ones [and t]hey also state that it is doubtful whether I [...] costs of undertaking an MBA. My research indi[cates the] cost of MBAs in Australia varies from around [less t]han $40 000. Another argument put by these col[leagues is that] MBAs are the outcome of 'credentialism' in our [society.] MBAs are merely the contemporary equivalent of [a deg]ree in days gone by. They state that the aca[demic] qualification. I am also a little con[cerned that the subjects in an MBA would merely be a rehash of those completed in my undergraduate business degree.

Other colleagues, particularly those who have an MBA, put a different position. Their view is that it doesn't matter that there may be overlap between my undergraduate degree and an MBA, since the fact is that people like me need an MBA to at least match the CVs of competitors for senior positions at this company and at other organisations. In any event, they say that I will be exposed to a range of new management theories and concepts that have been developed since my undergraduate days. They also argue that the opportunities for networking with faculty and fellow students at the more prestigious business schools may prove invaluable in building my career over the longer term.

One day, I find the arguments of the anti-MBA colleagues convincing. The next, I find that I'm motivated by my MBA-holding colleagues to phone the leading MBA schools for information and application forms. Who is right? What should I do?

An anxious junior manager

SOURCE: David Poole, University of Western Sydney.

The **Letter to the Editor** is a provocative viewpoint about one of the issues within the chapter. It is linked to an end-of-chapter exercise.

	YES	NO
1. Domestic violence is none of a company's business.	☐ YES	☐ NO
2. Some employees are accident-prone.	☐ YES	☐ NO
3. Smoking should be banned in the workplace.	☐ YES	☐ NO
4. An employee's unhealthy lifestyle is none of the company's business.	☐ YES	☐ NO
5. Health and safety is the responsibility of the company and not the individual worker.	☐ YES	☐ NO
6. Prosecuting managers is the best way to improve a company's health and safety performance.	☐ YES	☐ NO

ONLINE EXERCISE

Using the Web, conduct a search for information on one of the following topics: shiftwork, air rage, AIDS in the workplace, economy class syndrome, substance abuse in the workplace or bullying in the workplace. Report your findings in 500–750 words and include the Web addresses that you found useful.

ETHICAL DILEMMA

THE BATTERED WIFE

A worried Sylvia Flegeltaub, Senior Production Supervisor, Golden Electronics Ltd, tells you that one of her best assembly workers, Helen King, has come to work late covered in cuts and bruises. Sylvia says this is the fourth time that this has happened. She says she suspects that Helen's husband is beating her. Sylvia says that when she approached her, Helen just looked at her, burst into tears and ran to the restroom.

DISCUSSION QUESTIONS

1. As HR manager, what would you do?
2. Is domestic violence a private matter and therefore none of the company's business? Justify your answer.
3. What ethical issues, if any, are raised in this case?

Ethical dilemmas are written in the style of a case study and provide situations in which ethical issues are raised.

TERMS TO KNOW

base salary (p. 774)
cost-of-living allowance (COLA) (p. 774)
culture shock (p. 770)
expatriate (p. 759)
expatriate packages (p. 774)

foreign service premium (p. 774)
hardship allowance (p. 774)
home-country national (p. 759)
host-country national (p. 759)
local nationals (p. 759)
orientation (p. 769)

re-entry (p. 773)
repatriation (p. 771)
tax equalisation (p. 775)
tax protection (p. 775)
third-country national (p. 759)

Terms to know are bolded in the text at first mention and are defined in the margin, as well as in the glossary at the end of the book.

REVIEW QUESTIONS

1. How would you select and prepare a manager for an international assignment?
2. Which should take priority in expatriate selection — the host country's EEO policies and practices or Australian EEO policies and practices? Why?
3. How would you establish an international compensation and benefit program for your organisation?
4. What is culture shock? When does it occur? What can be done to reduce its negative effects?
5. Many overseas postings fail because the spouse cannot cope with a different culture. How would you plan to minimise the chances of this happening?
6. How would you prepare an Australian employee for an assignment to Shanghai? How would you prepare a mainland Chinese employee for an assignment to Sydney?
7. What special challenges could face expatriates and their families when transferred to the following places?

(a) Auckland
(b) Bangkok
(c) Beijing
(d) Ho Chi Min City (Saigon)
(e) Hong Kong
(f) Jakarta
(g) Kuala Lumpur
(h) London
(i) New York
(j) Port Moresby
(k) Shanghai
(l) Singapore
(m) Sydney
(n) Taipei
(o) Tokyo

8. What are the main differences in selection for a domestic and international assignment?
9. What are the major issues that an organisation should consider before repatriating an expatriate?
10. What problems could a dual-career couple face when one partner is offered an overseas assignment?

Review questions are tied closely to the content of the chapter, which allows for self-evaluation.

DIAGNOSTIC MODEL

1. Identify and discuss the key influences from the diagnostic model (figure 1.11 on page 26) that have significance for managing international assignments.
2. Explain the impact of establishing operations in China or Japan on the acquisition, development, reward and motivation, maintenance and departure of an organisation's human resources.
3. Discuss the possible impact of having expatriate employees on commitment, competence, cost-effectiveness, congruence, adaptability, performance, job satisfaction, employee motivation and trust.

CHAPTER 21 MAN...

The **diagnostic model** is provided in chapter 1 and is used as the basis for end-of-chapter questions throughout the book.

NEWSBREAK EXERCISE

Read the newsbreak 'Workers want a high-tech edge' ... members/work colleagues on their use of the compute... the Internet, etc.) and their feelings about being offere... nominal charge by their employer. Discuss your finding...

SOAPBOX

What do you think? Conduct a mini survey of class members, using the questionnaire below. Critically discuss the findings.

	YES	NO
1. Managers should be able to access their subordinates' email.	YES	NO
2. It is ethical for an employee to surf the Internet during working hours.	YES	NO
3. Line managers should have unlimited access to their subordinates' personnel files.	YES	NO
4. The company should be legally responsible for all internal and external email communications by employees.	YES	NO
5. It is okay to use company email for personal communications.	YES	NO
6. Employee information entered into the HRIS is company property for the organisation to use as it wants.	YES	NO

Soapbox provides material for a class survey based on the content of each chapter.

ONLINE EXERCISE

Using the Web, conduct a search for information on commercially available HRIS programs. Prepare an executive briefing paper (1000 words) describing one system, the vendor and purchasing details, examples of companies using the system and your evaluation of the system. Include the Web addresses you have accessed in your report.

ETHICAL DILEMMA

WHOSE EMAIL?

Carol Holstein's face was flushed as she burst into the office of Leo Vitberg, HR Manager for Oz International Ltd. 'It's an invasion of my privacy!' That nosy Peter Kizilos has been reading my email. He has read all
...about
...ns the
...s their
...great,

DISCUSSION QUESTIONS

1. If you were Georgopoulos, what would you do? Why?
2. What issues are raised by the General Manager's decision?
3. If you were the union representative, how would you justify the use of the 'last on, first off' principle?
4. What other issues could arise after it is announced that Wu, and not Spanos, is to be retrenched?
5. What ethical issues, if any, are raised in this case?

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CASE STUDY

VITO'S PIZZA PARLOUR

Located near the central business district, Vito's Pizza Parlour is a popular eating house. It opens for lunch daily at noon and closes in the early hours of the morning. The restaurant is owned by Vito Ingrassia. Family members make up the core of the full-time employees, with students and 'second jobbers' taking up the casual and part-time positions. In all, there are 23 workers. The staff are all non-union. Turnover among the non-family members is extremely high, with 90 per cent of part-time and casual employees having less than six months of service.

Business is always hectic, particularly so on Friday and Saturday nights. On these nights the restaurant is filled to capacity and does not close until 3.00 a.m. Individual waiters are responsible for four tables, each seating four to six people. On a busy night each table can turn over as often as 12 times. As a result, the staff work extremely hard.

Evening, part-time and casual staff are given a free meal before they start at 6.00 p.m. They are not able to take another scheduled break until the restaurant closes. At that time, they are provided with coffee, wine and a pizza. Non-family members are paid award rates of pay. All tips have to be placed in a box and are split 50/50 between Vito and the staff.

Given the pressure of work, tempers are often frayed. Consequently, the atmosphere is regarded as stressful and many employees quit after just one or two nights. In addition, Vito publicly disciplines employees when he is in a bad mood or if he does not like an individual waiter. Employees are expected to do as they are told and not to question Vito (or any orders given by a family member). This often creates confusion when a family member instructs an employee to do something that Vito later does not agree with.

One thing that particularly upsets employees is Vito's practice of openly counting the night's takings and boasting how much money he has made. As each waiter serves in excess of 200 customers on a really busy night and average expenditure is $30 per head, the waiters quickly become dissatisfied with their pay. After one very hectic night, Tony Cicchetti, a Western University business administration student, tried to discuss his pay with Vito. Vito, furious at the insubordination, fired Tony on the spot.

DISCUSSION QUESTIONS

1. What employee needs are not being satisfied?
2. If you were Tony, what would you do now?
3. As a union organiser, what would you do? How would you approach Vito? What would you say to the casual and part-time staff?
4. As an HRM specialist, what recommendations would you make to Vito? How would you convince Vito to adopt your recommendations?

CHAPTER 14 MANAGING CHANGE AND WORKPLACE RELATIONS 603

PART THREE CASE STUDY

David Ripley, University of Canterbury, New Zealand

A CHANGE IN APROACH

Normally one of the fastest and most accurate machinists, John was falling behind and had several rejects. His performance appraisal discussion was scheduled for early afternoon and he was concerned about his rating. Jody, his friend in the next position on the line, knew what was going on. She said, 'Come on John, you look like you're going to your execution.'

'I might as well be', groused John. 'Gloria always seems to come up with something I'm not expecting as a reason for marking me down.'

At 1.00 p.m. John went into Gloria's office. She was seated behind her desk, working on some papers ...down.

...take long', she said. 'John', she began, 'you've been with us three years ...at the highest standard. However, your quality of work just hasn't been ...eone with your experience, so I can't rate you any higher than average. ...u're going to have to improve your quality.' She paused. 'Any questions?' ...in, you told me I had to focus on getting the product out and that's ...sure I'm one of the more accurate machinists. I don't understand.' ...product out', said Gloria, 'but it goes without saying it has to be high ...you can't understand that, I don't know how I can make it any clearer.' ...her chair, indicating the meeting was over. 'John', she said, smiling. 'I'm ...to it, you can produce the level of performance I'm looking for.' Thanks

...ating another performance discussion. He was working smoothly and

...at', she said in mock surprise, 'no panic attack over your performance

...makes a difference when you at least have a clue what to expect. I filled out my form last night and feel comfortable that I can support my self-rating. Hopefully, my coach and supports will agree.'

'Well, at least it's not Gloria and the bad old days', Jody said, and they both laughed.

At 1.00 p.m., John went into his performance development and review session in the conference room. Max, the coach John had selected, was there, with the two employees he had selected to provide him with feedback (supports). These were Jody and Marlene from the downstream team that received John's work. The four people sat down at a table and each produced a team member performance survey.

Max kicked off the meeting. 'John, we'll focus first on your current operational performance and your team behaviours. Your baseline criteria are your specific assignment responsibilities and your key performance indicators, both taken from your role agreement. Then Jody and Marlene can get back to work while you and I take a look at an appropriate development plan for you to cover in the next six months. And remember', he added with a smile, 'you picked us, so you're stuck with us.'

The group then discussed John's performance. John spoke first, giving his self-assessment of the operational performance categories relating to efficiency, quality and improvement ideas. Each of the others in turn provided their feedback in these areas. The group then followed the same process in discussing John's team behaviours in the areas of open and honest feedback, encouraging and supporting others, and active participation in team/company tasks. Examples were provided and there was an opportunity for clarifying questions. While John didn't agree totally with everyone's comments, he had recently participated in the Communicating With Confidence introductory training program and this helped him to listen closely and not react defensively.

The **end-of-part case studies** are designed to provide 'real-life' situations, allowing you to analyse the issues raised in each part.

PART 3 CASE STUDY 391

Each **chapter case study** supports questions that allow you to apply the concepts and theories learnt in the chapter.

BRIEF CONTENTS

CONTENTS