

Fort Hays State University

## FHSU Scholars Repository

---

Management Open Educational Resources

Management

---

2021

### The History of Human Resources in the United States: A Primer on Modern Practice

Robert Lloyd

Fort Hays State University, [ralloyd@fhsu.edu](mailto:ralloyd@fhsu.edu)

Wayne Aho

Western Carolina University, [waho@wcu.edu](mailto:waho@wcu.edu)

Follow this and additional works at: [https://scholars.fhsu.edu/management\\_oer](https://scholars.fhsu.edu/management_oer)



Part of the [Human Resources Management Commons](#)

---

#### Recommended Citation

Lloyd, Robert and Aho, Wayne, "The History of Human Resources in the United States: A Primer on Modern Practice" (2021). *Management Open Educational Resources*. 2.

DOI: 10.58809/MRPT1621

Available at: [https://scholars.fhsu.edu/management\\_oer/2](https://scholars.fhsu.edu/management_oer/2)

This Book is brought to you for free and open access by the Management at FHSU Scholars Repository. It has been accepted for inclusion in Management Open Educational Resources by an authorized administrator of FHSU Scholars Repository. For more information, please contact [ScholarsRepository@fhsu.edu](mailto:ScholarsRepository@fhsu.edu).

THE HISTORY OF HUMAN  
RESOURCES IN THE UNITED  
STATES: A PRIMER ON MODERN  
PRACTICE



THE HISTORY OF HUMAN  
RESOURCES IN THE  
UNITED STATES: A  
PRIMER ON MODERN  
PRACTICE

Robert Lloyd and Wayne Aho



THE HISTORY OF HUMAN RESOURCES IN THE UNITED STATES: A PRIMER ON MODERN PRACTICE by Robert Lloyd is licensed under a Creative Commons Attribution 4.0 International License, except where otherwise noted.

## CONTENTS

<i>THE HISTORY OF HUMAN RESOURCES IN THE UNITED STATES: A PRIMER ON MODERN PRACTICE</i>	vii
1. Chapter 1 - The History of American Labor	1
2. Chapter 2 - Relevant HR Laws, Regulations, and Court Cases	19
3. Chapter 3 - The Functions of Modern HR Practice	35
4. Chapter 4 - High Performance Work Systems	53
5. Chapter 5 - Human Resource Development	69
6. References	89



# THE HISTORY OF HUMAN RESOURCES IN THE UNITED STATES: A PRIMER ON MODERN PRACTICE







## CHAPTER 1

# CHAPTER 1 - THE HISTORY OF AMERICAN LABOR

---

### Learning Objectives

Understand the historical context of human resource development

Articulate the modern understanding and use of HR

### **H**uman Resources Simplified

If you are taking a class in Human Resource Management, there is a high likelihood that you have taken a handful of lower level management and sundry other business classes. What you might recognize from many of those earlier classes is the complexity of the concept explanations and vocabulary or processes that are described with technical vernacular and industry specific jargon. The intention of business schools is to educate students in the foundational concepts – like grasping the four functions of management (plan, lead, organize, control), or the basics of financial statements, or the 4 p's of marketing. Yet despite what most courses list for learning objectives, the textbooks they choose are highly complex in nature, and the testing of material focuses on the technical components of the course. The purpose of this books is

to remove the complexities that characterize not only management foundation courses, but in particular almost every HR textbook on the market today. The reality is that most students do not retain the technical components of their coursework, but rather find success in scaling up the foundational understandings and skillsets that they acquire in their undergraduate years.

Let's look at some examples. Some textbooks use the term "voluntary turnover" instead of simply referring to when someone quits their job. Some textbooks refer to the Delphi technique as a method for brainstorming, or describe in detail the rules regarding *prima facie* cases of the EEOC. If you ask yourself the reason why textbooks include all of these technical aspects of HR, the answer can likely be found in how professors approach their work. In academic publishing, professors are often looking for new ways to coin terms so that other authors will cite their work and hence improve their status as researchers. For this reason, they come up with words like intrapreneurship, and voluntary turnover to describe concepts that we can grasp in more simple terms otherwise. In their defense, the reason that HR textbook authors include a long variety of complex terminology is to provide flexibility for professors who use the book. Instructors can pick and choose the chapters and concepts to cover, and can make their courses as simple or complex as they would like to.

The truth is that if you become an HR professional, or you find yourself in a management role that works closely with HR, you will become proficient in the technical aspects of human resources. For now, this book should provide you with a foundation so that you know the depth, scope, and purview of what HR managers do. This will equip you to know which questions to ask, or where

to find resources, when the time comes to involve HR in your decisions as a manager.

You can thank whichever professor assigned you this textbook for the HR class you are taking. First, its free of charge to you (who doesn't love that), and second, the concepts are explained with simplicity and directness.



#### **Four Eras of HR**

If you are a fan of the Chicago Cubs, you probably spent most of your fandom in misery and torture. That is, until they won the world series in 2016, ending a 110 year championship drought. If you stuck with the Cubs your whole life, you had to endure decades of not even making the playoffs, watching your hopes grow and die with the addition of not one but two aces (Price and Woods) who subsequently got hurt. Seven losses in the World Series since their last championship, and of course, the infamous scene in the 2003 playoffs whereby Steve Bartman interfered with Moises Alou's ability to field a fly ball. The heartbreak of all these years made the success of the 2016 World Series sweeter, and more indulgent. Bandwagon fans were oblivious or impervious to the emotional rollercoaster that had been the previous century. They did not experience the lows,

and therefore the highs were capped at the bandwagon, temporary excitement level. What's the point of all this? Its important to understand the history of whatever organization, field, industry, or country so that 1) on a practical level mistakes are not repeated and 2) you can reflect on the progression from early years and appreciate the current state of affairs. Human Resources is no different. Today we enjoy an immense array of employee focused benefits which allow the employee the latitude and flexibility to develop into a better contributor. Personal rights are protected at most levels, and organizations themselves are taking measures well above legal minimums to engage their labor team in meaningful ways. This was not always the case. The U.S. has a long history of labor practices, but many of them were characterized by compulsory practices, limited mobility, organization favored laws, and inequalities between classes.

A comprehensive history of human resources in the United States was classified into four distinct eras by Langbert and Friedman (2002) as the Pre-Industrial period, the Paternalist period, the Bureaucratic period, and the High-Performance period. Their coverage of history includes the progression of legitimate practices such as apprenticeships, factory conditions, and employee motivational strategies as well as the illegitimate and unethical labor practices such as slavery, limited mobility, organization favored laws, inequalities between classes, and abhorrent conditions of the industrial revolution. The purpose of this chapter is to give you an overview of the history of HR in the United States so that you have a better understanding of the context of modern practices.

**Story from the HR World: Bert's development**

Bert was recently moved into a new role for the dental equipment company that he worked for. His new job would require him to prospect new clients internationally. After conducting a thorough market analysis, he concluded that market potential lied in western Europe and the west Africa region. As part of his training he was shown how to develop relationships, advance the sales process, and gain referrals. However, something about his attempts in these regions fell flat. Bert concluded that he needed to really understand the culture and the language if he was going to build significant customer relationships. Despite the downward trend in revenues and profits, the company decided to invest in Bert's language skills. He promptly enrolled in both French and German classes, hired private tutors, paid for premium software packages, and spent work hours acquiring the language. All of these resources were provided by his company as a means to developing Bert, a modern HR practice of developing the individual that results in both benefits to the company and expanded skillsets for employees. Bert gained a business level proficiency in both French and German, and his sales figures in these regions flourished. This contribution by the employer towards Bert's development is a reflection of modern practice whereby organizations are contributing to individuals as an ends to itself. This HR practice is only a recent phenomena and is the culmination of many centuries of labor practice which would have seen this as unthinkable for an employer to do.

**The Four Eras of Human Resources in the United States**

In the United States we characterize the management of people under the general umbrella of human resource management. However, the United States is only two and a half centuries old, and labor practices (how

organizations within a society treat workers) have been around since the beginning of human work. The purpose of this chapter is to start at the beginning of the American story and provide an annotated summary of each of the major eras, culminating in modern practice. The following eras in HR practice were characterized by Langert & Friedman (2002), which are further developments of work by Jacoby (1985) – the pre-industrial period, the paternalist period, the bureaucratic period, and the high performance period. They argue that as these eras were progressions of labor practice that stabilized the modern practice of HR – beginning with the barbarous practices of compelled labor (slavery and indentured servitude) in the pre-industrial period to the efficiency and value creation that the high-performance period affords the modern organization.

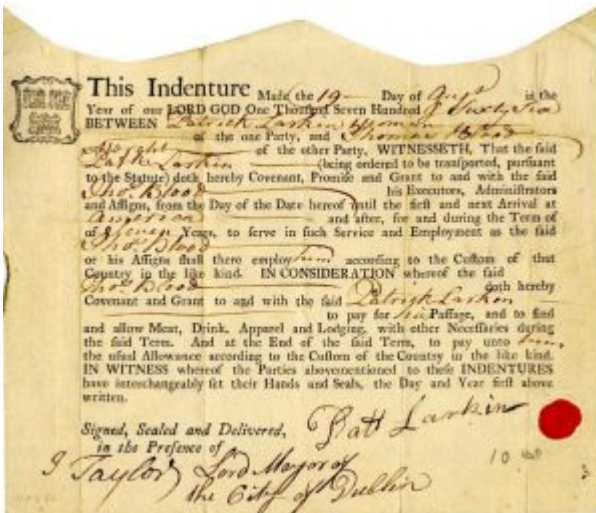
### **The Pre-industrial Period (1600-1780)**

Before the United States became a country in 1776, there was a long history of labor practices that were employed throughout most of the colonized world. Demand in Europe was high for the bounty and goods that the colonies afforded their French, English, Dutch, Portuguese, and Danish patriarchs. Yet, extracting, processing, and transporting the goods back to Europe presented a unique problem – there was not enough labor to do the work. The European powers resorted to a handful of strategies to fill the gap – both slavery and indentured servitude (Wareing, 2017).

At the same time European powers were supplying the growth of their colonies in the west with slaves from Africa and South America, kingdoms from the Middle East were buying or stealing slaves to take east from Africa. Tribes within Africa regularly utilized slaves

from neighboring tribes they conquered during times of war. Natives in North and South America adopted similar practices. To say the least, slavery was regularly practiced around the world by Europeans and non-Europeans alike during this time.

In addition to slavery, European countries supplied more labor using their homeland populations by means of indentured servitude. The growth of tobacco, rice, and indigo within the plantation economy created a tremendous need for labor in the Southern English America. The arrangement for an indentured servitude was codified in the form of a contract. Picture an English citizen within the working class with little in terms of assets (money, land, etc) or prospects.



As a way to get passage on a ship bound for the American colonies, he signs away four to seven years of his life as a means to pay. Upon arrival to an eastern port, the ship's captain would walk down to the wharf and sell the contracts of the contracted labor. After the obligation was completed years later, the servant would be granted



their freedom and in some situations would be granted 25 acres of land, a year's worth of corn, arms, livestock, and new clothes. Once indentured servants completed their term, they became members of the social structure, fueling more growth, capacity and demand. "The man who labored for another last year this year labors for himself and next year he will hire others to labor for him" (Foner, 1995, p. 30).



Unlike slavery where the individual was bought or sold, under indentured servitude, contracts could be bought and sold, but not people. African slaves were initially brought to the American colonies in Jamestown, VA in 1619. Some scholars speculate that slaves were initially treated as indentured servants alongside their white, European counterparts (Smithsonian, 2021)

Slavery was governed by the slave codes implemented by each state. These codes varied in both scope and enforcement. Some examples of the slave codes (Slave Codes, 2014):

- Ø Owners refusing to abide by the slave code are fined and forfeit ownership of their slaves.

- Ø No slave is allowed to work for pay; plant corn, peas or rice; keep hogs, cattle, or horses; own or operate a boat; buy or sell; to wear clothes finer than 'Negro cloth.'
- Ø No slave is to be taught to write, to work on Sunday, or to work more than 15 hours per day in summer, and 14 hours in winter.
- Ø The fine for concealing runaway slaves is \$1,000 and a prison sentence of up to one year.
- Ø In Florida, a slave charged with a capital offense was entitled to legal counsel to represent him on the theory that the master should not be deprived of his property by hanging unless the slave got a fair trial.

This era called the Pre-industrial period is characterized by the immorality of slavery and the poor conditions of indentured life. This period was sustained with poor working conditions, limited compensation (indentured servitude) or no compensation (slavery). Workplace benefits included housing, food, and clothes for slaves, and compensation for indentured servants included some rewards upon completion of a contract. Labors out of compliance with the requirements of the plantations and other employers could be handled with death, physical restraint, incarceration, and state enforcement.

Finally, the Pre-industrial period held another form of labor that contains vestigial elements of modern labor practices. Apprenticeships were a common method of creating new supply of labor within communities. An apprenticeship would comprise of a binding contract between a novice and a master craftsman. The apprentice would learn the craft of silversmithing,

coopering (barrel making), cobbling (shoemaking and repair), blacksmithing, haberdashery (men's clothing sales), tailoring, and the various trades practiced throughout the American colonies. As part of the contract, apprentices agreed to keep trade secrets, obtain permission to leave the premises of the master, abstain from vices such as drinking, gambling and the theater. In exchange for learning the craft of the master tradesman, the apprentice worked without wages for the duration of the contract period. Masters would provide training of the craft first and foremost, but were also charged with educating the apprentice in the basics of reading, writing, and mathematics. Apprentices received room and board, and on occasion a set of tools they could use once they completed the contract. Laws in the northern colonies obligated organizations to place orphans as apprentices wherever it was possible. Upon completion of the training, apprentices would begin the next stage known as journeyman, whereby they would work for wages. After years of honing their skills, they would become a master craftsman and begin to take on apprentices of their own.

### **The Paternalist Period (1780-1920)**

By the end of the Pre-Industrial period, the United States had won their freedom from England. The invention of the steam engine allowed for unimagined advances in use of mechanical advantage. Factories were built around this new ability to move heavy objects, bend metals, and create immense force on objects as a means of production. The assembly lined allowed for mass production of clothing, machinery, processed goods, and component parts. Perhaps more impactful was the publication of *Wealth of Nations* by Adam Smith – which

promulgated the tenets of free market thinking and exchange of goods between countries and production regions.

As a result of these factors, industry was burgeoning in the developing world as workers flocked from the agrarian communities in Europe to city centers. The same was true within the Northern region of the U.S. During the Paternalist period, labor was seen as a factor of production and modifications to human resource practices reflected management's desire to increase overall production.

Working conditions were often atrocious as owners of the factories exploited the newly hired labor. Workers were housed in small dormitories with cramped conditions. Workers were exposed to on the job risks and safety was a low priority for factory owners. This included cramped working areas, inadequate ventilation from the fumes of the machinery, injuries from the machines themselves, and exposure to toxic chemicals and metals. These conditions speak to the physical conditions of the industrial revolution, but the emotional and psychological hazards of working consistently in these conditions were immense as well. Long hours, limited sustenance, and impersonal treatment contributed to an already stressful work environment.

During the course of the Paternalist period, slavery was abolished in the United States, and indentured servitude became an out of date practice. Several labor laws and court rulings changed human labor practices in the United States. This era, for example saw the advent of **employment-at-will**, whereby employment terms were no longer always subject to contractual arrangements, but day-by-day agreements between suppliers (workers) and consumers (factory owners, farmers, etc). In **Payne v.**

**Western & Atlantic Railroad Co** (1884) the courts determined that “all [companies] may dismiss their employees at will, be they many or few, for good cause, for no cause, or even for cause morally wrong, without being thereby guilty of legal wrong.”



Towards the latter part of the period, the concept of **incentive compensation** was introduced. Workers were paid extra wages and benefits for reaching specific output goals of the organization. Although the intention of incentive compensation was to motivate workers to produce more, the result was less than what factory owners were hoping for. Whiting Williams, a management scholar and practitioner operating in the early 1900s went “undercover” to discover what was happening at the factory floor level. He wrote a book entitled “What’s on the Worker’s Mind: By One Who Put on Overalls to Find out.” He discovered that workers did not increase production despite the incentives for several reasons. Earning more money would not have changed their social class, and neither did the workers hope it would. Workers held their professions and identities in

the communities in which they lived. Moreover, they partook in what Whiting termed “soldiering” whereby workers agreed on an output level well below the maximum level for fear that management would see what they were truly capable of and increase daily expectations. Those lone, ambitious individual workers who tried to reach the incentive levels on their own were quickly chastised and hazed by the mass of workers who did not want to see production go up. Frederick Taylor, considered by most scholars as the father of modern management had similar observations of the workers’ mentality at the time. “Hardly a competent workman can be found who does not devote a considerable amount of time to studying just how slowly he can work and still convince his employer that he is going at a good pace.”



### **The Bureaucratic Period (1920-1970)**

The Bureaucratic Period placed great emphasis on rules and procedures in the workplace. These rules were in place to control workers, stymie creativity, and elicit compliance with the prescribed method of operations. Owners of companies had money and education, and they determined which practices should be followed. There was limited solicitation from the uneducated workforce actually performing the tasks of every life in

an organization. During this era, labor was still seen as a factor of production, and managers' jobs were to find ways to maximize the physical efforts of laborers. Limited attention was given to the emotional, psychological, or social well being of the labor force.

These motivational factors were considered outside the scope of management, and the expectation was that workers would come to the life of the company fully motivated. During the Bureaucratic Period much progress was made in the realm of Human Resource practices. These changes came as a result of laws and court decisions that guided. It was during this era that we begin to see the framework of modern HR practice.

Many laws that apply to work environments today were passed during this time. The Wagner Act (1935) was the first of its kind. It gave workers the right to assemble as a union to fight the oppressive tendencies of organizations. This formed the National Labor Relations Board as an adjudicating body to hear cases that violated the workers' right to unionize. Over the course of the next forty years, union membership would grow to the highest in recorded U.S. history, and workplace conditions improved as a result. In 1938, Congress passed the Fair Labor Standards Act which set minimum wage levels, overtime pay, required more diligent record keeping, addressed workplace conditions, and banned child labor. By the mid 1960s the Civil Rights Movement was in full swing, and as a result the Civil Rights Act (1964) established rules for fair workplace practices. This piece of legislation banned discrimination in hiring, firing, promoting, and harassing of anyone based on their race, color, religion, sex, or national origin. It took many years for the courts and workplaces to understand what this meant for the everyday life of the worker, but the

Civil Rights Act established the rules for modern HR practices on the fair treatment of workers.

Finally, while the professional world was reacting to the legislation and court cases guiding workplace practice, the academic world was busy discovering what really motivated workers. During the 1950s and 1960s researchers put forth several theories as to what motivated the worker. Maslow's hierarchy of needs, Vroom's expectancy theory, Alderfer's ERG (Existence, Related, Growth) theory, McClelland's theory of needs (achievement, affiliation, or power), Herzberg's two-factor theory, and Adam's equity theory all came to the forefront during this time. Scholars were discovering that worker's motivation was related to their social and emotional health, as well as their needs for relation, comparison, compensation, recognition, and much more. These factors would regulate their output on a production floor if the needs were not met. The impetus for the discovery of the human being as a social animal during this time actually started in the 1920s and 1930s. Elton Mayo began to discover elements that predated the prominent motivational theories that were to come. The Hawthorne studies in Chicago was an enlightening moment during the 1940s as researchers discovered that the social elements of the workplace could impact production levels. The work of Frank and Lillian Gilbreth as well as Mary Follett uncovered human elements of the workplace long before Maslow published his work (considered the first motivational theory during the 1950s).

In the aftermath of the social movement of the 1950s as well as the civil rights movement of the 1960s, organizations began to transition from a focus on workers as a factor of production to a humanistic view



of their workforce. They began to realize the immense power that employees held if they were properly treated, incentivized and included. The conclusion of the Bureaucratic Movement ushered in the High Performance Period that characterizes modern HR practices.

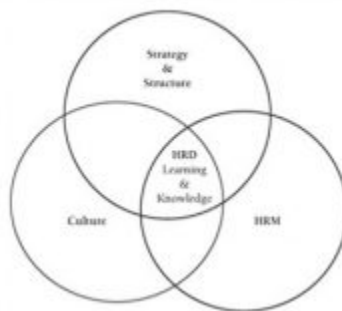
### **The High Performance Period (1970-present day)**

The enlightening findings at the end of the Bureaucratic Period led companies to rethink how they treated employees. They understood that employees could be motivated given the right workplace conditions, and that employees could contribute to the organization in ways beyond simple production. Workers for generations had untapped sources of creativity, energy, ingenuity, complimentary talents and pride in their work. The High Performance Period saw the advent of many workplace practices that attempted to pull this value out of their workers. Ultimately, the human resource practices culminate in human resource development – whereby workers and the organization as a whole are in a continual learning cycle and change management mentality so that they can adapt to the changes the market and competitors throw at them.



In this era, management practices focus on both **empowerment** (giving workers autonomy over their work) as well as **delegation** (giving them tasks to compete). The emphasis on employees as motivational beings resulted in increased morale and engagement. The workforce as a result focused on customers and overall service improved. The concepts of individual and group motivation are now given explicit consideration in human resources, and organizational citizenship behaviors are encouraged and rewarded. Ultimately, HR has been pulled in as strategic partner in the organization (Villegas & Yamamoto, 2020) with a seat at the table with their finance and operational executive peers. Human resource development is a combination of human resource practices, organizational culture, and the overall strategy of the organization. The practices that characterize HR development are called high performance work systems where the individual is provided with a work environment designed to maximize their overall potential and create the most value for the organization. We will cover this era in more detail in the final two chapters of the book.

Figure 1. HRD Model (Mankin, 2001, as adapted by Werner, 2014)



### How this book is organized

The rest of this book will detail the elements of modern

labor practices in the United States. Chapter 2 will describe the inexorable link between human resource practices and the laws and regulations guiding them. Chapter 3 will provide an overview of the modern HR practices of talent acquisition, total rewards, diversity and inclusion, U.S. employment laws, technology and data, employee relations, employee engagement, organizational effectiveness and development, learning and development, HR structure, HR strategy, risk management, global context, and corporate social responsibility (CSR). Chapter 4 will provide an in-depth summary of the practice of High Performance Work Systems (HPWS) and finally Chapter 5 will conclude the text with how modern practice culminates in Human Resource Development.

#### CRITICAL THINKING QUESTIONS

1. Explain why understanding the history of something helps you better practice it.
2. The U.S. has some dark parts of its labor history, how has this affected modern labor practices?

## CHAPTER 2

# CHAPTER 2 - RELEVANT HR LAWS, REGULATIONS, AND COURT CASES

---

### Learning Objectives

- Describe the connection between the national events and the advent of HR laws
- Understand the various laws that are in place today to protect workers

## **H** **R and the Law**

As we will see in later chapters, the purpose of HR is to facilitate employee engagement as a primary focus within the organization. Their strategic role in the organization serves as a competitive advantage in this regard when executed properly. However, a more basic function of the human resource department is compliance with the legal environment. We learned in chapter 1 that labor practices in the United States have progressed substantially since before the founding of the country. The purpose of this chapter is to provide a more detailed review of the labor laws in the U.S. that impact modern practice.

HR is primarily reactive when it comes to legal compliance. The courts or legislation create new compliance rules and regulations. HR's role is to understand and apply those regulations to their organization. There are organizations such as the Society of Human Resource Management (SHRM) and other industry associations that keep managers abreast of political movements, so that HR departments can prepare implementations of compliance programs. However, it is paramount for HR managers to understand the social, economic, and cultural environment so that they might be able to anticipate new regulations, and to create a culture that responds to the needs and demands of society even before the legal factors impact them. In this chapter, we will review not only the laws that affect modern HR practices, but we will also give a historical context to allow for a broader understanding of where these laws come from.

A few examples for modern practitioners. Some states have legalized marijuana, while others maintain the use of this drug as a misdemeanor. At the federal level, marijuana is still considered a controlled substance. If you are a company operating in Kansas (where marijuana is illegal), and you have an applicant from Colorado (where marijuana is legal), what does an HR manager make of the results of a pre-employment drug screening? Another example lies within equal employment – as the social tensions concerning race and minority inclusion continue to escalate in all aspects of culture, how will HR departments respond in hiring practices, training, teambuilding, and development within their organization? In regards to benefits, what response should HR managers provide to conservative employees who feel like their voice is not being heard amid the

politically charged workplace environments? For example, their desire not to have health plans that include collective bargaining for services such as abortion and contraception creates an ethical challenge. In what ways will genetic information, artificial intelligence, cyber defense, and working from home in a post-Covid pandemic play in future practice and legal compliance? All of these questions remain unanswered for now, and new questions will arise in the future. For this reason, an HR manager needs to understand the external environment so that an appropriate strategy and response can be formulated internally.

### **National Labor Relations Act (1935)**

#### *Historical Context*

Even though the industrial revolution was coming to an end by the beginning of the 1900s, labor practices and workplace conditions had not improved much from the previous century. Factories provided in many cases abhorrent conditions, and there were not many protections in place for the worker to turn to. Individually, the worker had little power to negotiate wages, benefits, conditions, or status within the company. Collectively, the workforce had no mechanism in place to allow for a concerted effort in these same regards. In response to these conditions, the National Labor Relations Act (NLRA) was passed.

#### *The Legislation*

The NLRA of 1935 was the first piece of legislation in the US that guaranteed the rights of private sector workers to unionize. This meant that they could establish trade unions, negotiate for better wages and benefits (known as collective bargaining) and organize

company wide or industry wide strikes. This act created the National Labor Relations Board as the executive body tasked with investigating violations of the act. This act prohibited employers from interfering with the formation efforts of employees of their organization, coercing employees from joining such unions, engage in discriminatory practice against workers involved in a trade union, as well as established protocols for violations of the act. The act explicitly protected the rights of workers by stating “Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, and shall also have the right to refrain from any or all of such activities except to the extent that such right may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized in section” The conditions for unionization, protection against unfair practices, and collective bargaining are still in use today across many industries, especially in the trades such as steel, electricity, plumbing, pilots, dockyard workers, truck driving, education, and many more.



## **Fair Labor Standards Act (1938)**

### *Historical Context*

The Great Depression of the 1930s created a surplus of workers in the U.S. labor force. Now more than ever, the worker was expendable because labor could be replaced quickly and cheaply. We reviewed the NLRA as the first attempt to level the negotiating power between employee and employer. Employers now had to consider the collective entity of their workforce and were prohibited from preventing unionization. However, a second piece of legislation was needed to establish base levels of workplace fairness. Unionization still did not address the issues of child labor, minimum wages, and maximum work hours. The first attempt to establish minimum workplace standards was the Fair Labor Standards Act (FLSA).

### *The Legislation*

The NLRA of 1938 created minimum standards for the workplace. First, a national minimum wage was established to create a wage floor for workers. The first minimum wage was set at \$0.25 per hour. Second, the act prohibited “oppressive child labor” by stating that minors were not allowed to work in jobs considered hazardous to children. The act set a baseline of forty hours per week, and any hours worked in excess of that were subject to 1.5x the normal wage for a position. Since its inception, the FLSA has been modified many times, updating the minimum wage from time to time, and expanding the protections for workers. The FLSA is still in full force today and provides clarification for many of the minimum standards of the workplace.

## **Civil Rights Act (1964)**



*Historical Context*

Following the Civil War in 1865, state and federal legislation allowed for the institution of laws that were known as the Black Codes, which were pre-cursors to the Jim Crow laws. These laws legalized segregation and prevented Black Americans from voting, holding certain jobs, getting an education and hindered workplace opportunities. Anyone trying to violate these laws would face legal penalties such as arrest, fines, jail sentences, and social penalties such as violence, persecution, and murder. Emmett Till was murdered in 1955 in Money, MS as a result of the blatant racism of the local community. He was beaten and drowned. His mother decided to allow for an open casket so that his death could be a statement of what racism looked like in modern America. Emmet Till's death was the catalyst for much of what took place in the next decade in the Civil Rights movement. The Civil Rights movement of the 1960s was characterized by the efforts of Martin Luther King and Rosa Parks. They gave a voice to the discrimination taking at all levels of society. Even though *Brown v. Topeka Board of Education* had desegregated schools in 1954, unequal treatment of blacks and whites was still prevalent in both schools and workplaces. The Civil Rights Act of 1964 was the solution many were calling for.



### *The Legislation*

The Civil Rights Act of 1964 prohibited by the law workplace discrimination. Employers were forbidden from discriminating based on race, color, religion, sex, and national origin. It was the first attempt in American culture of working towards a fair workplace. Employers were compelled to show equal consideration of all employees when it came to hiring practices, promotions, firing, layoffs, and benefits. The act established the Equal Employment Opportunity Commission as the investigative agency of the executive branch of government.

### **Vietnam Era Veterans' Readjustment Assistant Act (1974)**

#### *Historical Context*

The enormous protests of the Vietnam War throughout

the 1960s and early 1970s translated into a disdain for American Vietnam veterans upon conclusion of the war. Soldiers returning home faced resentment, scorn, and blatant hostility. Protestors who disagreed with the political premise of the war itself now focused their negative energy on the participants of the war. This was a stark contrast to the welcomed arms that WWII veteran saw upon their return home 30 years earlier. The discrimination against veterans manifested itself in both the social and professional arenas. Many veterans kept their service backgrounds a secret throughout the 1970s and 1980s because of the negative response and discrimination many employers showed towards veterans.

### *The Legislation*

The Vietnam Era Veteran's Readjustment Assistance Act (VEVRAA) of 1974 attempted to prevent workplace discrimination of veterans returning home. The law covered soldiers who fought in the Vietnam War, and had special protections for disabled veterans. The law has since been expanded to include veterans of the Gulf War and beyond. Charges of workplace discrimination under this act are brought to the Office of Federal Contract Compliance Programs.

## **Pregnancy Discrimination Act (1978)**

### *Historical Context*

The cultural revolution of the 1960s led to an increase in the number of women in the U.S. workforce. This increase in women led to discrimination in the workplace when they would become pregnant. There were no federal protections in place to address workplace discrimination of pregnant women. Many would lose

their jobs when they became pregnant, were denied employment if they were or expressed plans to have a family. In fact, *General Electric v. Gilbert* held that pregnancy discrimination was not covered by the Civil Rights Act of 1964.

### *The Legislation*

In response to the growing number of women in the workplace, Congress passed the Pregnancy Discrimination Act (PDA) of 1978. Provisions of this act prohibited workplace discrimination of women when they became pregnant. Specifically, the act covers the hiring, firing, compensation, job tasks, job promotion, and especially benefits such as leave and health coverage. Pregnancy was to be treated as a temporary disability as it states: "If an employee is temporarily unable to perform her job due to pregnancy, the employer must treat her the same as any other temporarily disabled employee; for example, by providing light duty, modified tasks, alternative assignments, disability leave, or leave without pay. An employer may have to provide a reasonable accommodation for a disability related to pregnancy, absent undue hardship (significant difficulty or expense)."

### **Americans with Disabilities Act (1990)**

#### *Historical Context*

While attention was being given to discrimination in the workplace as highlighted by both the Civil Rights Act and the Pregnancy Discrimination Act, disabilities in the workplace were not a covered protection. This was especially relevant to disabled veterans returning from Vietnam as they entered the workforce with lasting physical disabilities such as missing limbs and psychological disabilities such as PTSD.

*The Legislation*

The Civil Rights Act prohibited discrimination in the workplace against a wide scope of classifications. However, individuals with disabilities were not a part of the protected group. The Americans with Disabilities Act of 1990 explicitly provided these protections by compelling employers to make reasonable accommodations to employees to carry out their jobs with both short term and life long disabilities. The act also created a requirement for disability access to public accommodations. Disabilities under this act included both physical and mental medical conditions. The EEOC is charged with investigating allegations of mistreatment or discrimination based on ADA. The EEOC provides guidelines on what is considered a disability and includes “deafness, blindness, an intellectual disability (formerly termed mental retardation), partially or completely missing limbs or mobility impairments requiring the use of a wheelchair, autism, cancer, cerebral palsy, diabetes, epilepsy, attention deficit hyperactivity disorder, Human Immunodeficiency Virus (HIV) infection, multiple sclerosis, muscular dystrophy, major depressive disorder, bipolar disorder, post-traumatic stress disorder, obsessive compulsive disorder, and schizophrenia.” It is important to note that conditions such as voyeurism, pedophilia, kleptomania, pyromania, and other socially unacceptable conditions are not covered by the act.

**Family Medical Leave Act (1993)***Historical Context*

As Bill Clinton and first lady Hillary Clinton came into office in 1992, their primary goal was to establish a universal healthcare system in the U.S. Their focus on affordable and accessible healthcare did not result in

sweeping changes to the health system, even after eight years in office. However, one outcome of this era was that workplace protections for those experiencing medical situations came to light.

### *The Legislation*

Under the Family and Medical Leave Act of 1993, employees are entitled to take off up to 12 weeks of unpaid leave to care for a new child (natural birth, fostered, or adopted), care for a family member who is seriously ill, or to recover from a serious illness. To qualify for FMLA, an employee has to work at least 1,250 hours over the previous 12 month term. Under this law, employees taking time off have the right to their job or a similar role upon return to the company. The law gives companies the right to require individuals taking FMLA to use up the balance of their sick leave, vacation leave during any or all of the 12 week leave period.

#### **Story from the HR World: A man stays home**

Joel and his wife were always hopeful they would have children, so when they adopted their first daughter they began the exciting journey of parenthood. There was only one, problem, Joel had to figure out a way to tell his boss, Antonio that he would be taking two weeks off work to care for his new born baby girl. The struggle he was up against was the perception his boss Antonio had regarding husband's staying home after the addition of a baby. In the previous year, Antonio had been reprimanded by human resources for giving another employee a hard time for taking off two days of work to be with his wife and child in the days following birth. Antonio's comment "why do you need to stay home, she is the one who had the baby," resounded throughout an otherwise quiet office. Joel came into the office on a Monday morning to inform Antonio of his decision to take two weeks off, and that he would file the paperwork with HR for FMLA. Antonio smiled and said

only, “ok.” Apparently, whatever HR told him in the aftermath of the harassment claim compelled him to refrain from making any more comments about men staying home. Given the protection of FMLA, Joel took his time off and spent two weeks getting to know his new child. Had this situation transpired even decades before, Joel would have suffered more drastic consequences and not been protected by the evolution of federal laws that have focused on rights such as these.

### **Landmark Court Cases**

The Civil Rights Act of 1964 and subsequent legislation provided a framework for workplace equality. In theory, organizations were supposed to treat all stakeholders fairly. The reality is that this landmark piece of legislation was far from clear in practice. Over the next three decades, the Supreme Court worked through several cases that defined exactly what workplace discrimination was and what it meant for both employers and employees. The legal precedents these cases set provided clarification on workplace dynamics such as sexual harassment, disparate impact, and disparate treatment. Sexual harassment is the unwelcomed or inappropriate sexual comments or physical advances in the workplace. Sexual harassment also includes requesting or coercing sexual favors from a subordinate or co-worker as a means to offer some workplace benefit (promotion, compensation, status, etc). Disparate impact is the result of unintended discrimination against a group of individuals. This happens when an organization practice results in different treatments for groups. Requiring employees to be able to lift heavy objects when its not necessary to the execution of the job would

unfairly favor men over women, for example. Disparate treatment is explicit practices that discriminate against groups. These practices are more overt and make up the behaviors which we typically think of as workplace discrimination such as personal statements by hiring managers reflecting prejudice, or giving one group of people a pre-employment test but not the other. The following court cases provide clarity on what warrants workplace discrimination practice.

*Griggs v. Duke Power Company (1970)*

In this case, Willie Griggs filed suit against his employer. His argument was that the employer required an aptitude test be administered for employees wishing to transfer to the higher paying roles within the organization. Additionally, the transfer to these jobs required a high school diploma. These requirements resulted in a larger number of white employees securing higher paying jobs. The court found that the practice of requiring aptitude tests and high school diplomas resulted in disparate treatment of the two groups. This case set the precedent that any workplace testing required a business purpose.

*Albermarle v. Moody (1975)*

Albermarle Paper Company had a seniority system and pre-employment tests that resulted in segregation of workers. In a similar suit to the Griggs case, the Albermarle v. Moody ruling found that testing had to be work-based – meaning that it had to test for relevant workplace characteristics or skillsets. The precedent in this case was that in hiring practices, pre-employment screenings had to meet these standards. Additionally, the courts awarded backpay for the workers who were denied promotions.

*Ward Cove v. Atonio (1989)*



In an Alaskan salmon cannery, workers alleged racial discrimination in hiring practices, based on the number of whites in management positions as compared to the number of minorities. The numbers showed that most of the manual labor jobs were given to minority workers, and the non manual labor jobs were predominantly white. The plaintiffs came to the court with the number disparities as proof of disparate impact. However, the court ruled that numbers alone do not prove discrimination, but rather there had to be evidence of hiring practices that led to the disparity. In this case the applicants to the cannery jobs were predominantly minority, but the skilled management positions had few minority applicants.



*Oncale v. Sundowner Offshore Services (1997)*

Joseph Oncale was employed in an off-shore oil rig in the Gulf of Mexico. During his employment he was subjected to harassment, physical assault, humiliation, and sexualized acts that were performed towards him. He was even threatened with rape. He eventually left the company and file a suit, claiming the work environment violated the Civil Rights Act. This case was unique in

that Oncale's claims were based on same-sex harassment, given the all-male crew of the rig. The courts agreed with Oncale and ruled in his favor, setting the precedent that workplace discrimination could entail same-sex harassment.

*Burlington Industries v. Ellerth (1998)*

During the time that Kimberly Ellerth worked for Burlington Industries, she was sexually harassed by her supervisor, Todd Slowik. He made sexual advances to Kimberly and she refused. She did not alert the organization to Todd's behaviors until after she left the organization and filed suit. The court ruled that even though Kimberly's career was not negatively affected by her refusal, the organization is still responsible for the sexual harassment of their workers, even if they had no knowledge of the harassment. The precedent states that employers are vicariously responsible for employee's actions of sexual harassment.

*Faragher v. City of Boca Raton (1998)*

Beth Faragher worked as a lifeguard at a city pool in Boca Raton Florida. During her employment her supervisors made unwanted advances, touched female lifeguards inappropriately, and made derogatory comments about women in general, referencing female body parts and oral sex. The supervisors stated they would never promote women, and one even told Faragher "date me or clean the toilets for a year." The case was brought before the court as a violation of the Civil Rights Act with the claim that the supervisors created a "hostile work environment." The courts ruled that sexual harassment could be the result of the work environment being hostile and held the organization responsible.

*Ledbetter v. Goodyear Tire & Rubber Co.*

Lilly Ledbetter was employed by Goodyear Tire. She brought a case before the court alleging unequal pay between men and women within the organization. Despite the evidence that suggested disparate compensation between the genders, the court ruled that the suit was invalid. They claimed that the statutory regulations required her to file suit within 180 days of when the first act of discriminatory pay happened (meaning the first paycheck). Her claim was beyond the 180 days. This ruling was not a rejection of the unequal pay claims, but rather a reaffirming of statutory law. As a result, Congress passed the Lilly Ledbetter Fair Pay Act which moved the 180 day clock from the beginning to the most recent paycheck.

**CRITICAL THINKING QUESTIONS**

1. The Civil Rights Act is considered the first piece of legislation to establish workplace fairness. Which piece of legislation thereafter do you think created the most benefit for the modern worker?
2. Make your case for which court case had the biggest impact on modern workplace fairness.

## CHAPTER 3

### CHAPTER 3 - THE FUNCTIONS OF MODERN HR PRACTICE

---

#### Learning Objectives

- Describe the fifteen functions of modern human resource management practice
- Understand the complementary nature of the functions as they relate to each other

#### **T**he Successful HR Manager

Successful HR managers focus both on the task and on the relational aspects of their job. They need the technical understanding of their role, but predominantly they serve as an interface between the organization and its employees. The personal skillsets that make an HR manager successful focus on this rapport-building dynamic. An effective HR manager employs leadership and organizational navigation by creating initiatives that align with organizational values and builds culture. A virtuous HR manager focuses on not only the ethical implications of their personal actions, but how they drive the ethical culture of the organization. This includes accountability, integrity,

professionalism, and compliance. A capable HR manager also understands the organization's strategy and how the organization makes money so that they can complement those efforts. A valuable HR manager serves in a consultation role whereby managers and employees can solicit ideas and feedback on personnel issues. A relationship-oriented HR manager also focuses on improving their cultural awareness and applies that understanding in their interactions with all stakeholders. An articulate HR manager knows how to express their ideas and interpret messages between the various levels of the organization.



### **The Basic Functions of Human Resources**

Organizations vary in size and operational scope. Therefore, the size and the function of the human resource department will vary, to reflect their organization's need. In smaller organizations, HR managers provide a generalist role, performing all the tasks of the HR department. In larger organizations, a HR department will consist of specialists, who dedicate their time to a specific function within HR. Regardless of the size of the HR department, there are a general set of

functions that HR performs. We have already reviewed the progression of labor practices in the U.S. and can see how far the profession has come. These functions are the result of decades and in some cases centuries of refinement. Generally accepted HR functions include

- talent acquisition and retention
- employee engagement
- learning and development
- total rewards
- HR structuring
- organizational effectiveness and development
- workforce management
- employee relations
- technology and data
- global contextualization
- diversity management
- risk management
- corporate social responsibility (CSR)
- U.S. employment law and regulations
- HR strategy

What we will see in later chapters is that if the functions listed here are performed harmoniously with each other, they can result in a high-performance work system. Each function compliments the next as HR works to maximize the professional and personal potential of each member of the organization.

### **Talent Acquisition and Retention**

Every organization needs people. The talent acquisition and retention role of HR is the mechanism that organizations use to recruit and keep good talent. HR performs tasks such as job analysis which entails understanding the skills and characteristics needed for each role. They then design the job around those skillsets and begin the process of recruiting. Understanding the labor needs of the organization also requires HR to conduct a personnel plan which communicates how many current and future employees are needed. If there are more jobs required in the future, HR creates a recruitment plan to fill those needs. If the organization projects a surplus in labor, they have several options. This means they could need to lay workers off, or redesign jobs to retain employees. These tasks are important in attracting talent to the organization. They are the logistical execution of the talent acquisition role of HR. However, more important to the success of talent acquisition is corporate culture. A culture where employees find fulfillment and engagement will attract the right talent, and improve the retention numbers. For this reason, may suggest that HR is a builder and protector of culture. In the search process they have the dual task of attracting talented employees, but also finding people who are a positive contribution to the company's culture.

**Story from the HR World: An offer 4 months too late**

Dawn worked her tail off to get where she was in the fertilizer marketing firm she worked for. She spent extra hours on the road, conducted thorough analysis, and came in early to knock out small tasks before the meetings of the day. As a result, she was well known in the industry for her ability to provide customers with product in a timely manner, and had excellent rapport with most of her clients. She received a call from a headhunter one afternoon, indicating that one of her competitors based in North Dakota would like to hire her as the North American sales manager. She agreed to take the interview, and upon conclusion of the two day affair, she flew home expecting she would receive an offer from the company. The headhunter called her a week later and indicated that the search had been called off and that they would no longer be hiring a sales manager. Disappointed, Dawn went back to the daily grind where she continued to perform at a high level. Four months later, on a frozen night in January while walking home from dinner at a conference in Madison, WI she received a call from the sale headhunter. "The VP has changed his mind, and would like to extend an offer," he said to Dawn as she stood in the lobby of the hotel. The compensation package was more than she had received even in her best year at the company. After consideration to the prospect of moving to North Dakota, Dawn declined the offer. She had recently bought a house, and found out she was pregnant



the month before. She made it clear that had the offer come four months earlier, and had the company not demonstrated such a low level of corporate organization in how they interviewed candidates and then pulled everything back, she would have likely accepted the position. In this situation, the talent acquisition function of HR failed to attract one of the bright stars of the industry because of organizational issues.

### **Employee Engagement**

Employee engagement is the task of getting the most out of employees. This means that the organization has to find ways to motivate their team in an attempt to improve employee's feelings and emotional connection to the organization. HR understands that by focusing on engagement, productivity and culture will improve. There are several tactics that HR can use to engagement employees. HR should leverage the executive leadership team to take an active role in investing their time and resources in employees. This means being visible, transparent, available, and charismatic. Many organizations get their culture from the personal identity of the leader. Most notably the entrepreneurial spirit of Elon Musk or the commitment to the environment demonstrated by Patagonia founder Yvon Chouinard. HR plays a role in training managers how they can engage their employees as well. HR can most easily facilitate engagement through a series of organizational activities such as team building exercises, retreats, corporate competitions, and charitable events. Finally, HR should take measures to measure employee engagement so that they can see the effectiveness of their efforts.

### **Learning and Development**

Learning and development is the element of HR that focuses on the skill improvement of organizational members. This can entail acquiring knowledge or improving a skillset. Training focuses on the short-term application of new skills, knowledge, attitudes or perspective. This translates into more immediate, short term performance improvement. Development is focused on the long-term career orientation of the individual. This involves broadening and deepening knowledge and skills as it aligns with the career aspirations of the individual. Education is a more formal component of learning and development as it allows members of organizations to acquire degrees and certificates that allow them to advance in the organization.

### **Total rewards**

The function of HR as it relates to total rewards is to design compensation packages that provide comprehensive security and benefits to employees. Salary and wages are the most reviewed and scrutinized by employees and organizations alike. HR departments regularly report their salaries to agencies that collect this information for the benefit of the industry. HR departments then use the collective information provided by the agency to garner an understanding of competitive wages and salaries. In addition to salary and wages, organizations pay a long list of benefits in most cases. Bonuses are designed to align the interests of the organization with those of the individual. Its important to note that some bonuses are paid out as a calculated sum of the employee's efforts, such as sales volume \* commission %. Other bonuses are considered "black box" bonuses whereby there is not an agreed upon

commission rate, but rather the managers decide based on a balanced scorecard and intuition. Many companies are going towards this model because they can incentivize cultural elements as well as performance factors. For example, a salesman who reaches outstanding volume but is hated by everyone in the office serves as a detriment to culture. One final note on bonuses is that organizations have to be careful not to implement “perverse incentives.” These are bonus structures that on their face incentivize a desirable behavior but in reality, employees are motivated in their self interest and “game” the system. An example of this is a sales role where an employee wants to maximize volume, but could sacrifice price and overall profitability as a result. Other benefits offered by organizations include 401k contributions, pension plans, health care, long-term and short-term disability, life insurance, vacation days, bereavement pay, tuition reimbursement, service recognition programs, anniversary gifts (5, 10 20 years etc. with the organization), dental insurance, vision insurance, childcare benefits, gym or golf course memberships, use of company assets, relocation assistance, and workplace perks such as recreational activities, free snacks, coffee and flexible work schedules. Not all companies offer every benefit, but a general rule of thumb is that benefits paid to an employee equate to about 30% of the annual salary.



### **HR structuring**

Like any department or unit within an organization, the HR function must spend time organizing its own resources and managing the efficiency of its own performance. For this reason, one of the HR functions is self-management. In practice this means that HR must decide which types of HR specialists they should employ and which HR generalists fit the organizational needs. HR specialists navigate a specific role within HR. For example, some specialists focus on training and development, others analyze compensation, some manage the benefits packages of employees, while others might negotiate with labor unions and ensure compliance with government labor regulations. HR structuring also entails deciding which elements of HR can (or should) be handled internally, and which functions can be outsourced. Essentially, this function of HR translates into dedicated time to ensure HR is working properly and managing itself as an entity which aligns with corporate strategy and values.

### **Organizational Effectiveness and Development**

Organizational effectiveness and development is an intentional approach to intervening with the workforce

to enhance performance. This may include team performance, individual employee development or overall operational excellence. This function of HR focuses on the policies, practices, culture, and structure of the organization in a way that enhances commitment and performance. An example of the organizational effectiveness and development role of HR is the decision to allow sales team members to work from home and reside in their sales territory while simultaneously allowing them more autonomy around their work – making personal work hour decisions, expanding sales authorities, and travel expenses. HR would be critical in this situation to analyzing and understanding what such a decision would do to the output of these field employees. Organizational effectiveness also is an opportunity to review the decision rights, authorities, and reporting mechanisms of employees in a way that motivates employees to do well.

**Story from the HR World: A flat tire in bear country**

The adventure guides at a world-renowned lodge in Alaska always got excited for the first two weeks of the summer. This was the training period for new guides, and involved a lot of excursions and studying. Pia was excited for her first season of taking clients hiking, biking, camping, and rafting. Each day the lead guide, Drew would drill the guides on Alaska trivia, stories, statistics, and safety measures taken with each type of tour they offered. More importantly, each day they hiked a new trail, and were tested on flora, fauna, and geological historical markers. The guides had to be prepared for any question clients had, and were charged with foremost, the safety of every client. The guides were required to read novels, poetry, and memorize scientific names for the most common species found in Alaska. Despite the plethora of knowledge and safety training, Drew always overlooked an

important element of training – teamwork. Pia became well versed in the technical elements of her job, but she didn't feel like her fellow guides took her in as a friend or would support her in her new role. On the last training hike before clients would show up, the guides returned to the van at the trailhead. The problem of a simple flat tire was compounded by a lack of adequate tools in the van, and the terrain and slope upon which the van was parked. More pressing, was the reality that 100 yards from the trailhead, they had a wonderful (and safe) encounter with a brown bear. The bear was still in the area and could be heard still slowly lumbering through the alder trees. The group of four guides improvised a lever to aid the jack, and worked together to safely remove the flat tire. At one point Pia began to lean under the van to re-secure the jack and Drew quickly pulled her back for her own safety. In the course of a ten-minute window they had cooperatively swapped out the flat for the spare and were safely in the vehicle. Afterwards, Pia's attitude towards her co-guides changed dramatically. The adrenaline from the epic experience had somehow bonded the group. The rest of the summer, they worked as a team. Drew decided that replicating a flat tire in bear country was not a good idea, but the idea of a team building exercise early in the training was adopted as standard practice in future seasons.

## **Workforce Management**

Workforce management is the logistical components of HR that allows them to forecast and plan for staffing needs. This entails projecting labor needs, creating budgets, and scheduling hourly earners for shifts or locations. This function is also serves as the interactive arm of HR as it conducts payroll, time and attendance, performance management systems, compliance, administration of benefits, and vacation and sick day tracking. By housing the administrative function of the

organization in one location, organizations can realize economies of scale, lower operational costs, and an increased learning curve by the HR function as it specializes in these tasks.

### **Employee Relations**

The basic premise behind employee relations as a function of HR is to serve as the intermediary between the organization and the employees of the organization. The

goal is to maintain a positive relationship between the workforce and management. This is achieved in several ways. First, the HR department focuses

on policies that promote fairness in the work place. This includes compensation practices and precedent from disciplinary action. Second, HR serves in an advisory role to managers as questions arise about benefits, work-life balance, and scheduling. Within employee relations, the HR department handles disputes between labor and management. For example, this may include disputes that arise out of poor performance, workplace behavior, or sexual harassment.



### **Technology and Data**

The HR department now has access to a wide variety of

technologies, data, and digital tools to help them enhance employee performance. This includes how employees communicate with each other, store files or records, monitor performance, and equip employees in their specific roles. For example, HR uses candidate tracking systems to manage the larger number of applicants for open positions. This allows them to categorize, quickly review, and process candidates as they go through the hiring process. Training and development can focus on the digital resources such as video and audio that engage the employee in ways they are used to learning. Performance tracking metrics in call centers for example show employees how efficient they are with their calls, and how effective they are at resolving issues. These sorts of technologies can tell the organization which tasks employees are performing well and where the gaps are. By understanding performance through enhanced tracking, HR departments can allocate resources to address these issues.

### **Global Contextualization**

Whether an organization is international or not, the HR department will need to address the increasing influence of globalization on its organization. Domestic organizations can source labor using immigrant labor with work authorization in the domestic company. International organizations will need to understand the labor laws of foreign countries to ensure compliance. HR serves as an even more critical role for employees who serve as international expatriates (living and working abroad, but employed by the home country). The HR department will create a transition plan for moving abroad, and arrange needed services such as housing, schooling, transportation, personal security. In



most cases, the HR department will provide cultural training or language training for the employee and family and do the taxes for the employee in situations where being an expatriate complicates the tax situation of the employee.

### **Diversity Management**

HR departments promote diversity (different types of people) and inclusion (everyone having a voice). This is the result of intentional recruiting efforts and promoting of cultural and personal values of employees. Most diversity management programs focus on categorical differences in employees such as race, ethnicity, gender, and sexual orientation. However, more effective HR managers also focus on diversity of thought. They look for people from different backgrounds within these categories because unique backgrounds means unique thinking. Research suggests that focusing on the simple categories of race, ethnicity, gender and sexual orientation has a marginal benefit to the performance of the organization. Diversity of thought yields much more substantial payback. Having employees from small towns and big cities, Midwest and Northeast, large state schools and small private institution, born and raised in the local area and outside the state, industry experience in the organization's industry and competing or complimentary industries, introverts and extroverts, diverse personal interests and collective ideals, and the list goes on. Ultimately the role of the HR department is to manage the performance of employees, and encouraging diversity is a means to do that.

### **Risk Management**

HR plays a unique role in identifying risks and

formulating strategies to mitigate them. They focus not on the risks of the business per se (like market volatility and systematic risks), but rather they focus on the risks that could impede the safety or performance of employees. This could entail risks around poor management practices, employee behaviors which are inappropriate, or risks around hiring and losing employees. Within the realm of compliance, HR needs to stay current with legal news which they typically do through industry agencies such as SHRM or conferences they attend. Within the talent acquisition realm, HR can minimize risks by building a sustainable recruiting program, and revamping the onboarding process. Mitigation measures for organizational leadership means holding managers accountable where appropriate and training managers as they begin to supervise employees. In the operational realm, HR managers can implement emergency drills for fire, tornado, hurricanes, earthquake, and active shooter.

**Story from the HR World: Tropical Storm Escape!**

A financial services company decided to establish an expatriate office in the Cayman Islands as a means to enjoy the island's tax haven status for their overseas operations. They were subject to a 25% tax rate for US operations, and a 6% tax rate for a Cayman's office. Jamal was selected as the team lead and would first go to the Caymans to establish the office and set up operations. HR trained Jamal on international tax law, international finance practice, and even provided him and his family with cultural training. HR manager Kerry had a lot of experience in prepping expatriates and felt like Jamal would be successful. After four months on the job, Jamal calls Kerry at home late on a Saturday evening. "Kerry, I know you've seen this tropical storm heading straight towards us. Locals are telling me it will be upgraded to hurricane grade, and is

moving faster than we thought. I need to get out of here, now.” Kerry went into action and contacted all of the airlines, but no flights had seats, or they were already cancelled. Knowing that HR in a global context comes with risk, and the company has a responsibility to own and mitigate risks as much as possible for employees, Kerry promptly scrambled one of the company Learjets to fly from the corporate office in Las Cruces, NM to the Cayman Islands. Jamal and his family escaped with 6 hours to spare and were able to help two other expatriate families flee with them.

### **Corporate Social Responsibility (CSR)**

Organizations that are committed to corporate social responsibility consider the impact of their decisions on all stakeholders – customers, shareholders, communities, management, the environment, shareholders, and yes, employees. CSR is a commitment to both profitability, but also being a good global citizen. HR plays a key role in engaging the CSR efforts of employees. They achieve this by involving employees in decision making processes, pushing for CSR to be a part of the brand of the company, coordinating manager training with elements of CSR initiatives, and most of all promoting an authentic culture of CSR.

### **U.S. Employment Law and Regulations**

We reviewed in chapters 2 the evolution of HR laws in the United States. HR has an integral role in making sure that labor laws and regulations are complied with. This begins with recruiting and hiring, to the employees entire tenure with the organization, and the termination of employees either voluntary or involuntary. HR has to understand not only the current regulations, but also the regulations which are on the horizon so that they can

design compliance programs if needed. Perhaps no other department in the organization deals with government agencies as much as HR. They regularly interact with departments of health, the Equal Employment Opportunity Commission (EEOC), Federal Labor Relations Authority (FLRA), Occupational Safety and Health Administration (OSHA), National Labor Relations Board (NLRB), Social Security Administration (SSA), state labor offices, U.S. Department of Labor, Environmental Protection Agency (EPA), and in most cases local city and county offices that impact employment or operations of the business.

### **HR Strategy**

HR strategy has received the most attention in recent years. For many decades, HR was seen as an administrative function of the organization – making sure people got paid, and trained, and on-boarded, and provided benefits. However, many of these administrative tasks are either automated or outsourced, which has freed up HR to focus on strategy. HR strategy entails creating an overall plan for how employees will be recruiting, built up, progressed, empowered, and motivated to perform. It's an intentional view of how the employees will be managed. However, the most critical component in HR strategy is aligning it with the overall strategy of the organization. HR must understand how the business makes money and which cultural values are espoused so that HR practices can complement business execution. This means that HR managers are thinking about how they create value and how they can innovate their departments and organizational practice to create a competitive advantage for the organization. Some HR departments have taken this mentality to an extreme by

treating HR as a profit center. They bill out hours used by managers, and attribute programs they roll out with the same scrutiny and understanding of its impact on the bottom line like any other profit center would have to do.

#### CRITICAL THINKING QUESTIONS

1. Make your case for which function of HR is the most impactful to the profitability of the organization? Make sure to tie your answer to profitability.
2. How are the HR functions inter-related? Be specific.

## CHAPTER 4

# CHAPTER 4 - HIGH PERFORMANCE WORK SYSTEMS

---

### Learning Objectives

- Outline the basic structure of a high performance work system
- Describe the impact of high performance work systems on the organization

**What is a high-performance work system**

A high performance work system is an iterative process of aligning the human resource functions to the strategic goals of the organization. This requires substantial effort from management to overcome the administrative function that HR has traditionally assumed, in a way that human resources becomes a “group of separate but interconnected practices designed to enhance employees’ skills and effort.” It is important to note that a HPWS is not synonymous with the oft-mentioned High Performance Organization (HPO). HPO describes the entire organization while HPWS refers to the processes levered within the HR function of the organization.

Integration of HR into the strategic thinking of the organization requires attention to HRM philosophies, policies, training programs, administrative practices, and processes. These general areas focus on how HR creates value in compensation and incentives, recruiting and selection, dissemination of information, performance appraisals, and training focused on role specific and organization-wide skill development.

For an organization to transform their business operation into a HPWS, the intrinsic value of their employees must be foremost. They must therefore, be leveraged as a true competitive advantage, and not viewed as a cost center that drains organization resources. HPWS foster the growth of intellectual capital by allowing employees to contribute their creativity, tacit knowledge, and ability to adapt to external market conditions. As such, three conditions must be established as progression towards this ends. First, employees must have knowledge that managers do not. Second, employees must be motivated to engage their environment in applying these skill sets. Finally, the organizational strategy must rely on and utilize the discretionary use of these skill sets of employees. This requires decentralization of hierarchy that expands employees' job depth, and allows for learning to take place at all levels of the organization. At its core, HPWS maximizes workplace specialization and takes advantage of the unique expertise each employee has gained from consistent performance in their role.



Primarily, the purpose of HPWS is to create a sustainable competitive advantage in the marketplace. The treatment of employees in such a way has a direct impact on how customers are treated and can create real value for a company. The competitive advantage of a HPWS can be sustained over a long period of time if the execution is difficult for competitors to imitate. For this to happen, the implementation and development of a HPWS must take place over a stretch of time that allows for members to learn from mistakes and improve as they go. This organic transition into HPWS means that competitors cannot simply replicate the process, it must be experienced first-hand, and provide allowances for adaptation to organizational needs.

### **Why it Matters**

If the primary purpose of HPWS is to create a sustainable advantage over the competition, the impact must be actualized in the bottom line. Skill training lends itself to improved profitability by reducing the number of mistakes that employees make. The broader knowledge employees have about the overall business and processes improves quality of their output. A HPWS focused on



value adding compensation methods leads to higher levels of engagement and motivation. Decision making in this context focuses on the long-term welfare of the organization that aligns both personal and organizational goals. A natural result of HPWS compensation policies is improved communication, increased quality, longer tenure, and higher adaptability to change. HPWS allow for worker input and increase job depth which results in reduced fatigue, higher levels of job satisfaction, lower absenteeism and lower turnover

The majority of studies on HPWS focus on the impact of firm performance and have shown the following results:

Firms that integrated training into strategic planning can result in an increase in productivity as high as 19 percent, and wages can increase by as much as twelve percent.

Gain sharing and profit sharing can result in three to fifteen percent increase in productivity.

Participation in workplace decisions can reduce production time of operations

Higher productivity by as much as seventeen percent was associated with increased levels of job rotation, worker autonomy, and employee involvement in teams

Skill development contributes to an upward trend in stock price by as much as twenty percent over a six year period.

These studies would indicate that HPWS create value across a wide range of industries, sectors, and levels of management. As a contributor to the profitability and competitive advantage, HPWS clearly should warrant serious consideration by management to pursue it.

### **Practical Implications**

As mentioned in the background information, HPWS requires time to develop and is a process that requires serious commitment from executive management, human resource professionals, and members of the organization. Here are a few practices that can be employed by these practitioners in progression towards HPWS.



First, for HR to be considered a strategic partner within the firm, management support is essential. This validation from executive management will allow HR to transcend the traditional administrative role. Before HR practices can be strategically integrated, two perspectives must be aligned – HR professionals must see themselves as strategic partners and not merely a cost center, and they must, perhaps more importantly, understand the operation and the strategy of the business unit they are supporting. Beyond the strategic alignment with functional management, HR must engage strategies to address employee motivation, selection and development, and effective processes.

**Strategic Partnership.** In regards to the overall strategic alignment of HR, there must be an explicit effort to include HR in the strategic planning. The HR components of the overall strategic plan must be clearly communicated and the value they create must be easily understood within the context of the overall plan. Many business professionals that gravitate towards HR are adept in the administrative component of HR. To make the transition from administrators to strategic thinkers, the team members of HR will need skill development training to teach them how their function can add value in that way.

**Employee Motivation.** Employee motivation needs to be addressed in a HPWS. Foundationally, an annual review needs to be conducted so that the employee can recognize professional deficiencies and strengths. Ideally, this performance review will include coworker, management and self reflections of performance so that a broad scope of feedback can be incorporated. HPWS will provide employees with the necessary training and mentoring to address either the deficiencies or allow the employee time to develop strengths further. The personal development plan should be a functional document that outlines an attainable path for the employee to follow. These reviews should be the basis for promotion where merit trumps tenure.

**Selection and Development.** Attracting and retaining talent is a function of opportunities within the company and the opportunity that employees have to be rewarded for the efforts. While compensation plays an independent role in a HPWS, it is important to note that

attracting new employees is also affected. The degree to which employees can receive bonuses as a result of their efforts and the progress outlined in the performance evaluation will determine the overall attractiveness of the firm to outside hires. Retaining talent, while also impacted by the compensation system, is also a function of promotion opportunities from within the company.

Compensation must be contextualized within the metrics of the industry. An organization must decide in what range of total compensation they want to be in relative to competitors in terms of cash bonuses, deferred incentive compensation, and total pay at risk (as opposed to guaranteed salary monies).



**Effective Processes.** Finally, HR must focus on the effectiveness of their efforts. If the intention is to improve quality, output, and reduce the negative impact of an inefficient organization, the key area should be on effective processes. Qualified people must be hired and retained, and the jobs which they engage everyday must be designed in such a way that they enhance business performance. At its core, HPWS is about value creation, and all of the tasks and responsibilities of the work force must be oriented towards this end. Further, employees

must be provided the organizational resources and be trained to develop skills to enhance performance of the firm. Executive management must include HR in the overall strategic vision of the organization in such a way that align the two objectives – hiring qualified people and designing jobs that contribute to performance.

In an attempt to answer the question “why some companies thrive while others fail?” the Stanford University Graduate School of Business identified a number of factors that caused venerable organizations such as Montgomery Ward, Bethlehem Steel, and Pan Am Airlines to die, while company’s such as Wal-Mart, Nucor Steel, and Southwest Airlines were able to thrive. Two common factors among those calamities identified as cause of business failure were the continued use of aging business practices and the inability to adapt.<sup>1</sup> Among the most significant challenges facing a successful organization as it grows and matures is the need to adjust to changing circumstances brought on by fast-paced globalization. However, change is easier said than done. Firms that manage to thrive over decades have figured out how to develop a compromise between the current, and the expected future needs and practices of the business. Companies such as Montgomery Ward and Bethlehem Steel clung to the prevailing circumstances of the time including their management practices while others evolved. The old assumptions of how to run their businesses were not challenged, human resource practices did not evolve, inertia reigned, and disastrous results ensued for these organizations.<sup>2</sup>

A Harvard Business Review article addressed a similar question, why do good companies go bad? Any number of reasons ultimately are behind that fact that some

companies do fail, including managerial incompetence, the inability to recognize or react appropriately to threats or the failure to deal with unexpected economic conditions. Overwhelmingly, however, it was the organization's tendency to follow established patterns of behavior that created the climate for failure.<sup>3</sup> A performance problem exists and something needs to change.

The long-term success of an organization depends on its ability to deliver a consistent stream of quality products and services to the marketplace that meet or exceed market requirements. Assumptions of how to provide those products and services that meet or exceed customer requirements have evolved the past two decades. Traditional sources of competitive advantage, including speed-to-market, patents, and economies of scale have been altered by the availability of technology and the impact of globalization. To grow and thrive in changing times, many firms now recognize that a highly motivated and skilled workforce is essential to maintaining a competitive advantage. With their workforce in mind, managers are now looking to their Human Resource Departments to assist implementing the big-picture competitive strategy.<sup>4</sup> The purpose of this report is to review the practice known as high-performance work systems and how the implementation of this method can enable an organization to thrive and grow, despite changing circumstances, new competition, and a host of other elements that could cause companies to fail. High-Performance Work Systems (HPWSs) is the concept of the design of jobs, how the work within the organization is organized, whether it is assigned to teams

or individuals, and how accountability is assured.<sup>5</sup> This report will include an analysis of how the areas of Human Resource Development as noted by Gilley, Eggland, and Gilley fit against the High-Performance Work System practice.<sup>6</sup> This report concludes with a recommendation for future leadership and HR practices.

### **The Link to the High-Performance Organization**

The term high-performance work system is linked directly to the concept of a high-performance organization.<sup>7</sup> The sustainable, high-performance organization is one that can remain responsive to marketplace expectations and sustain the behaviors required to meet those expectations.<sup>8</sup> Five success factors have been identified as keys to creating a sustainable high performance. 1) Senior managements' perception of the marketplace. 2) A shared vision, mission, values, and strategies that are aligned with the realities of the marketplace. 3) Leadership practices that are congruent with the vision, mission, values, and strategies. 4) Infrastructures which support and reinforce the vision, mission, values, and strategies. 5) Employee behaviors that meet customer needs.<sup>9</sup> Failure to adapt to a changing marketplace or become stuck in inertia is the result of performance gaps in one or more of these five success factors. HPWSs are designed to address these gaps and can result in a change to the organization's approach to employee behavior and people management practices. Effective HPWSs facilitate the environment necessary to improve the financial and operational performance of an organization and better position it for sustained, long-term performance. Success factors regarding specific expectations from HPWS initiatives include improved efficiency and reduced costs. Additionally, the quality of work, the speed at which work is done, productivity and

improved customer satisfaction are outcomes of successful HPWS implementations.

An important factor in the successful implementation of an HPWS is its ability to create a change in the organization's cultural behavior regarding cooperation, innovation, and people practices, all of which impact operational and financial performance. Organizational culture is defined as a system of shared assumptions, values, and beliefs, which govern how people behave in organizations.<sup>11</sup> To sustain long-term competitive readiness, an organization must have an organizational culture that can actively propel an organization to grow, learn and adapt to an ever-changing world. Organizations that successfully implement an HPWS have an organizational and people dimension mindset that 1) defines (or redefines) the desired culture required to enable the firm's strategy to be executed, 2) refines the recruiting criteria to ensure that cultural aspirations are clearly reflected in hiring practices, 3) assigns accountabilities to achieve cross-enterprise collaboration and engagement, and 4) identifies groups with missing or inappropriate career paths and makes adjustments to drive engagement. Culture is the "secret sauce" or the way things get done in an organization. However, culture need not be static or fixed. Culture must adapt to the demands of the marketplace. A culture of risk aversion and command and control hierarchical authority may have worked in another era, but can be a process map for weak performance in today's fast-paced world.<sup>12</sup> An HPWS can enable improved employee engagement and inspire them to go the extra mile, not just for remuneration, but because their work fits the organization's culture personally and professionally. The



following table identifies characteristics organizations exhibit that successfully implement an HPWS.

Table 1. *Highly Effective Companies Manifest 14 Characteristics.*

---

	<ul style="list-style-type: none"> <li>· High-performance teams of individual leaders drive urgency and direction</li> </ul>
Leadership	<ul style="list-style-type: none"> <li>· The pipeline is stocked with future leaders whose skills are matched to future needs               <ul style="list-style-type: none"> <li>· Middle managers embrace and translate strategy</li> </ul> </li> </ul>
Design	<ul style="list-style-type: none"> <li>· Structure and resource allocation reflect strategic tradeoffs</li> <li>· Few layers separate the CEO and the frontline, and spans of control are wide               <ul style="list-style-type: none"> <li>· Accountabilities, decision rights, and collaboration are constructed with thoughtful consideration</li> <li>· Individual capabilities are matched to role requirements</li> </ul> </li> </ul>
People	<ul style="list-style-type: none"> <li>· The employer brand is a core asset</li> <li>· Critical roles and key talents are clearly identified and treated with care               <ul style="list-style-type: none"> <li>· HR is a strategic partner and an enabler of the business</li> </ul> </li> </ul>
Change Management	<ul style="list-style-type: none"> <li>· Change is a disciplined cascade</li> <li>· The organization is evolutionary</li> </ul>
Culture and Engagement	<ul style="list-style-type: none"> <li>· Culture accelerates strategic objectives</li> <li>· Engagement is measured and cultivated to generate discretionary effort from employee</li> </ul>

---

High-Performance organizations exhibit behavior different from those that react to difficult times with

knee-jerk decisions or some, lulled into complacency by decades of success, fail to heed the warning signs of impending disaster. Organizations that exhibit satisfactory HPWSs review these 14 characteristics and determine which are the most critical to sustaining their competitive advantage.<sup>13</sup> These organizations will not merely set these characteristics on a shelf or place them on signs posted at the facility. Organizations that use an HPWS monitor and measure their adherence to these 14 characteristics with the same degree of oversight and intensity with which they require for their operational and financial performance.

**Story from the HR World: A Lesson in Sales**

Jill managed seven salesmen for the mid-sized software development company in Georgetown, TX. Her role was to develop her team to maximize the sales potential of each client. She audited the capabilities of each member of the team through a summary of their performance evaluations and discovered a trend in five of the seven salesmen – they were well versed in the technical side of the product, but lacked many of the soft skills needed to more effectively close deals. She submitted an expense requisition to HR to request authorization to bring in a nationally renowned sales training firm for a four day seminar. In addition to the sales team, she brought in the logistics, and credit teams to partake in the seminar. Even though these ancillary teams were not directly involved in the sales process, she thought they could benefit from the customer focus that the training presented. They dealt with many of the objections and value added conversations with internal customers they serviced. The result of the training was a needle mover. The team improved sales by a 5% margin, and the logistics and credit teams cultivated deeper relationships with those they served. Overall, morale improved, and the self improvement focus of the training allowed most of the team to benefit in their personal

lives. They utilized many of the same techniques in the purchase of a car, a home loan, and one member even negotiated a lower green fee on his round of golf that following weekend. Jill recognized not only the deficiency in her team, but the reality that the organization should continually invest in the capabilities of their people to the benefit of both the organization and the individual. This is the heart of the high performance work system.

### **HPWS Implementation**

The successful implementation of an HPWS within an organization creates the likelihood that a high-performance workplace will ensue. Organizational culture, day to day business practices, and value systems can be improved. Dramatic improvements in operational and financial outcomes become realistic and achievable.<sup>15</sup> HPWSs become an integral part of the human resource development process as defined by Gilley, Eggland, and Gilley as a dynamic and evolving practice meant to improve organizational effectiveness.<sup>16</sup> The four Gilley, Eggland, and Gilley components that comprise modern-day human resource development of 1) individual development, 2) career development, 3) performance management and 4) organizational development are integral parts of an HPWS.<sup>17</sup> HPWS organizations build talent through the human resource department's process to enhance the firm's employee's abilities, enhance their motivation, and increase their opportunities.<sup>18</sup> The net result is an organization with a shared culture and mindset and an organizational capability that is long-term and sustainable.



Today, many organizations remain stuck with autocratic leadership, hierarchical structures, and command and control styles of leadership. More effective organizations have moved to either a transactional leadership style where the leaders help employees recognize the work necessary to be done, or a transformational style where the leaders have the ability to inspire and motivate employees to achieve more than they thought possible.<sup>19</sup> Today's organizations face ever-increasing challenges and threats that did not confront leaders of the past. To grow with long-term sustainability, today's leaders, HR leaders, in particular, must become development leaders. Developmental leaders place the success and growth of those around them above all else.<sup>20</sup> The result of such leadership is the type of engaged workforce necessary to compete in today's marketplace. Organizations with developmental leaders who help employees re-invent themselves and become more attuned to working with their colleagues to compete effectively in today's changing world are those organizations that will continue to thrive, grow, and sustainable for future generations.

**CRITICAL THINKING QUESTIONS**

1. Make your case for which element of the HPWS is the most impactful to the profitability of the organization? Make sure to tie your answer to profitability.
2. How are the components of the HPWS inter-related? Be specific.

## CHAPTER 5

# CHAPTER 5 - HUMAN RESOURCE DEVELOPMENT

---

### Learning Objectives

- Explain the difference between Human Resource Management and HR Development
- Describe the evolution of HR to HRD

Previous chapters have reviewed the evolution of HR as well as the contextualization of modern practices. The culmination of the HR practice in the modern environment is the developmental organization. This term implies more than simply putting together the 15 functional areas. Human resource development is a cultural commitment to the improvement of both the individual and the organization. This is the apex of human resource management. In this chapter, we will explore what this looks like in practice.

### **A transition from HR Management to HR Development**

Organizations, whether it be for-profit businesses,

non-profits, or academic institutions are made up of people which mean every organization requires some human resource management. Human Resources (HR) is the function in charge of an organization's employees. Typical HR responsibilities include areas such as recruiting and staffing, compensation and benefits, training and development, labor and employee relations, and organization development ("What is HR Management?" n.d., para.1). The purpose of this paper is to review what is known about HR, how HR evolved into human resource development, and why leaders of organizations are keenly concerned about this topic.

### **The Evolution of Human Relations Management**

To trace the evolution of HR and HR management, one must begin by reflecting on the history of the American worker. Licht (1988) identified a number of factors important to the understanding of labor and the rise of the modern HR movement. 1) The tremendous labor unrest that abounded in the late 19th and early 20th centuries led by unsafe working conditions, long hours, and low wages, was fueled by worker resentment to increased immigration, urbanization, and developing mechanization. Labor and management had to learn to work together to quell this unrest in order to pursue economic conditions that benefitted both business and the worker. 2) The demographic profile of the American worker was also changing. In 1913, less than one-fourth of all adult women worked outside the home. Eighty-five years ago, women made up less than 20 percent of the workforce; today, women represent 50 percent. Immigration and the role of African-Americans also changed. Immigration, legal and illegal from Latin America and Asia has seen a dramatic rise in the proportion of foreign-born workers. In 1913, 90 percent

of African-Americans resided in the South and worked as laborers and domestics. The dramatic shift of African-Americans to the north and west due to increased industrialization after World War II and the Civil Rights movement changed the face of the American workforce. 3) The need for increased safety and health brought significant change to the American worker. In 1970, Congress passed the Occupational Safety and Health Act, providing the Department of Labor a mandate to set guidelines to protect workers from work-related accidents. In 1971, the Occupational Safety and Health Administration (OSHA) was created to enforce those guidelines. 4) In addition to the need to enforce new standards mandated by the Department of Labor, OSHA also increased the need for greater human relations management. Corporate managers were now forced to consider alternatives to the stick approach of the 19th century and begin to find ways to provide employment interest and value beyond that of a paycheck. The need to create staff hierarchies, develop career paths, and offer new benefits such as family insurance programs began to emerge from the conflicts of the early 20th century, as well as the substantial shifts in the American workforce (Licht, 1988).





Thite, Kavanagh, and Johnson (2008) built on the work of Licht (1988) writing that there are five historical phases of HR management throughout the development of industry in the United States. 1) Before World War I, HR was more commonly known as the personnel department and dealt for the most part with clerical functions. The “Personnel Department” kept records of the employees’ information. The predominant management thought of the period was to maximize employee productivity. The quest for efficiency led to the search for science in management. Giants in this emerging field began to emerge. Frederick Taylor developed the concept that much of the conflict between management and labor was due to ignorance on both sides. Management looked for, and labor was ready to deliver a “fairs day work for a fairs day pay,” but neither side knew what constituted a day’s work (Wren and Bedeian, 2009). Taylor’s contribution to the science of management was his development of the

time study, building on earlier work by Charles Babbage. Taylor's work focused on what was possible during a production sequence as well as what were the best methods of achieving the desired results. The net effect was that management, and labor, now had a baseline to determine a "fair day work for a fair day pay" (Wren and Bedeian, 2009). Taylor's work evolved to what became the standard measure for production and compensation, the piece-rate pay system. From an HR standpoint, the "personnel department" did little more than maintain records on health and safety as well as hours worked and payroll. Computers were non-existent with labor records kept on paper.

2) Following World War II, managers began to realize the significance of employee productivity and motivation on the firm's profits. Job-satisfaction, recognition and other social and psychological factors started to emerge as employee motivational factors. McGregor's X and Y theory of motivation served as a bridge from past concepts of human relations to a more modern view of the worker and motivation (Wren & Bedeian, 2009). Maslow's hierarchy of needs concept contributed to the emergence of human relations as a discipline (Crainer, 2003). Herzberg's two-factor theory of motivation added to how management began to think about, and design jobs (Robbins & Coulter, 2009).

A significant consequence of the wartime call-up in the military and industry that had been converted to support the war effort was the need for the classification of large numbers of individuals. The central component of this classification system was what is known today as the job description which listed the duties, tasks, and responsibilities of the person who held a specific job (Thite, Kavanagh, & Johnson, 2008). The net result of

developing a job description for each particular task was it now became easier to evaluate individual performance, develop appropriate compensation programs, and provide the basis for termination when necessary. Employment laws as noted by Licht (1988) allowed the establishment of labor unions to bargain for better wages and working conditions. These developments began pushing the personnel departments to improve record keeping. The need to respond to requirements and demands of various governmental agencies and post-war demands from the military drove the need to adapt new technologies, requiring new skills within organizations personnel departments. Responding to increased legislation, employee unionization, and the need for increased focus on employee relations was the predominate themes of post-World War II personnel departments (Thite, Kavanagh, & Johnson, 2008).



3) According to Thite, Kavanagh, and Johnson (2008), the decades of the 1960's, 1970's and early 1980's were a time of increased labor legislation in the United States that governed in many areas of employee – management relations. Organizations personnel departments were required to gather, analyze, and report on massive

volumes of data to authorities ranging from discriminatory practices, the effective promotion of and utilization of occupational health and safety programs, retirement benefits and tax regulation. In order to prevent punitive damages for noncompliance, personnel departments had to ensure that the data was accurate, comprehensive, and up-to-date, adding to the responsibilities of personnel departments. Additionally, Thite, Kavanagh, and Johnson (2008) state that due to the booming post-war economy, unions successfully championed better employment terms, including wages, retirement and health care benefits. The resulting increased labor costs began pressuring personnel managers to start directing their focus away from employee maintenance to that of developing employees to justify the increased costs and drive for better productivity. The scope of the personnel department was changing, and human resource management began to emerge as a factor for strategic thinking departments (Thite, Kavanagh, & Johnson, 2008).

4) The period of the mid-1980's through the early 1990's according to Thite, Kavanagh, and Johnson (2008) witnessed a number of significant issues affecting the human management functions. The United States began to experience heightened competition from foreign companies. Many U.S. firms began focusing on cost reduction through automation while their HR personnel continued to deal with ever increasing legislative reporting requirements. The combination of corporate-wide cost reductions, increasing administrating duties, and rising employee costs created the need for human relations management to justify the costs of their operations and functions. The thought that human relations managers had seldom had to deal with before

began to emerge; the capability to look at the total business, and think strategically. 5) Globalization, new competition from emerging markets, technological breakthroughs including the advent of the world-wide-web created the need to consider the makeup of the organization. The need to define a firm's real competitive advantage began to emerge, with many organizations realizing that their people made the difference (Thite, Kavanagh, & Johnson, 2008). As a result, the people management of the organization continued to evolve with increased emphasis on attracting, hiring, developing, and retaining the right talent.

Salvatore, Weitzman, and Halem (2005) point out that changes in the United States law were factors in the dramatic need for change in the HR profession. Major legislation acts that included the 1993 Equal Pay Act, the 1964 Civil Rights Act prohibiting discrimination on the basis of race, color, sex, national origin, or religion, and the 1967 Age Discrimination in Employment Act drove the need for the HR function of organizations to begin to step up in their importance. More recent legal enactments such as the Americans with Disabilities Act of 1990, and the 1993 Family and Medical Leave Act now required HR professionals to begin learning how they could keep corporate managers out of legal areas with which management had little experience (Salvatore, Weitzman, & Halen, 2005).



The past decade witnessed dramatic cost increases in areas that traditionally resided within earlier personnel departments, and now, modern day human relations departments. The cost of health care coverage, once the staple of modern day employment began to emerge as a significant expense line item to many organizations. Companies were also now faced with increased competition from every corner of the world and began searching for ways to lower ever-rising costs. The result according to Rubis, Mirza, Fox, Shea, and Moss (2005) was a health care cost-shift from the employer to the employee. Additionally, employees now faced a dizzying area of health care choices ranging from health maintenance organizations, tax-advantaged flex spending accounts, association-based health care coverage options, and health reimbursement accounts, which requires education and training (Rubis et al., 2005). Another employee benefit, retirement planning, began to change and change dramatically. A number of corporate defaults of underfunded defined retirement pension plans led to a massive decline of these fixed monthly payment plans. The responsibility for saving and investing for retirement began to shift from the employer to the employees,

through 401 (k) plans. The percent of workers participating in defined benefit's retirement plans fell from 28 percent in 1979 to 3 percent in 2011 while the percent of employees participating in defined contribution plans increased from 7 percent in 1979 to 31 percent in 2011 (Retirement Issues, n.d.). These systems, typically managed by the finance department and designated investment professionals now required human relations department involvement through training, education, and record keeping. In many firms, negotiating retirement plans and the processes now resides within the human resources department (Rubis et al., 2005). These dramatic shifts in the role and requirements of the human relations department required a new look at an old function.

Fallon and McConnell (2014) state that due to the dramatic change in the field of labor, increased legislation, increasingly complex responsibilities, and the different types of work that had to be done, the personnel department evolved into what is today, the human resource department around the late 1970's and the decade of the 1980's. Many of the practitioners of traditional personnel functions had become overwhelmed by the tsunami of change, could no longer cope with the increased demands, became obsolete and were replaced by new professionals from the field of industrial psychology and graduates of modern business management programs (Fallon and McConnell, 2014). The title of Human Resource more accurately reflected the workload, improved the image and elevated the status of the work being performed while pointing to the degree of professionalism of the new practitioners who are now doing this type of work.

May (n.d.) states that the shift from "personnel" to

“human resources” was accompanied by the need for HR to become more of a strategic partner with the other leaders of the business. HR is now being called to advise on important transitions, develop and demonstrate the value of the employee, and contribute to significant business decisions. In other words, while state-of-the-art human resource practices continue to be centered around five functional practices: 1) human resource planning, recruiting, and selection, 2) learning and change, 3) career development strategies, 4) performance management, and 5) compensation and rewards (Gilley and Maycunich, 1999), HR teams are now being challenged to deliver much more. HR is now being tasked in some organizations to play a role inside business units offering a variety of HR services directly to that particular work area. In these situations, the HR employee may report directly to the manager of that business unit rather than to the HR manager. This approach provides the HR representative the ability to take information from the primary HR group directly to the business unit, tailor and modify the service based on that business unit needs in conjunction with the business unit manager. In some organizations, HR is now being challenged to deliver a consulting model whereby their view is that of a client and take their client satisfaction as their measure of success. HR in some cases is now being held accountable for increasing line managers capabilities. This approach creates a tie between HR and line management, fostering closer involvement in the development of the employee (May, n.d.). These new roles for HR raise several issues with which the organization leaders must grapple. To deliver on these new and challenging HR roles requires strong HR leadership, one where the HR manager must sit at the executive level table and demonstrate the ability



to provide value. In addition to strong HR leadership, making the shift to a new HR model, one for the 21st century, will require far more future orientation than in the past. What are the organization's future HR needs? What are possible future trends that need to be taken into consideration? As rapidly as the world is changing, how can the business be responsive to the ever-changing needs of its clients? Globalization has created the need for business to respond rapidly to changing market conditions, adapt to new locations with employees from different cultures with different requirements and customs.

When viewing the evolution of human resource development, it is interesting to note that Peter Drucker, characterized as the guru of management practice (Wren and Bedeian, 2009) wrote that management is about human beings and that every successful enterprise is a learning and teaching institution (Drucker, 1973). Drucker (1973) wrote those words more than forty years ago and was delineating what Gilley and Maycunich (1999) describe as a learning organization which is characterized by a culture dedicated to improving workers, their productivity, and overall business performance by continuous lifelong learning. The evolution of human resource management is tied directly to playing a lead role in moving beyond just learning and teaching.

### **The Future of Human Resource Development and Why It is Important**

Gilley and Maycunich (1999) write that three identifiable organization types exist along the plane of organizational evolution: 1) the traditional organization, 2) the learning organization, and 3) the developmental organization. The authors contend that organizations

must move beyond the model of a learning organization to that of a developmental organization; one that promotes and rewards long-term individual and organizational growth (Gilley & Maycunich, 1999). The issue the author's state is that evidence points to the fact that more than 80 percent of all organizations remain mired in the traditional mode. These organizations may deliver results that keep them afloat but fail to achieve consistent long-term growth while falling prey to lost market share, fail to respond to rapidly changing market conditions, lose profitability and are driven to attempt quick, short-term fixes rather than adhere to long-term strategic plans. From a human resource standpoint, traditional organizations tend to rely on training as a means to improve their workers skills, failing to connect employee growth and development with organizational renewal and competitive readiness (Gilley & Maycunich, 1999). While the 80 percent estimate of organizations stuck in the traditional model is likely not quantifiable, should that number be even remotely accurate, the future state of human resource management must first begin to move beyond that of the traditional mode to that of a learning organization before they can become a developmental organization. This table compares several factors that identify whether an organization could be classified traditional, learning or developmental.

Table 1. *Comparing Traditional, Learning, and Developmental Organizations.*

<b>Characteristics</b>	<b>Traditional Organization</b>	<b>Learning Organization</b>	<b>Developmental Organization</b>
Orientation	Training	Learning	Development
Capacity for Organizational Renewal	Low	Moderate	High
Importance of HR	Not critical	Critical	Essential
Assumption of Growth & Development	Training will enhance the organization	Building capability to create through learning	Continuous development is the key
Expectation of growth and development	Improved SKA's	Continuous learning	Organizational renewal & competitive readiness
Types of developmental activities	Accidental, conversational, incidental learning	Deutero-learning & action learning	Developmental learning
Focus on developmental activities	Knowledge acquisition	Application and reflection	Changes and continuous growth and development
Outcomes of developmental activities	Comprehension	Mastery and self-awareness	New meaning, renewal, and performance capacity
Organization priorities	Market share, profits, productivity, margin	Learning is key to improving business results	Achieving business goals & objectives through employee growth and development
Type of leadership	Autocratic	Transaction, transformational	Developmental
Structure & work climate	Departmental, formal, hierarchical, little employee participation	Team/project oriented, encourage & reward individual & group learning	Organizational system approach

Leader role	Status quo	Synergist	Holistic Thinker & development champion
Manager role	Status quo	Learning partner	Performance coach
Employee role	Status quo	Self-directed learner	Developmental enhancer
HR professional role	Status quo	Employee champion	Performance consultant and OD change agent
Actions required to move the organization forward	None	Focus on learning	Focus on development

Note: Adapted from *Beyond the Learning Organization*, p. 8-9, by Gilley and Maycunich. Cambridge: Perseus Books

Table 1. *Comparing Traditional, Learning, and Developmental Organizations* provides a window as to why human resource development is vital to organizations and why today’s leaders have begun to place increasing greater importance on the topic. Traditional organizations have a low capacity for organizational renewal and rely on accidental, conversational, incidental and anticipatory learning as opposed to action learning or deutero-learning (Gilley & Maycunich, 1999). Action learning (Marquardt, 2014) is the dynamic process that focuses on a small group of people not just solving problems, but also focusing on what they are learning, and how their learning can benefit each group member, the group itself, and the organization as a whole. Action learning is a clear departure from traditional learning and an important step toward becoming something beyond that of a traditional organization.



For organizations to move beyond the traditional mode, Senge (1999) states that the fundamental difference between traditional authoritarian organizations and learning organizations is the mastery of certain basic disciplines. Those disciplines are 1) personal mastery – continuous learning by each individual, 2) mental models – the development of awareness of acquired patterns of thinking within organizations, 3) building shared values – creating visions of the future, 4) team learning – learning together so that the members of the team are more productive than they would be as individuals, and 5) systems thinking – the ability to see organizations, their problems, and opportunities as a whole (Economist, 2014). One could argue that while many organizations have mastered to some degree the disciplines of individual learning, awareness of patterns within the organization, the need to build a vision of the future, and the importance and role of team learning, few have mastered the discipline of systems thinking. The Gilley and Maycunich (1999) claim that 80 percent of today's organizations remain stranded in the traditional mode regarding organizational renewal supports this concept.

Systems thinking is defined as a method of critical

thinking where managers can see repetitive patterns, the way certain problems appear over and over, and how systems have inherent built-in limits to growth. Systems thinking recognizes that that things are interconnected and that organizations are complex systems. Systems thinking enables you to analyze the relationships between the system's parts to better understand the situation and to facilitate better decision-making (Crainer, 2003). For example, when a firm reduces their marketing expenditure to meet the company's expense budget, did they take into consideration the connection to an appropriate degree of decline in revenue? When a company pulls a number of people off projects already underway to suddenly form a new team for a crash-course need, was there due consideration of the impact on existing projects with a potentially higher return on investment? Or consider the effects of the delay on existing projects due to reduced resources?

These type of actions that likely take place countless times a day around the globe lay at the heart of the importance of systems thinking. Senge (1999) wrote that systems thinking is the discipline that connects the other four disciplines and keeps them from being the latest in organizational fads. To become a learning organization requires a shift of mind. People, and departments within an organization, can no longer view themselves as separate with problems being created by others. Systems thinking is the ability to visualize how our actions, and those of our departments, are often the reason for our problems. Seeing how everyone's actions are interwoven, the system, is the essence of a learning organization (Senge, 1999).

Simpson (n.d.) writes that the major human resource issue most organizations must deal with today is the

failure to understand the complex interrelationships between the different elements of HR management and the other components of the business unit. The result inadvertently creates organizational tensions that constrict the organization from realizing its true potential. Gilley and Maycunich (2009) write that systems thinking require leaders, managers, and employees to consider, from a strategic standpoint, every aspect of organizational life. Silos can no longer be allowed to exist. Assuring that the corporate system and all its connections are integrated and no longer dysfunctional is the role HR leaders can, and should play. Only through systems thinking can human resource management step up and lead modern human resource programs that ensure all aspects of the organization work cooperatively for the betterment of all.

**Story from the HR World – Hiring the right people**

In the fallout of the Enron scandal in 2001, many working professionals in the energy markets were looking for new jobs. Most of them were not involved in the scandal, but rather were victims to the circumstances of poor ethical leadership. Marlon ran the HR department of an energy company headquartered in Kansas City. Seeing an opportunity, the door was open to hire many of these former Enron employees. After two years, the seven Enron employees that he hired to the company were gone. A serious gap in culture was to blame as the Enron employees simply did not adhere to the protocols or connect to the incentive structure of the organization. The culture of the organization was such that any sales or deals were paid out in bonus AFTER the deal was done and money was collected from the customer. The bonus payout was focused on a year in review scorecard. However, the Enron employees were a bad fit for two reasons. One, most of them had degrees from Ivy league, east coast schools and had an arrogant

approach to coworker who graduated from moderate Midwest schools. What made the culture work at Marlon's company was that most of the original sales team in fact graduated from midwestern schools and grew up in small towns and farms where the work ethic far exceeded many of their east coast peers. Humility and respect were highly valued in the company because the surrounding states valued these virtues (Nebraska, Iowa, Kansas). Second, the incentive structure these salesmen were used to at Enron paid them on the future projected cash flows of the deals. This led to a conflict within the organization because Enron salesmen were expecting payout and did not see deals through to collection as a result. Marlon as the HR manager failed to connect the HR practices of talent acquisition with the overall strategy of the business.

#### CRITICAL THINKING QUESTIONS

1. Explain the difference between traditional HR and HR Development.
2. How can organizations benefit by embracing HRD?





## CHAPTER 6

### REFERENCES

---

Wareing, J. (2017). Indentured Migration and the Servant Trade from London to America, 1618-1718: There is a great want of servants. Oxford Press.

Smithsonian (2021). Paradox of Liberty. African Slavery in the Colonial British North America

<https://www.monticello.org/slavery-at-monticello/african-slavery-british-north-america/africans-british-north-america>

Foner, E. (1995). Free Soil, Free Labor, Free Men: The Ideology of the Republican Party Before the Civil War. Oxford Press

Boundless. "Slave Codes." Boundless U.S. History. Boundless, 14 Nov. 2014. Retrieved 11 Feb. 2015 from <https://www.boundless.com/u-s-history/textbooks/boundless-u-s-history-textbook/slavery-and-reform-1820-1840-16/slavery-in-the-u-s-122/slave-codes-653-10159/>

Yamamoto, K. & Villegas, S. (2020). The evolution of human resource development: Strategic HRD to

transform organizations into high performance organizations. *Journal for Advancing Business Education*, 2(2).

Crainer, S. (2003). *The Ultimate Business Library*. West Sussex: Capstone Publishing Limited

Drucker, P.F. (1973). *Management*. New York: Collins Business

Economist (2008, Nov. 14). Guru Peter Senge. *The Economist*. Retrieved from <http://www.economist.com/node/12552876>

Fallon, L.F., & McConnell, C.R. (2014). *Human Resource Management in Health Care*. Burlington, MA: Jones and Bartlett Learning

Gilley, J.W. & Maycunich, A. (1999). *Beyond the Learning Organization*. Cambridge: Perseus Books

Licht, W. (1988, February). How the workplace has changed in 75 years. *Monthly Labor Review*. Retrieved from <http://www.bls.gov/opub/mlr/1988/02/art3full.pdf>

Marquardt, M.J. (2004, Feb. 14). Action learning. By George – *The George Washington University Faculty, Staff, & Community Newspaper*. Retrieved from <http://www.gwu.edu/~bygeorge/021804/actionlearning.html>

May, K.E. (n.d.) Work in the 21st century: The changing role of human resources. *Society for Industrial and*

*Organizational Psychology*. Retrieved from <https://www.siop.org/tip/backissues/tipjan98/may.aspx>

Retirement Issues. (n.d.) FAQ's about benefits – retirement issues. *Employee Benefits Research Institute*. Retrieved from <https://www.ebri.org/publications/benfaq/index.cfm?fa=retfaq14>

Robbins, S.P., & Coulter, M. (2009). *Management*. Upper Saddle River: Pearson Education

Rubis, L., Mirza, P., Fox, A., Shea, T.F., & Moss, D. (2005). 10 changes that rocked hr. *HR Magazine*. Retrieved from <http://www.shrm.org/publications/hrmagazine/editorialcontent/pages/0550th10changes.aspx>

Salvatore, P., Weitzman, A., & Halem, D. (2005). How the law changed hr. *HR Magazine*. Retrieved from <http://www.shrm.org/publications/hrmagazine/editorialcontent/pages/0550thhowlaw.aspx>

Senge, P.M. (1999). *The Fifth Discipline*. New York: Doubleday

Simpson, S. ( n.d.). Systems thinking in resource management. Evan Carmichael.com. Retrieved from <http://www.evancarmichael.com/library/suzanne-simpson/Systems-Thinking-in-Human-Resource-Management.html>

Thite, M., Kavanagh, M.J., & Johnson, R.D. (2008). Evolution of human resource management and human resource information systems. *Research Gate*. Retrieved from [http://www.sagepub.in/upm-data/41671\\_1.pdf](http://www.sagepub.in/upm-data/41671_1.pdf)

What is Human Resources Management? (n.d.) Human resource management? *University of North Carolina Wilmington*. Retrieved from <http://uncw.edu/career/humanresources.html>

Wren, D.A. & Bedeian, A.g. (2009). *The Evolution of Management Thought*. Hoboken, NJ. Wiley & Sons.

Takeuchi, R., Lepak, D. P., Wang, H., & Takeuchi, K. (2007). An empirical examination of the mechanisms mediating between high-performance work systems and the performance of Japanese organizations. *Journal of Applied Psychology*, 92, 1069 –1083

MacDuffie, J. P. (1995). Human resource bundles and manufacturing performance: Organizational logic and flexible production systems in the world auto industry. *Industrial and Labor Relations Review*, 48, 197-221.

King, J. (1995). High performance work systems and firm performance. *Monthly Labor Review*, 29-36.

Collis, D.J ., & Montgomery, C.A. (1995, July-August). Competing on resources: Strategy for the 1990's. *Harvard Business Review*, 118-128.

Bhalla, V., Caye, J-M., Dyer, A., Dymond, L., Morieux, Y., and Olander, P. (2011). *High-Performance Organizations*. *The Boston Consulting Group*.

**Photo credits:**

<https://unsplash.com/s/photos/business>

<https://commons.wikimedia.org/wiki>