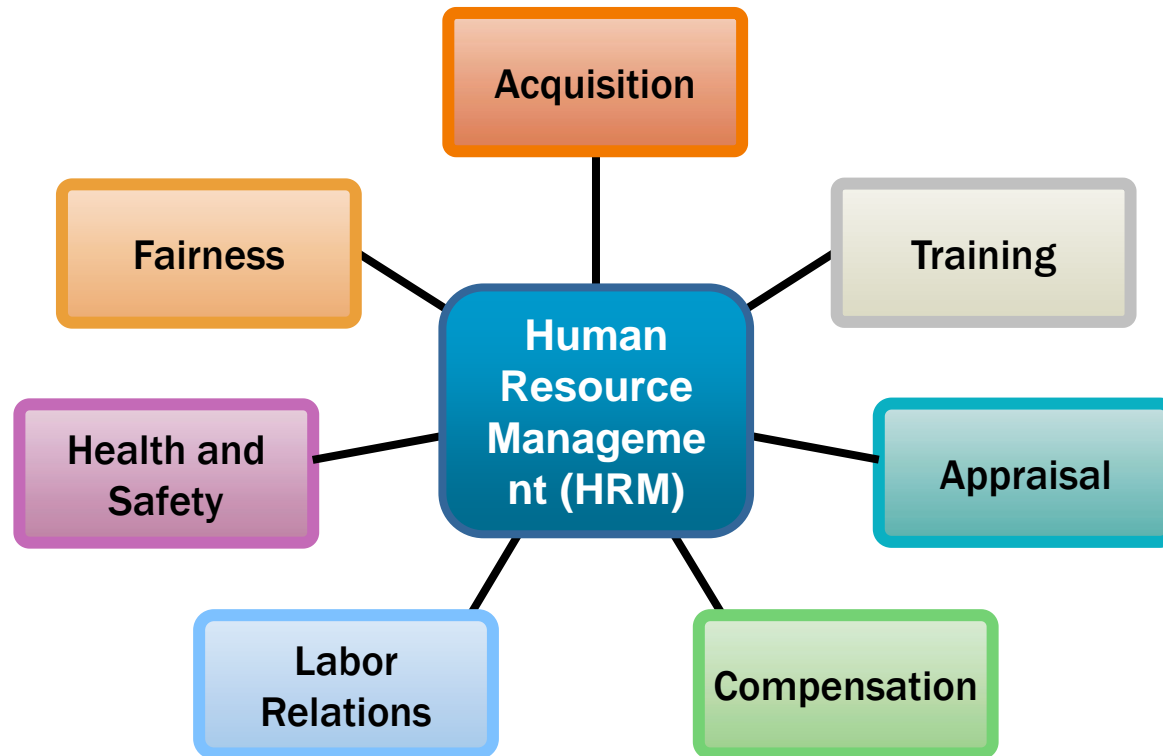# Human Resource Management at Work
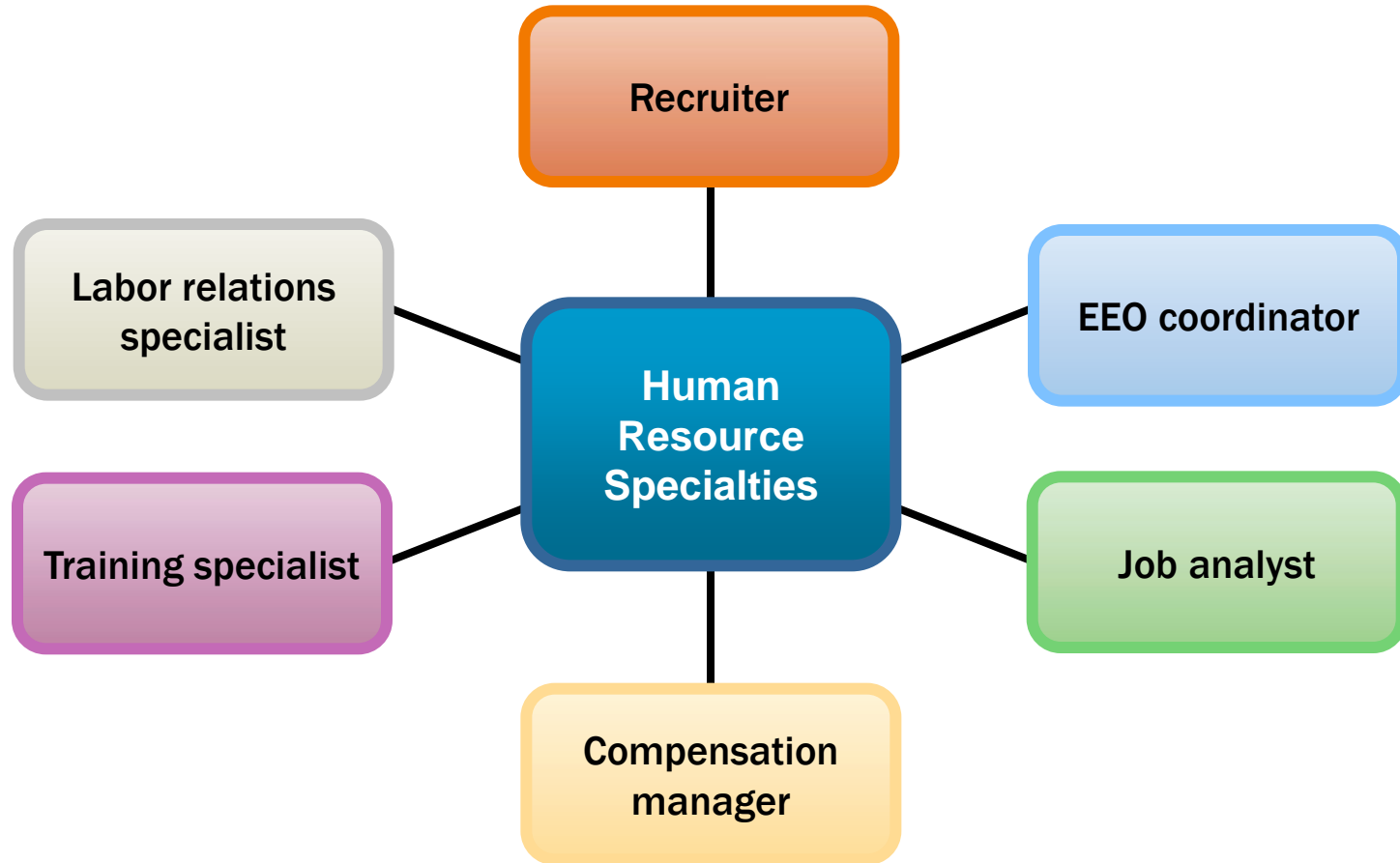
▸ What Is Human Resource Management (HRM)?
  ◦ The process of
  ◦ Attracting
  ◦ Selecting
  ◦ Training
  ◦ Appraising
  ◦ Compensating employees
  ◦ Retaining
  ◦ and of attending to their labor relations, health and safety, and fairness concerns.

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Human Resource Management Processes

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Human Resource Specialties

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Functions of HRM

a. Organizational Goals
    a. Future Need
    b. Conducting job analysis.
    c. Job Design/Description
b. Recruiting and selecting employees.
c. Orienting and training employees.
d. Managing wages and benefits.
e. Performance appraisal.
f. Communicating (discipline and services).
g. Building employee commitment (incentives).

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The Michigan School Model
The human resource cycle

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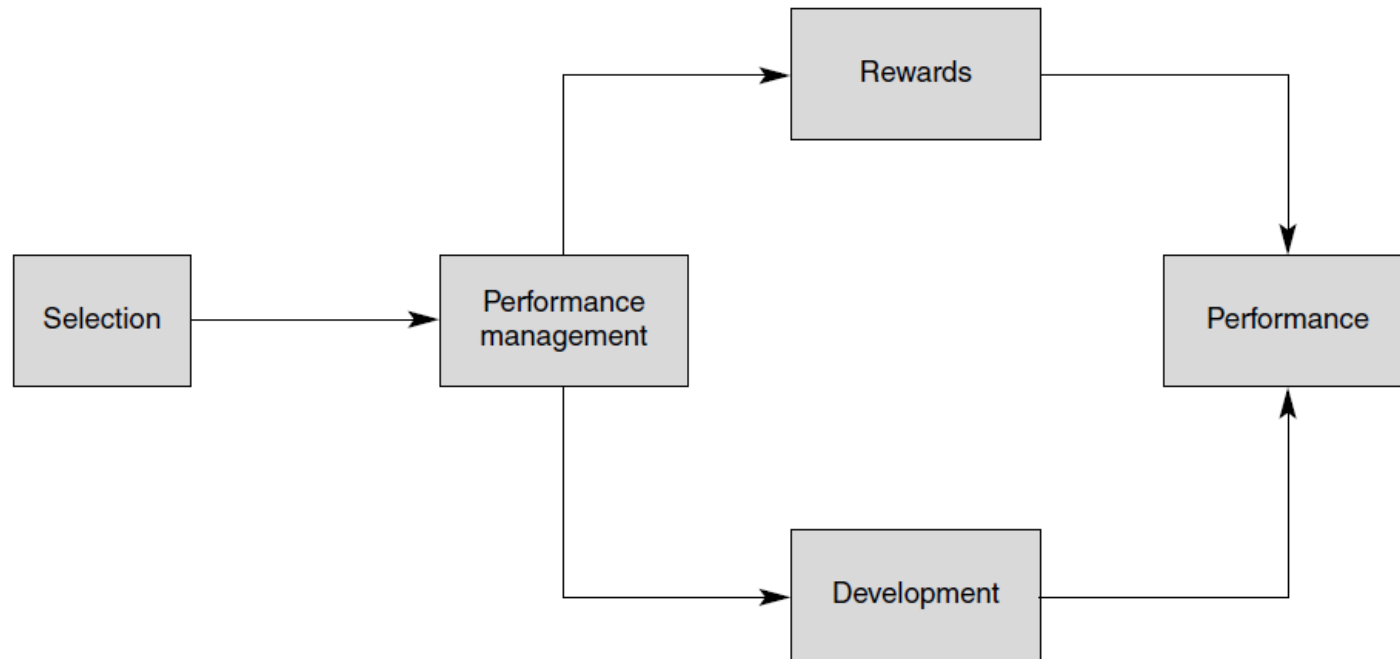
Elements of human resource cycle

1. **Selection:** matching available human resources to jobs
2. **Appraisal:** performance management
3. **Rewards**: focus on organizational performance (most under-utilized and mishandled tool)
   ◦ short-term and long-term
4. **Development** – developing high quality employees

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Selection Tools

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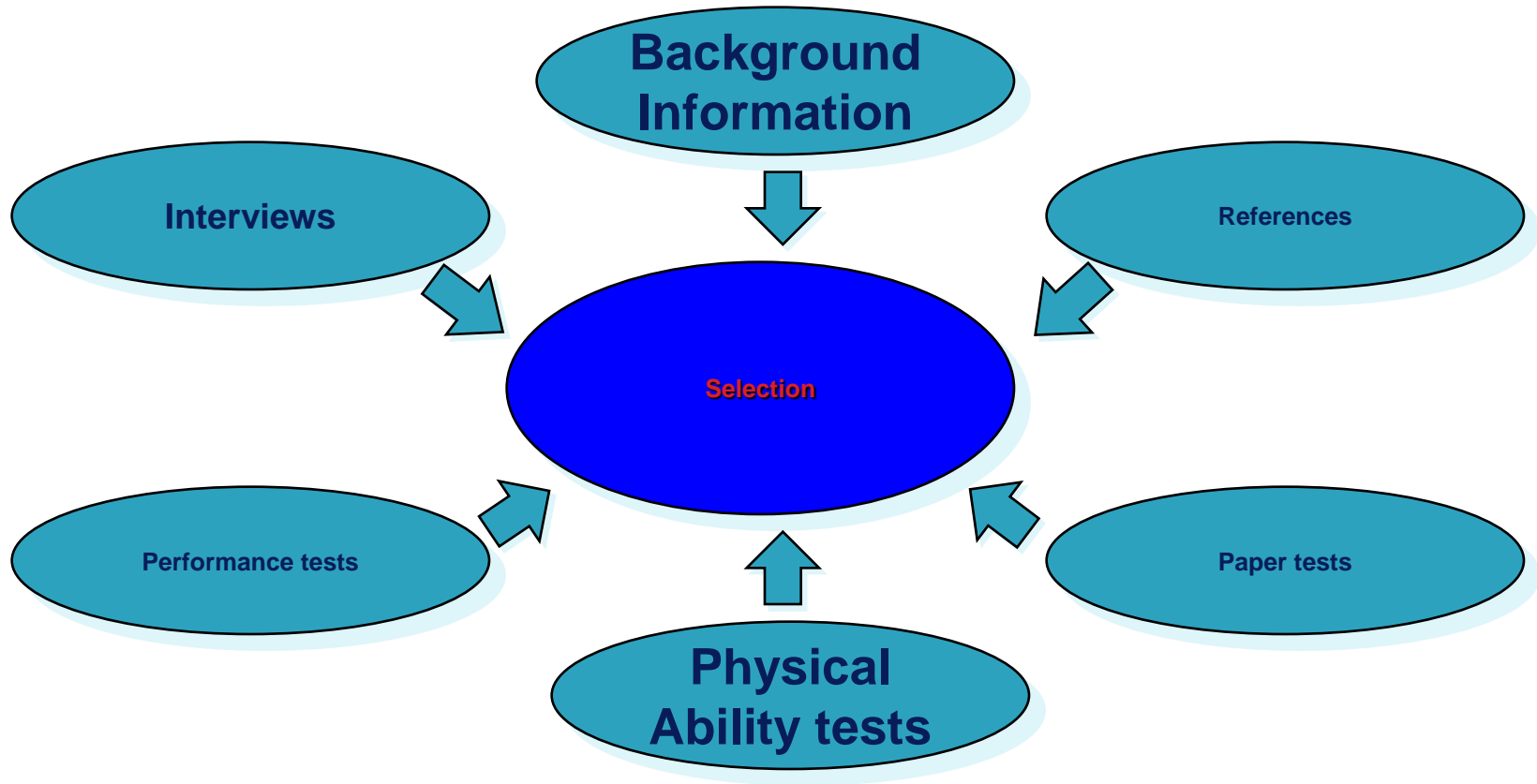
Selection Process

After a pool of applicants are identified, qualifications related to the job requirements are determined:

- *Background Information:* includes education, prior employment, college major, etc.
- *Interview:* almost all firms use one of two types:
  - Structured interview: managers ask each person the same job-related questions.
  - Unstructured interview: held like a normal conversation.
  - Usually structured interviews preferred; bias is possible.
- *Physical Ability Test:* measure strength & endurance.
  - Good for physically demanding jobs.

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Selection Process

◆ *Paper & Pencil Tests:* Either an ability and personality test.
- Ability test: assess if applicant has right skills for the job.
- Personality test: seek traits relevant to job performance.
- Be sure test is a good predictor of job performance.

◆ *Performance Tests:* measure job performance.
- Typing speed test is one example.
- Assessment Center: candidates assessed on job-related activities over a period of a few days.

◆ *References:* outside people provide candid information about candidate.
- Can be hard to get accurate information.

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Reliability & Validity

○ Selection tools must be reliable and valid.
  • *Reliability:* the degree to which the tool measures the same thing each time it is used.
    • Scores should be close for the same person taking the same test over time.
  • *Validity:* Does the test measure what it is supposed to measure?
    • Example: does a physical ability test really predict the job performance of a firefighter?
  • Managers have an ethical and legal duty to develop good selection tools.

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Training & Development

- *Training:* teach organizational members how to perform current jobs.
  - Help worker's acquire skills to perform effectively.
- *Development:* build worker's skills to enable them to take on new duties.
- Training used more often at lower levels of firm, development is common with managers.
- A Needs Assessment should be taken first to determine who needs which program and what topics should be stressed.

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Types of Development

- ◦ *Varied Work Experiences:* Top managers must build expertise in many areas.
    - • Workers identified as possible top managers given many different tasks.
- ◦ *Formal Education:* tuition reimbursement is common for managers taking classes for MBA or similar.
    - • Long-distance learning can also be used to reduce travel.

Whatever training and development efforts used, results must be transferred to the workplace.

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Performance Appraisal

- ▸ Process of evaluating employee performance
  - ◦ job related strengths
  - ◦ development needs
  - ◦ progress toward goals
  - ◦ determine ways to improve performance
  - ◦ Pay an promotion decisions
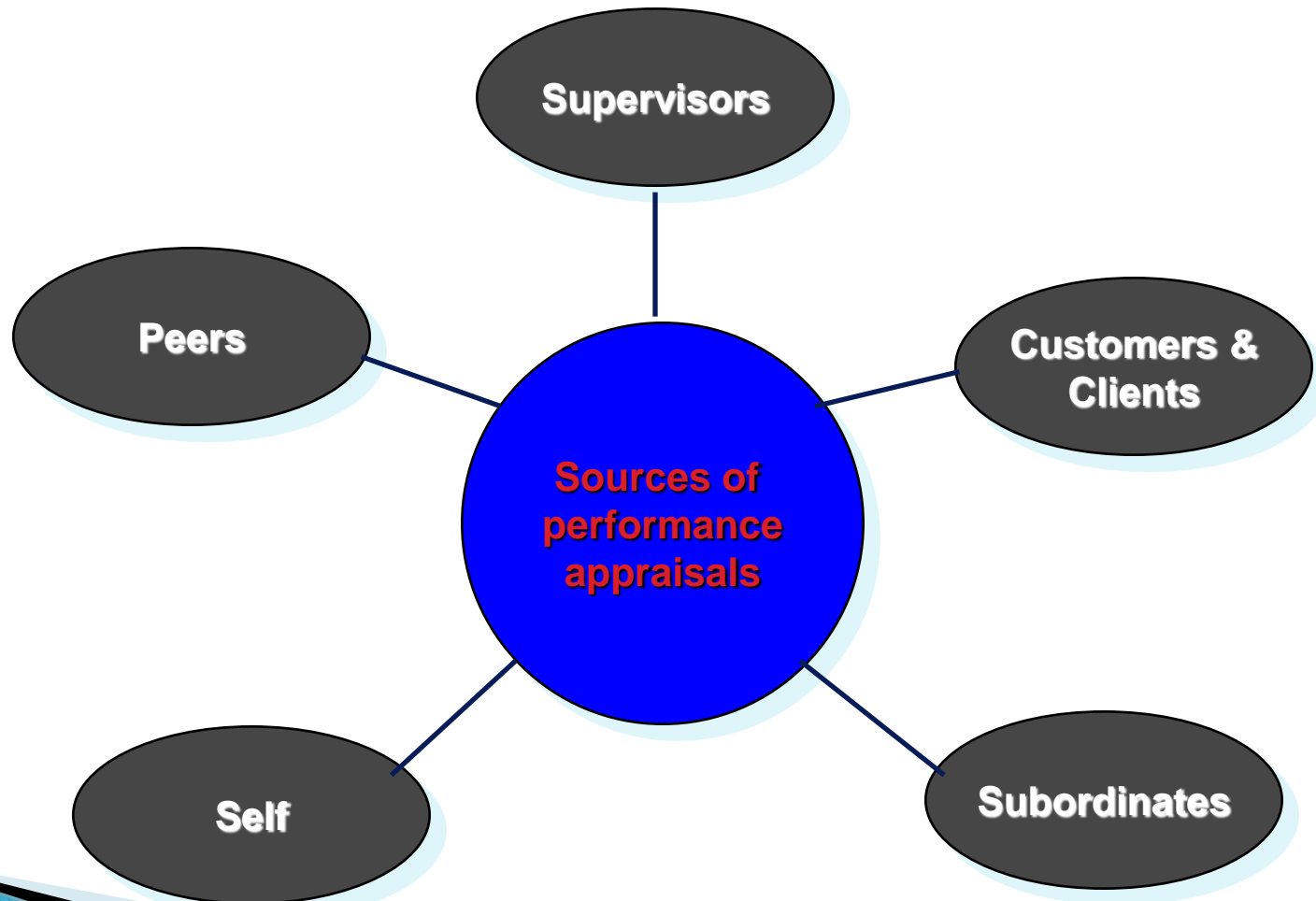- ▸ More systematic is better, for the most part

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Performance Appraisal (cont)

- Self Appraisal
- Peer Appraisal
- 360 Degree appraisal
- Central Tendency Error-everyone ranked as average
- Leniency-individuals are ranked higher than they deserve

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Who Appraises Performance?

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Pay and Benefits

- *Pay level:* how the firm's pay incentives compare to other firms in the industry.
  - Managers can decide to offer low or high relative wages.
  - Pay Structure: clusters jobs into categories based on importance, skills, and other issues.
- *Benefits:* Some are required (social security, workers comp).
  - Others (health insurance, day care, and others) are provided at the employers option.
  - Cafeteria-style plan: employee can choose the best mix of benefits for them. Can be hard to manage.

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Pay

- Base Wage
  - Job Based Pay–paid for the job that is done
  - Competency Based Pay–pay is linked to job-relevant skills, knowledge, and experience
- Incentive Pay–linked to job performance
  - can increase motivation
  - links employees to firm performance
  - works well when employees trust firm

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Individual Incentives

▸ Piece-Rate – Pay for each unit of output

▸ Commissions – Pay from percentage of sales or profits

▸ Bonuses – Lump sum payments

▸ Merit Pay – Permanent increases in base pay linked to individual's previous performance

▸ Seniority – Increases over time

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Team or Organizational Incentive

- Gain Sharing – teams of employees share in gains from improvements in productivity or cost saving measures
- Profit Sharing – A percentage of profits earned by a department or company
- Stock Ownership
  - Options
  - Employee Stock Ownership Plans

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Fair Labor Standards

- Minimum Wage
- Pay for overtime
- Does not cover commission, salary, or tips

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