Chapter **1**

Human Resources Management:
The Field and Its Environment

Chapter Outline

Introduction to Human Resources Management

Internal Environmental Influences

External Environmental Influences

Tomorrow's HR, Today

Learning Outcomes

After studying this chapter, you should be able to:

Define human resources management and *describe* its objectives.

Discuss the human resources management responsibilities of all managers.

Explain the role of the human resources department.

Discuss the impact of organizational culture and climate on human resources management.

Describe the external environmental factors affecting human resources management policies and practices, and *explain* their impact.

Describe the new modes of organizing and managing that have emerged and *explain* the importance of employee commitment.

Introduction to Human Resources Management

In 1994, a noted leader in the human resources (HR) field made the following observation:[1]

> Yesterday, the company with the access to the most capital or the latest technology had the best competitive advantage. Today, companies that offer products with the highest quality are the ones with a leg up on the competition. But the only thing that will uphold a company's advantage tomorrow is the calibre of people in the organization.

That predicted future is today's reality. Most managers in public- and private-sector firms of all sizes would agree that people truly are the organization's most important asset. Having competent staff on the payroll does not guarantee that a firm's human resources will be a source of competitive advantage, however. In order to remain competitive, grow, and diversify, an organization must ensure that its employees are qualified, placed in appropriate positions, properly trained, managed effectively, and committed to the firm's success. Achieving these goals is the aim of human resources management, the field that is explored in this text.

What is Human Resources Management?

human resources management (HRM)

The activities, policies, and practices involved in obtaining, developing, utilizing, evaluating, maintaining, and retaining the appropriate number and skill mix of employees to accomplish the organization's objectives.

Human resources management (HRM) refers to the management of people in organizations. It comprises the activities, policies, and practices involved in obtaining, developing, utilizing, evaluating, maintaining, and retaining the appropriate number and skill mix of employees to accomplish the organization's objectives. The goal of HRM is to maximize employees' contributions in order to achieve optimal productivity and effectiveness, while simultaneously attaining individual objectives (such as having a challenging job and obtaining recognition), and societal objectives (such as legal compliance and demonstrating social responsibility).[2]

Objectives of Human Resources Management

The objectives of HRM include:

- assisting the organization in obtaining the right number and types of employees to fulfill its strategic and operational goals
- helping to create a climate in which employees are encouraged to develop and utilize their skills to the fullest
- helping to maintain performance standards and increase productivity through effective job design; providing adequate orientation, training and development; providing performance-related feedback; and ensuring effective two-way communication
- helping to establish and maintain a harmonious employer/employee relationship
- helping to create and maintain a safe and healthy work environment
- developing programs to meet the economic, psychological, and social needs of the employees

- helping the organization to retain productive employees
- ensuring that the organization is in compliance with provincial/territorial and federal laws affecting the workplace (such as human rights, employment equity, occupational health and safety, employment standards, and labour relations legislation).

Rather than addressing organizational goals as separate and distinct from those of employees, they should be seen as compatible and mutually inclusive. A win–win situation results when this occurs. As explained by communications consultant Katie Delahaye Paine:[3]

> When you align HR with organizational strategy, you'll see growth in employee commitment, improved financial results, and find yourself better able to attract and retain the right people for your organization's business and culture.

Why is Human Resources Management Important to All Managers?

Managers at all levels must concern themselves with HRM, since they all meet their goals through the efforts of others, which requires the effective management of people. Every supervisor and manager has responsibilities related to a wide range of HRM activities. These include analyzing jobs, planning labour needs, selecting employees, orienting and training employees, managing compensation, communicating (which includes counselling and disciplining), and maintaining employee commitment. They also include ensuring fair treatment; appraising performance; ensuring employee health and safety; building and maintaining good employee/labour relations; handling complaints and grievances; and ensuring compliance with human rights, occupational health and safety, labour relations, and other legislation affecting the workplace. Regardless of field of expertise, from accounting to production control, learning about employee rights, employer responsibilities, and effective HRM practices can provide managers with knowledge that will enable them to perform more effectively.

This book is designed to provide information that will assist individuals who are currently working in an HR department or in a supervisory or managerial capacity in another department (or planning to assume such responsibilities in the future). As explained by Jim Frank, vice-president and chief economist at The Conference Board of Canada,[4] "You can see it so clearly. Some organizations in the same industry are more successful than others, and it's because they have different leadership—leadership that is able to mobilize its people around its goals and objectives."

At no time in history have effective HRM skills been more important than they are today. As we will discuss in a moment, such factors as increasing workforce diversity; rapidly changing technology; increasing government involvement in the employer–employee relationship; and globalization, have triggered an avalanche of change, one that many firms have not survived. In such an environment, the future belongs to those managers who can best manage change, but to manage change, they must have committed employees who do their jobs as if they own the company. Throughout this book, we will demonstrate that sound HRM practices and policies can play a crucial role in fostering such employee commitment and enabling organizations to better respond to change.

Many studies have shown that employees are more committed to their jobs when their participation is valued and encouraged. Here, assembly-line workers in a Tokyo Nissan factory participate in a worker productivity session attended by managers and supervisors.

authority
The right to make decisions, direct the work of others, and give orders.

line authority
Authorization given to managers to direct the work of those reporting to them and make decisions about operational issues.

line manager
An individual who is in charge of an aspect of operations directly linked to the organization's product(s) or service(s).

staff authority
The authority to assist, counsel, advise, or provide service to others, but not to direct or control their activities.

staff manager
The person in charge of a function or department that is not directly linked to the organization's product(s) or service(s), but rather provides assistance and support.

Current Human Resources Management Functions

Except for very small businesses, most firms today have an HR department headed by an HR professional. To understand how the duties of this individual and other HR department staff relate to the HRM duties of managers throughout the rest of the organization, it is helpful to distinguish among line, staff, and functional authority.

Authority is the right to make decisions, direct the work of others, and give orders.

Line authority authorizes managers to direct the work of those reporting to them and make decisions about operational issues, and may be exercised only over employees in a manager's direct chain of command. HR professionals, for example, have line authority within the HR department and often in such service areas as the lunchroom or cafeteria.

Individuals known as **line managers** are in charge of an aspect of operations directly linked to the organization's product(s) or service(s). Hotel managers, directors of patient care, retail store managers, and managers of production and sales are generally line managers.

Staff authority, in contrast to line authority, authorizes managers to assist, counsel, advise, or provide service to others, but does not include the right to direct or control. Such authority is derived from acquired expertise and knowledge. Individuals with staff authority must rely primarily upon their ability to think strategically, their reputation, and their powers of persuasion to gain the confidence and respect of other managers. HR professionals, for example, are responsible for advising other managers on issues ranging from selection and training to grievance handling and disciplinary action, but cannot give those managers direct orders.

Managers in charge of functions or departments that are not directly linked to the organization's product(s) or service(s), but which provide assistance and support, are known as **staff managers**. HR managers, accounting managers, and managers of information technology (IT) are generally staff managers.

Functional authority involves authorization to make final decisions on issues affecting other departments or aspects of operations. The HR department is generally given functional authority for highly technical activities, such as compensation and benefits administration, and activities for which centralization enhances efficiency and effectiveness, such as recruitment. Having each department manager make decisions about pay structures, benefits, or recruitment methods could lead to inequities and excessive costs, and would be highly inefficient. The delegation of functional authority to the HR department to handle such matters ensures control (including consistent application and legal compliance), cost-efficiency, and uniformity.

Human Resources Management Responsibilities of All Managers

According to one expert, "The direct handling of people is, and always has been, an integral part of every … manager's responsibility, from president down to the lowest-level supervisor."[5]

In small organizations, managers may carry out all of their HRM duties unassisted. As the organization grows, however, they often need the assistance, specialized knowledge, and advice of a separate human resources staff.[6]

functional authority

Authorization to make final decisions on issues affecting other departments or aspects of operations. The HR department is generally given functional authority for highly technical activities, such as compensation and benefits administration, and activities for which centralization enhances efficiency and effectiveness, such as recruitment.

Organization size and complexity are generally major factors in senior management's decision to establish an HR department. As an organization grows, managing human resources effectively and ensuring legal compliance become more of a burden. Once department managers and first-line supervisors find that HRM activities interfere with their other responsibilities, the benefits of delegating some of their HRM tasks to a separate HR department are generally seen to exceed the costs of establishing such an entity.

The Role of the Human Resources Department

Once an HR department has been created, it is the unit that has overall responsibility for HRM programs and activities. The primary role of the HR department is to ensure that the organization's human resources are utilized effectively and managed in compliance with company policies and procedures, government legislation, and, in unionized settings, collective agreement(s). To effectively utilize the HR department's assistance and services, all managers should be familiar with its role.

HR department staff members are involved in five distinct types of activities: formulating policies and procedures, offering advice, providing services, monitoring to ensure compliance, and serving as consultant and change agent.

Formulating Policies and Procedures

The head of the HR department usually plays a leadership role in initiating and formulating HR policies and procedures that are consistent with overall organizational objectives. These must also be compatible with current economic conditions, collective bargaining trends, and applicable employment legislation. Often, though, the actual formulation of HR policies and procedures for approval by senior management is a cooperative endeavour among managers, nonmanagerial employees, and HR department staff. A **policy** is a predetermined guide to thinking, established to provide direction in decision making. Policies are extremely important because they define the organization's position on given issues; communicate management's expectations of employees; articulate acceptable/unacceptable behaviour; ensure consistency in the treatment of employees and continuity and predictability in the course of action; and serve as standards against which performance can be measured. As illustrated in **Figure 1.1**, HR **procedures** specify a prescribed sequence of steps to be followed when implementing HR policies.

policy

A predetermined guide to thinking, established to provide direction in decision making.

procedure

A prescribed sequence of steps to be followed when implementing organizational policies.

To maximize effectiveness, HR policies and procedures should be put into writing; they are often compiled in a policy manual or made available online so that they are readily accessible. This helps to ensure that the same information is communicated to all employees, and that there is consistency in employee treatment. In addition, it means that some questions and concerns can be resolved without HR departmental staff assistance.

Offering Advice

In order to cope with increasingly complex HR issues and the ever-changing work environment, managers at all levels frequently turn to the HR department staff for expert advice and counsel. Members of the HR department are expected to be completely familiar with employment legislation, HR policies and procedures, collective agreements, past practices, and the outcome of recent arbi-

Figure 1.1 Sample HR Policy and Procedure

Country Care **ACCESS CENTRE**	Date: May 29, 2000	Human Resource Policy
	Title: Absenteeism	
Approved by: Senior Management	References:	

Objective:

The employer recognizes that employees may be absent from work for various reasons, which may be planned, unplanned, paid or unpaid. Guidelines for the administration of these types of absence are as follows.

Unpaid Leaves of Absence

The intent of Unpaid Leaves of Absence is to provide employees with the time off to deal with personal matters that are not specifically addressed by the provisions of paid leaves of absence as defined by the collective agreements. *NOTE: There should be no expectation that Unpaid Leaves of Absence are an extension of normal vacation entitlements.*

Each request is considered on its own merit taking into account such factors as:
- The nature of the requested absence
- The effect that the employee's absence will have on daily operations
- The frequency of such requests

1.0   Unpaid Leaves of Absence of More Than One Half (1/2) Day:

1.01   Where the Unpaid Leave of Absence request is for personal non-emergency time off, vacation and any compensation/lieu time is to be used prior to the use of Unpaid Leave of Absence; this includes vacation/compensation time that has been scheduled for future use. *NOTE: Other staff who have already scheduled vacation time will receive preference over requests for Leaves of Absence where such requests overlap.*

1.02   Other than in cases of personal emergency, requests for Unpaid Leaves of Absence in excess of one half (1/2) day must be submitted at least two (2) weeks in advance. *NOTE: In case of emergency, or where circumstances beyond the control of the employee make such advance notice impossible, the employee's supervisor may waive the notice period.*

1.03   Requests for Unpaid Leaves of Absence of three (3) days or less are directed to the employee's supervisor for decision.

1.04   Requests for Unpaid Leaves of Absence in excess of three (3) days should be in the form of a letter. Such written request will be reviewed and approved by the supervisor.

1.05   The provision of relief staffing during Unpaid Leaves of Absence will be at the discretion of the supervisor.

2.0   Leaves of Absence of One Half (1/2) Day or Less (Paid or Unpaid):

2.01   Leaves of Absence of one half (1/2) day or less may include such things as professional appointments and personal emergencies. For these situations, the employee should seek permission from the supervisor to use medical leave, compensating time or flex-time. If flex-time is not viable and there is no paid time available for use, Unpaid Leave of Absence may be discussed with the supervisor.

2.02   For Leaves of Absence for professional appointments or other absences where the time required is known in advance, employees are encouraged to book times so that minimal interruption to the normal work day occurs.

2.03   The intent is to manage leaves as described in 2.01 on an informal basis between the employee and the supervisor.

tration hearings and court decisions, so that they can provide sound guidance and suggested solutions.

When assisting managers throughout the firm, the HR department staff members must keep their **employee advocacy** role in mind. This means balancing the department's primary obligation to senior management with the need to ensure that: (1) managers understand how they are expected to treat employees, (2) employees have mechanisms to contest practices that they perceive to be unfair, and (3) employees' interests are fairly represented when providing guidance and/or advice.[7]

Providing Services

The HR department generally provides services in the following areas on an ongoing basis: maintenance of HR records; recruitment, selection, orientation, training and development; compensation and benefits administration; employee counselling; and labour relations.

Monitoring to Ensure Compliance

The HR department staff members are generally responsible for monitoring to ensure compliance with established HR policies and procedures. They may analyze data pertaining to absenteeism and turnover or accident rates, for example, to identify problems with policy implementation or failures to comply with specified procedures.

In addition, the HR department staff members play a major role in ensuring compliance with employment legislation. For example, they are generally responsible for collecting and analyzing recruitment, selection, and promotion data to monitor compliance with human rights and employment equity legislation. They also assess salary and benefits data to monitor compliance with employment standards and pay equity requirements, and examine accident investigation and grievance reports to monitor compliance with health and safety and labour relations legislation.

Serving as Consultant and Change Agent

In most firms, HR department staff members serve as in-house consultants to the managers of other departments. Sometimes, HR department staff will recommend using outside consultants for assistance in solving HR issues or handling specialized assignments, such as executive recruitment and job evaluation, or suggest that certain functions or activities be outsourced.

Outsourcing, the practice of contracting with outside vendors to handle specified functions on a permanent basis, has emerged as a worldwide business megatrend. According to the Outsourcing Institute, the 1997 global outsourcing market totalled roughly $223 billion, rising to an estimated $753.5 billion in 2001.[8] While using outside experts to provide counselling services has been common for many years, more recently, the outsourcing of specific HR functions and payroll has become popular as a strategy to enable company staff to focus on core competencies and/or as a cost-savings measure. In 1999, for example, 58 percent of Canadian companies participating in one survey reported outsourcing employee training, 70 percent outsourced some of their benefits functions, and 40 percent outsourced their recruitment efforts.[9]A 1996 study revealed that the thousands of Canadian businesses outsourcing their payroll functions

employee advocacy
The role of the HR department staff that involves ensuring that managers understand how they are expected to treat employees, employees have mechanisms to contest practices that they perceive to be unfair, and employees' interests are fairly represented when providing guidance and/or advice.

HR Network (HRNET)
www.hronline.com/forums/index.html

outsourcing
The practice of contracting with outside vendors to handle specified functions on a permanent basis.

CFT Training and Human Resources
www.cfthr.com

were saving upwards of 50 percent of their payroll costs.[10] Today, as revealed in the following research insight, the scope of what is being outsourced is broadening, as are the kinds of outsourcing relationships that are being developed.[11]

Research Insight

In a recent research study involving 300 large global companies (including 26 Canadian organizations), 73 percent of the Canadian participants indicated that they had outsourced at least one activity or process, and 95 percent of these were somewhat or very satisfied with their outsourcing to date. About half of the respondents stated that the importance of outsourcing had increased over the previous three years. The most commonly outsourced activities (and those most likely to be outsourced in the near future) were identified as: benefits administration; payroll processing; logistics; real estate management; and internal auditing. This study also revealed that, while 63 percent reported achieving at least the expected cost savings, organizations are starting to view outsourcing strategically, as a broad management strategy rather than just as a cost-reduction tool. The major reasons for outsourcing were identified as: (1) ensuring a focus on core competencies, (2) enhancing profitability and shareholder value, and (3) avoiding the investment in technology required to enhance efficiency. Related to the latter is the trend toward a significant investment by service providers, particularly in the IT infrastructure required to support service delivery.[12]

The rapid emergence of **e-business**, defined as the use of the Internet to manage everyday business processes electronically, from supply chain to delivery,[13] is having a dramatic impact on the outsourcing environment[14]—even in the HR field, as explained in the Information Technology and HR box. e-Business includes the use of e-mail, Web sites, and e-commerce activities. **e-Commerce** involves any transaction or purchase using electronic means, and includes the Internet transfer of funds, use of debit/credit cards, and Electronic Data Interchange.[15]

e-business
The use of the Internet to manage everyday business processes electronically, from supply chain to delivery. Included is the use of e-mail, Web sites, and e-commerce activities.

e-commerce
Any transaction or purchase using electronic means, including the Internet transfer of funds, use of debit/credit cards, and Electronic Data Interchange.

Information Technology and HR

HR e-Business

Everyone is going "e" these days it seems, including HR outsourcing. While only in the early stages, it is possible that e-HR—if handled well—will ultimately result in reduced administrative burdens for HR practitioners, as well as increased business possibilities for technical-minded HR consultants. Ken Duff, president of Ottawa-based HR-Dept.Com, converted his 12-year-old HR consulting company to an online-based one in 1999. He felt that it was the best way to handle his growing roster of clients, many of whom wanted a representative of the firm on-site all the time, which had become physically impossible. Now, he and the four HR consultants who assist him provide a full slate of HR services over the Internet and telephone, and can be "virtually" on-site all of the time.

HR-Dept.Com handles HR administrative functions for its client firms, which range from small start-up firms that have no HR person to medium-sized companies, thus enabling the HR practitioner or front-line managers to focus on strategic business issues. Three levels of service are available: Basic, Advantage and Premium. For a one-time $3000 fee, HR-Dept.Com creates and supports for the client a secure, customized Web site that can be accessed by managers for more information and by employees to obtain answers to HR inquiries. Ongoing costs range from $16 000 per year for Basic-level to $32 000 for Premium-level service.

Proponents of e-HR claim that it is the way of the future for small- to medium-sized companies,

because it is an inexpensive and efficient way to help firms become more strategic, avoid legal pitfalls, and acquire an edge in recruitment.

Source: Based on Lesley Young, "HR e-Business: A New Form of Outsourcing," *Canadian HR Reporter* 13, no. 9 (May 8, 2000), pp. 1, 6.

HR-Dept.Com
www.hr-dept.com

proactive
Anticipating problems and taking corrective action before a problem occurs.

reactive
Responding to an already-existing problem (such as "putting out fires").

In addition to serving as consultants, HR specialists are expected to be "change agents" who provide senior managers with "up-to-date information on current trends and new methods of solving problems"[16] to help the organization increase its efficiency and effectiveness. By constantly monitoring the internal and external environments, HR specialists can help the organization to be proactive when appropriate, rather than always being reactive. Being **proactive** means that HRM problems are anticipated and corrective action begins before the problem occurs, as compared to being **reactive**, which means responding to an already-existing problem. Implementing an employment equity program on a voluntary basis in light of the changing composition of the work force is an example of a proactive strategy. Awaiting legislative requirements prior to implementation of such a program is an example of reactive HRM.

Structure of the Human Resources Department

Figure 1.2 illustrates the typical structure of the HR function in a medium-sized organization (employing 200 to 400 workers). As indicated, the HR manager usually reports to the chief executive officer (CEO), and plays a generalist role. Support staff members typically perform a wide variety of activities, including maintaining HR records, assisting with recruitment and selection, and ensuring legal compliance.

As demands on the department grow, it increases in importance and complexity. **Figure 1.3** illustrates the subdepartments and hierarchy of jobs within a typical, large-sized manufacturing firm, structured by areas of specialization. When the HR department head plays a major role in the organization's strategic planning and related processes, and the HR department makes a major con-

Figure 1.2 Typical Structure of the Human Resources Function in a Medium-sized Organization
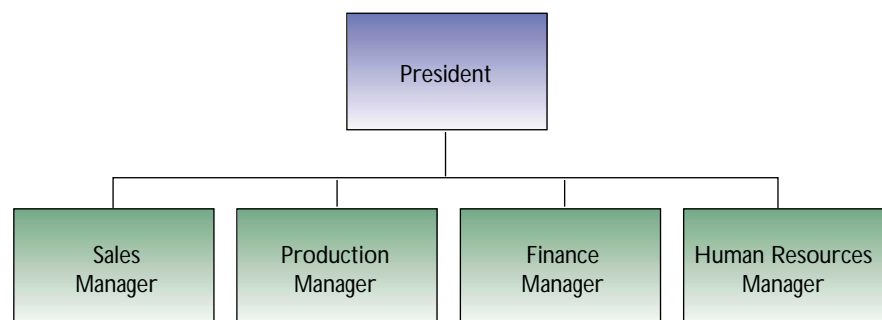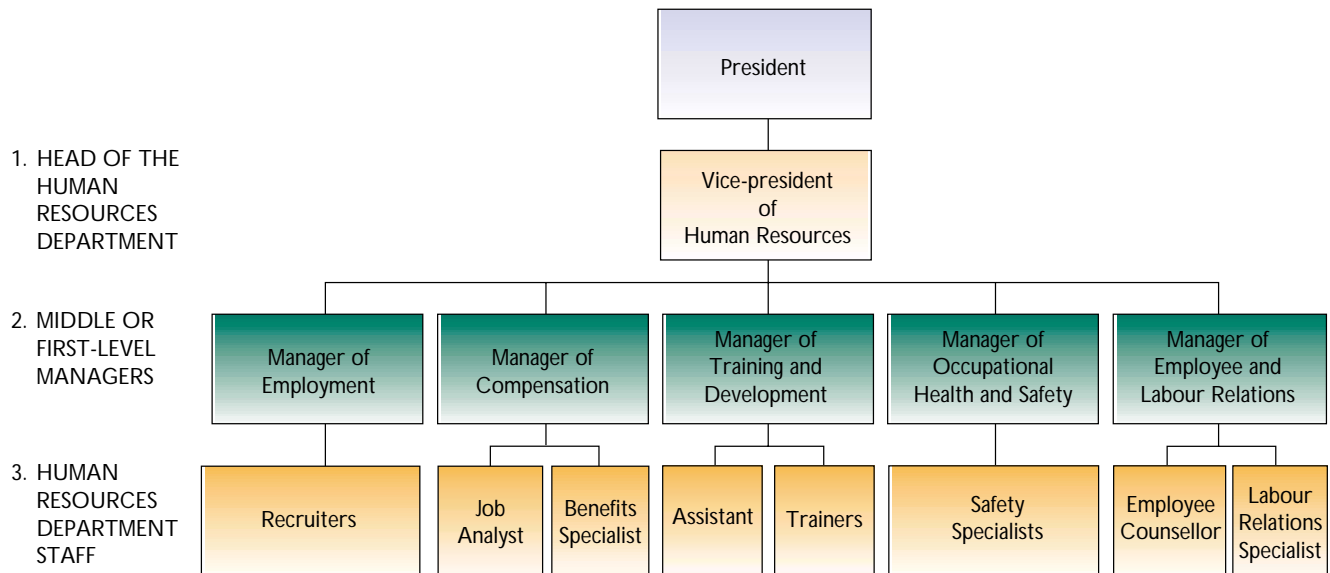
Figure 1.3 Typical Structure of the Human Resources Department in a Large-sized Manufacturing Firm

1. HEAD OF THE HUMAN RESOURCES DEPARTMENT

2. MIDDLE OR FIRST-LEVEL MANAGERS

3. HUMAN RESOURCES DEPARTMENT STAFF

tribution to the firm, the title "vice-president of HR" (or labour relations in a unionized setting) is often used. Those reporting to the department head typically include the following:

- manager of employment (responsible for HR planning, recruitment, selection, and performance appraisals)
- manager of compensation (responsible for base pay, incentives, and benefits administration)
- manager of training and development (responsible for orientation, training, development, and career planning)
- manager of occupational health and safety, and
- manager of employee and labour relations (responsible for communications, counselling, contract administration and collective bargaining activities).

Activity managers may be supported by an assortment of specialists, assistants, and clerical staff. In large firms, the specialists actually perform such activities as recruitment and training. Community college and university graduates often start their HRM careers in specialist positions.

Human Resources Management: A Cooperative Effort

Regardless of the size of the HR department, in practice, good HRM is a joint, cooperative effort, with HR specialists and other managers working together. As indicated in **Table 1.1**, in some areas, such as pre-employment testing and wage and salary administration, the HR department plays the major role. In others, such as interviewing and handling disciplinary action, the duties are split more evenly with individuals in other departments.

An Ethical Dilemma

Supervisor Jonas wants to hire Employee A. Based on reference checking results, you, the HR manager, know that Employee B would be a much more suitable hire. How would you handle this situation?

Table 1.1

Division of Responsibilities for HR Activities

Activity	Responsibility for the Activity is Assigned to:		
	HR Dept. Only	HR & Other Dept(s)	Other Dept(s) Only
Employment and recruiting			
Employment interviews	31%	65%	3%
Recruiting (other than college/university recruiting)	70	29	1
Temporary labour coordination	67	28	4
Pre-employment testing	87	11	2
College/university recruiting	76	21	2
Training and development			
Orientation of new employees	61	37	1
Supervisory training/management development	45	48	7
Performance appraisal, management	36	52	12
Performance appraisal, nonmanagement	33	55	12
Skills training, nonmanagement	24	55	21
Tuition aid/scholarships	77	17	6
Career planning/development	46	49	5
Productivity/quality enhancement programs	12	55	33
Compensation			
Wage/salary administration	77	20	3
Job descriptions	61	38	1
Job evaluation	67	29	4
Payroll administration	29	29	42
Job analysis	70	29	1
Executive compensation	52	27	22
Incentive pay plans	44	45	11
Benefits			
Vacation/leave policies and administration	78	22	1
Insurance benefits administration	86	10	4
Employment Insurance	82	13	5
Pension/retirement plan administration	76	16	9
Flexible spending account administration	83	10	7
Cafeteria benefits plan administration	85	9	6
Profit sharing plan administration	57	27	16
Stock plan administration	45	28	27
Employee services			
Recreation/social programs	41%	45%	14%
Employee assistance plan/counselling	83	12	5
Relocation services	76	18	6
Preretirement counselling/retirement planning	85	9	6
Outplacement services	88	8	3
Employee and community relations			
Disciplinary procedures	44	55	2
Complaint procedures	57	41	2
Exit interviews	86	13	1
Award/recognition programs	67	30	3
Human rights compliance/employment equity programs	87	11	1
Employee communications/publications	41	46	13
Community relations/contribution programs	29	43	28
Suggestion systems	53	37	9
Attitude surveys	73	23	4
Labour relations	59	37	4

HR records			
HR recordkeeping	86	14	—
Promotion/transfer/separation processing	72	27	1
HRMS	68	29	3
Health and safety			
Workers' compensation administration	74	17	9
Safety training	31	42	27
Safety inspections/OHSA compliance	29	40	31
Health/wellness program	77	17	6
Strategic planning			
HR forecasting/planning	63	34	3
Organization development	37	56	7
Mergers and acquisitions	42	47	11
International HR administration	59	33	9

Source: Adapted from "SHRM-BNA Survey No. 63: Human Resource Activities, Budgets & Staffs, 1997-1998," *BNA Bulletin to Management,* pp.2–3.

Contemporary Challenges in Human Resources Management

Internal and external environmental influences play a major role in HRM. Organizational climate and culture, for example, help to shape HR policies and practices, which, in turn, have an impact on the quality of candidates that a firm can attract, as well as its ability to retain desired workers. The economic environment, labour market conditions, and unions also play a role in determining the quality and variety of employees that can be attracted and retained. There are external challenges that are dramatically changing the environment of HRM, however, and requiring it to play an ever more crucial role in organizations. These challenges include demographic trends and increasing work-force diversity, trends in technology, increasing government involvement in the employer–employee relationship, globalization, and changes in the nature of jobs and work. After briefly describing the ongoing internal and external influences, we will focus on the external challenges that are having the most significant impact on HRM in Canada today.

Internal Environmental Influences

How a firm deals with the following two internal environmental influences has a major impact on its ability to meet its objectives.

Organizational Culture

organizational culture

The core values, beliefs, and assumptions that are widely shared by members of an organization.

Organizational culture consists of the core values, beliefs, and assumptions that are widely shared by members of an organization. It serves a variety of purposes:

- communicating what the organization "believes in" and "stands for"
- providing employees with a sense of direction and expected behaviour (norms)
- shaping employees' attitudes about themselves, the organization, and their roles
- creating a sense of identity, orderliness, and consistency
- fostering employee loyalty and commitment.

Culture is often conveyed through an organization's mission statement, as well as through stories, myths, symbols, and ceremonies:[17]

> New employees at Hewlett-Packard (HP) are told the story of how Dave Packard and Bill Hewlett started the global giant more than 60 years ago in a small backyard garage, which is now a state historical landmark in the heart of Silicon Valley and was a focal point of a major corporate brand campaign. The Rules of the Garage, depicted in Figure 1.4, are one-line principles that explain how the spirit of invention, contribution, and collaboration embodied in the founders can be demonstrated by employees and the firm in order to stay dynamic in the high-tech world.
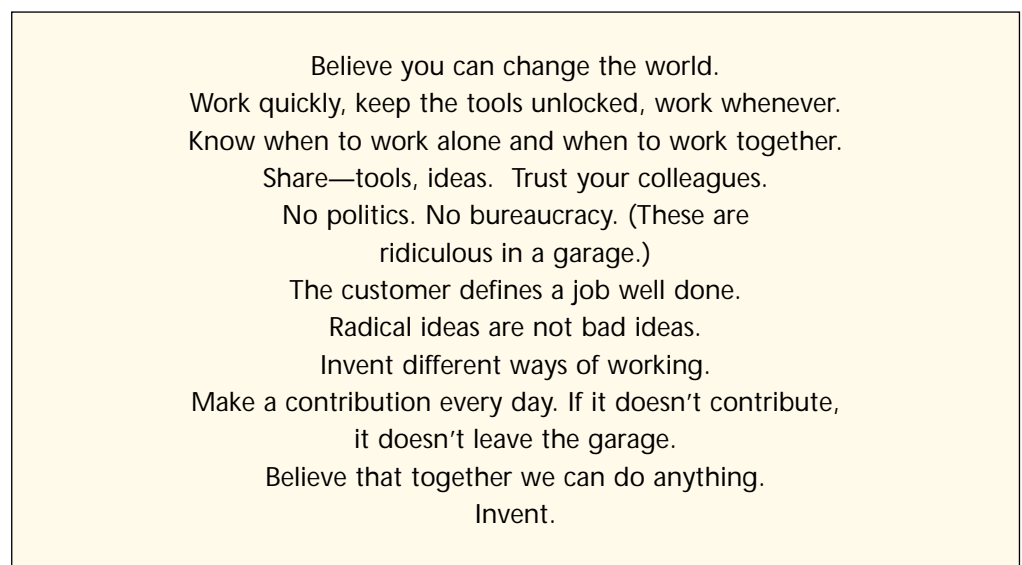
All managers with HR responsibilities play an important role in creating and maintaining the type of organizational culture desired. Genuine concern and caring about employees can be conveyed by thorough orientation and training programs, promotion-from-within policies, strategies encouraging communication flow in all directions, providing unique benefits such as free vacations and an on-site fitness centre (as at HP Canada)[18] or offering free hotel accommodation to employees and their families (as at Four Seasons Hotels and Resorts),[19] and having an **employee assistance program (EAP)**, a topic to which we'll return in Chapter 14. In organizations in which customers or clients are truly valued, employees who provide exemplary service are recognized and rewarded, and there is follow-up to ensure customer/client satisfaction.

Having a positive culture earns critical acclaim, and has a positive impact on both retention and recruitment. Firms such as 3M, HP Canada, Four Seasons Hotels and Resorts, and Bank of Montreal have gained a reputation, not only for the quality of their products and services, but also for positive relationships with their employees and customers/clients. HP Canada, for example, has an extremely low turnover rate (in the range of 5.5 to 7.5 percent) and rarely has

employee assistance program (EAP)

A company-sponsored program to help employees cope with personal problems that are interfering with or have the potential to interfere with their job performance, as well as issues affecting their well-being and/or that of their families.

Figure 1.4 Hewlett-Packard Principles: Rules of the Garage

Believe you can change the world.
Work quickly, keep the tools unlocked, work whenever.
Know when to work alone and when to work together.
Share—tools, ideas. Trust your colleagues.
No politics. No bureaucracy. (These are
ridiculous in a garage.)
The customer defines a job well done.
Radical ideas are not bad ideas.
Invent different ways of working.
Make a contribution every day. If it doesn't contribute,
it doesn't leave the garage.
Believe that together we can do anything.
Invent.

Source: Hewlett-Packard: Rules of the Garage, as reproduced in David Brown, "Case Study—Hewlett-Packard: Telling Stories to Attract and Retain," *Canadian HR Reporter* 13, no. 7 (April 10, 2000), p. 9. Reproduced with permission of Hewlett-Packard.

to advertise job openings due to a deluge of résumés on hand.[20] According to Vice-president of Human Resources John Cross, "It's the environment that makes people want to work for HP. We want a culture that allows people to bond with the company."[21]

Organizational Climate

organizational climate

The prevailing atmosphere that exists in an organization and its impact on employees.

Organizational climate refers to the prevailing atmosphere that exists in an organization and its impact on employees. Organizations have personalities, just like people. They can be friendly or unfriendly, open or secretive, rigid or flexible, innovative or stagnant. The major factors influencing the climate are management's leadership style, HR policies and practices, and amount and style of communication. The type of climate that exists is generally reflected in the level of employee motivation, job satisfaction, performance, and productivity, and thus has a direct impact on organizational profits and/or ongoing viability.

HR department staff members play a key role in helping managers throughout the firm to establish and maintain a positive organizational climate. They can help to develop policies and practices, for example, that encourage a spirit of teamwork and build employee commitment, which can have very positive consequences:[22]

> Unlike many firms that chose to cut staff to stay afloat during the 1990s, Teknion Furniture Systems, a Canadian designer/producer of high-end office furniture successfully competing with the U.S. giants like Steelcase, has not had a layoff in its 17-year history. Alternatives to layoffs are always examined because managers at the firm realize that layoffs result in a lack of trust between employees and management—trust that takes years to develop. The firm's no-layoff policy has had a positive impact on product quality, employee satisfaction and commitment, and customer service. With a growth rate of 46 percent during 1999, the results speak for themselves.

intrapreneur

An employee who is an innovator because he or she has been given the freedom to create new products, services, and/or production methods.

When organizations fail to make adjustments in their climate to keep up with environmental changes, difficulties are often experienced. The bureaucratic climate at IBM, characterized by centralized decision making, hierarchy of command, job security, and a strict promote-from-within policy, has been identified as a key factor in the firm's difficulties in maintaining a competitive position on both domestic and foreign fronts in the early 1990s. Under the leadership of Chief Executive Officer (CEO) Louis Gerstner, the climate was totally revamped. Unnecessary bureaucracy was eliminated and the firm was infused with **intrapreneurs**. The HR department, for example, was restructured into a more autonomous organization—a separate company known as Workforce Solutions (WFS). The results were excellent: delivery of HR services at a much lower cost, enhanced commitment to HR, greater flexibility and responsiveness to customer needs, streamlined HR processes, and the introduction of innovative HR programs.[23]

External Environmental Influences

The external environmental factors described on the following pages have a direct or indirect influence on HRM. To be effective, HR managers must monitor the environment on an ongoing basis; assess the impact of any changes; and be proactive in implementing policies and programs to deal with such challenges.

Economic Environment

labour force

Those who are employed and those actively seeking work.

The economic environment has a major impact on business in general and the management of human resources in particular. Economic conditions affect supply and demand for products and services, which, in turn, have a dramatic impact on the **labour force** by affecting the number and types of employees required, as well as an employer's ability to pay wages and provide benefits. When the economy is healthy, companies often hire more workers as demand for products and services increases. Consequently, unemployment rates fall, there is more competition for qualified employees, and training and retention strategies increase in importance.[24] Conversely, during a downturn, some firms reduce pay and benefits in order to retain workers. Other employers are forced to downsize, by offering attractive early retirement and early leave programs or by laying off and terminating employees. Unemployment rates rise, and employers are often overwhelmed with applicants when vacancies are advertised.

unemployment rate

The percentage of individuals in the labour force who are currently unemployed.

participation rate

The percentage of adults in the total population who are in the labour force.

productivity

The ratio of an organization's outputs (goods and services) to its inputs (people, capital, energy, and materials).

As illustrated in **Figure 1.5,** although **unemployment rates** have fluctuated over the past 50 years, there was an upward trend until the last few years of the 1990s, at which point employment growth accelerated and the unemployment rate decreased significantly. As of June 2000, the seasonally adjusted labour force **participation rate** was 65.7 percent, and the unemployment rate was 6.6 percent.[25]

As illustrated in **Figure 1.6**, **productivity** refers to the ratio of an organization's outputs (goods and services) to its inputs (people, capital, energy, and materials).[26] To improve productivity, managers must find ways to produce more outputs with current input levels or to use fewer resources to produce current output levels.

In most organizations today, productivity improvement is essential for long-term success. Through productivity gains, managers can reduce costs, con-

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Figure 1.5 Canadian Unemployment Rates (1946–1999)

Note: Data from 1976 on have been rebased to the 1996 Census of Population
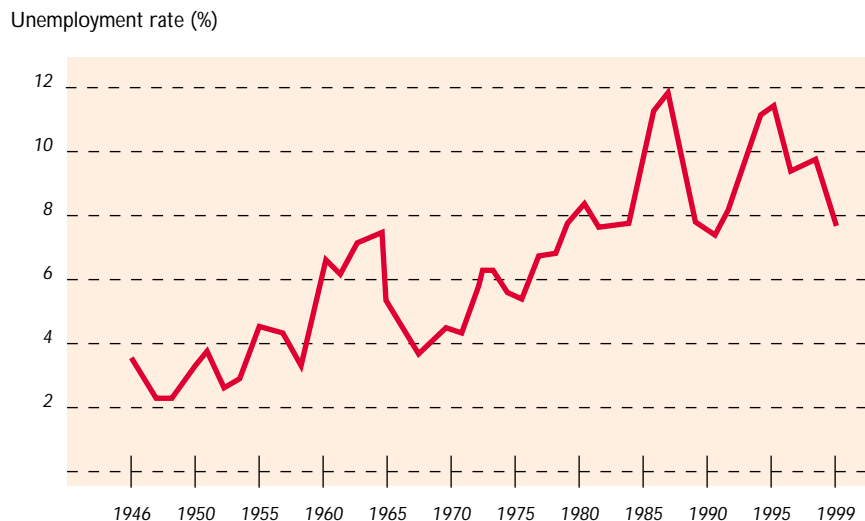
Source: Reproduced from Susan Crompton and Michael Vickers, "One Hundred Years of the Labour Force," in Statistics Canada, *Canadian Social Trends,* Catalogue No. 11-008 (Summer 2000) p.11.

Figure 1.6 Productivity Ratio

$$\text{Productivity} = \frac{\text{Outputs (Goods and Services)}}{\text{Inputs (People, Capital, Energy, Materials)}}$$

serve scarce resources, and increase profits. This leads to a win–win situation, since higher profits often result in better compensation and improved working conditions, thereby enhancing the employees' quality of work life and their motivation to further improve productivity.

Recent statistics reveal some good news and some bad. While labour productivity in Canada surged in 1999, growing at a rate of almost three times the pace of 1998,[27] the poor performance of Canadian companies—especially those in the manufacturing sector—in terms of innovation (including research and development and employee training), resulted in a relatively low productivity growth rate in comparison to that of Sweden, Germany, Japan and the U.S.[28]

Canada's relatively low productivity growth rate and high labour costs are of grave concern, since competition with foreign companies has become increasingly important. The result of the North American Free Trade Agreement (NAFTA), created to establish free trade between Canada, the United States, and Mexico, combined with the continuing liberalization of trade on a global basis and increasing deregulation in many industrialized countries, is that Canada's economic success increasingly depends on the ability of Canadian employers to meet international quality and productivity standards and become more cost-competitive. This applies to firms selling products and services in the domestic market, in which foreign competition is increasingly a factor, as well as those with international markets.

Labour Market Conditions

labour market

The geographic area from which an organization recruits employees and where individuals seek employment.

The **labour market** is the geographic area from which an organization recruits employees and where individuals seek employment. In other words, it is the area in which the forces of supply and demand interact. The labour market is often different for various employee groups within an organization. While clerical and technical employees are generally recruited locally, the labour market for senior managers and highly specialized employees is often national or even international in scope.

One measure of an organization's effectiveness is its ability to compete successfully for high-calibre human resources. Many factors motivate candidates to seek employment with a particular organization, including type of business/industry, reputation, opportunities for advancement, compensation, job security, and working conditions. In recent years, for example, lower compensation and higher income tax rates have been cited as causes of an alleged "brain drain"—the loss of highly educated workers from Canada to the U.S. Not all experts agree, however, that this phenomenon actually exists.[29]

Location and climate and other aspects of a firm's physical surroundings, such as housing, commuting, and living costs, can help or hinder a firm's ability to attract and retain employees. In large cities such as Toronto and Vancouver, experts claim that "the growing congestion of highways and transit systems poses a genuine threat to the city's economic and social growth."[30]

According to a Toronto-based executive search firm consultant, for example, it is often difficult to lure people away from centres where they don't have to put up with big-city gridlock, such as Ottawa and Kitchener-Waterloo, to accept jobs in Toronto.[31]

Recent population shifts to the west coast and small towns and rural areas can be attributed, at least in part, to the desire of many individuals to work and live in what they perceive to be a more desirable physical environment. Such shifts alter the demand for and supply of individuals in local labour markets, a factor that firms must always take into account when deciding where to establish a new venture, expand, or downsize.

Because the labour market is not controlled or influenced by any one factor, it is unstructured and often unpredictable. Nevertheless, organizations must constantly monitor and track trends affecting supply and demand of human resources. By doing so, they can gather information about the prevailing pay rates for employees with particular talents or skills, and estimate how difficult it is likely to be to attract and recruit staff. Labour market conditions should also be monitored to determine present and emerging trends (such as the changing composition of the labour force) as well as changing values and expectations, so that policies and programs can be adapted and/or designed in order to recognize and take advantage of these trends.

Labour Unions

A **labour union** is an officially recognized association of employees, practising a similar trade or employed in the same company or industry, who have joined together to present a united front and collective voice in dealing with management, with the aim of securing and furthering the social and economic interests and well-being of their membership. Although both an internal and external challenge, we have listed unions as an external factor because they become an additional party in the relationship between the company and employees. Once a union has been certified or recognized to represent a specific group of employees, the union negotiates terms and conditions of employment with management, rather than individual employees doing so. The company is required by law to recognize the union and bargain with it in good faith.

In Canada, unions remain a powerful influence. Although union membership dropped slightly in 1999, 32.2 percent of employees were covered by a collective agreement.[32] This is quite different from the situation in the U.S., where union membership has decreased dramatically in recent years. Today, organized labour's share of the work force in the U.S. is about 13.9 percent of all non-agricultural paid workers.[33]

Labour unions affect organizations in several ways. Management has less discretion and flexibility in implementing and administering HR policies, procedures, and practices when dealing with unionized employees, since a negotiated collective agreement governs most terms and conditions of employment, including wages and benefits, working conditions, and job security. Often, organizations with a mix of unionized and non-unionized employees institute a policy (whether officially or unofficially) to ensure that similar or even slightly better terms and conditions of employment are provided to non-unionized staff to encourage them to retain their non-union status.

Labour unions also influence the HR policies and practices in non-unionized organizations wishing to remain union-free. Such organizations monitor bar-

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labour union
An officially recognized association of employees, practising a similar trade or employed in the same company or industry, who have joined together to present a united front and collective voice in dealing with management.

gaining activities in their community and industry, and ensure that their employees are provided with terms and conditions of employment equal to or better than those being negotiated by unions.

When some or all of an organization's employees are unionized, the HR department is responsible for helping to develop sound HR policies and practices that will promote good labour–management relations, and create and maintain a harmonious working environment. Knowledge of collective bargaining, contract administration, and pertinent labour relations legislation becomes imperative.

Demographic Trends and Increasing Work-force Diversity

demographics

The characteristics of the work force, which include age, sex, marital status, and education level.

diversity

Any attribute that humans are likely to use to tell themselves, "that person is different from me," and thus includes such factors as race, gender, age, values, and cultural norms.

Demographics refers to the characteristics of the work force, which include age, sex, marital status, and education level.[34] Demographic changes occur slowly and are well measured, which means that they are known in advance. As will be discussed further in Chapter 3, the fact that Canada's labour force is becoming increasingly diverse is one of the major challenges confronting HR managers today. **Diversity** refers to "… any attribute that humans are likely to use to tell themselves, 'that person is different from me,'" and thus includes such factors as race, gender, age, values, and cultural norms.[35]

Population Growth   The single most important factor governing the size and composition of the labour force is population growth. As of July 2000, there were 24 million Canadians 15 years of age and older, of whom 15.7 million were in the labour force.[36] Since the population growth has slowed to less than one percent per year, the average age of the work force is changing rather dramatically, the implications of which will be discussed shortly.

Canada admits more immigrants per capita than any other country, which has significant implications for the labour force, as does the fact that there has been a dramatic shift in immigration patterns. Prior to 1966, at least 90 percent of the immigrants who came to Canada were from Europe.[37] As highlighted in **Figure 1.7**, by June of 1999, that figure had dropped to 22 percent.

Currently, the fastest growing groups in the Canadian work force are women, visible minorities, Aboriginal people, and persons with disabilities. We will discuss each of these groups on the following pages, along with some of the challenges and opportunities presented by the increasing availability of members of these four groups.

baby boomers

Individuals born between 1946 and 1965.

Age   The **baby boomers**, born between 1946 and 1965, began crowding into the labour market in the late 1960s. The sheer number of "boomers" helped to expand the economy and made it easier for HR departments to focus on issues such as cost containment, since recruitment and selection, while important, were not the most critical problems. During the 1990s, individuals in this "population bulge" experienced a great deal of competition for advancement. This challenged managers to find new strategies for forging career paths, such as lateral moves, to keep this group motivated and satisfied. The oldest of the baby boomers are now in their mid-fifties. As can be seen in **Figure 1.8**, since life expectancies have increased and fertility rates have declined, the average age of the population is increasing substantially. According to Statistics Canada, between 2001 and 2016, there will be dramatic growth in the 55–59, 60–64,

Figure 1.7 Immigrants to Canada by Country of Last Residence

July 1, 1998 to
June 30, 1999
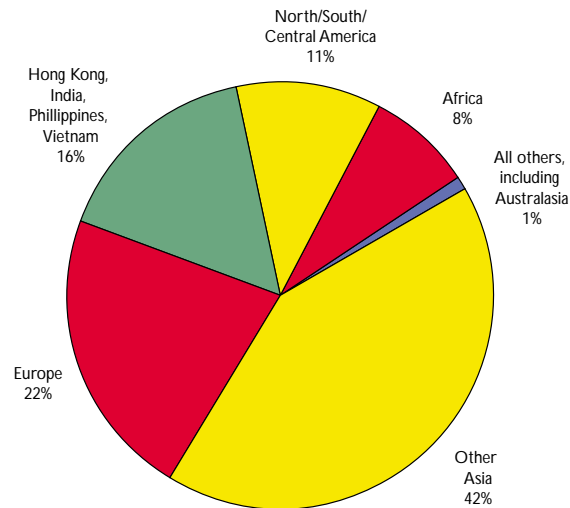
Source: "Immigrants to Canada by Country of Last Residence, July 1, 1998 ti June 30, 1999," created from Statistics Canada's Website, <http://www.statcan/english/Pgdb/People/Population/demo8.htm> July 6, 2000.

65–69 age groups of 60.5, 74.8, and 67.5 percent, respectively. In contrast, the youth population, aged 15 to 24, will increase by only 0.3 percent. In fact, the 15 to 19 age group will actually decrease by seven percent.[38] Since some baby boomers have already taken advantage of generous early retirement programs and many more will be retiring over the 25 years, pension plan and social security benefits issues are starting to present a very serious concern for employers and governments, given the smaller labour force available to support the retirees. While those 65 and over currently represent about 12.4 percent of the total population, this figure will increase to 21.4 percent by 2026.[39]At present, there are approximately five active workers to support each retiree—a ratio projected to be reduced to 3.12 over the next 25 years.[40] Early retirement opportunities may soon become a thing of the past and increasing consideration given

Figure 1.8 Population Projections for Canada

Percent Distribution of Population by Age Group
(Medium-growth Projection, Based on 1999 Population Estimates)

	0–14	15–64	65+	Mean Age
2001	18.8%	68.5%	12.7%	37.7
2006	17.1%	69.5%	13.3%	39.0
2011	15.7%	69.8%	14.5%	40.3
2016	15.2%	68.3%	16.5%	41.5
2021	15.0%	66.2%	18.8%	42.5
2026	14.8%	63.8%	21.4%	43.5

Source: "Population Projections for Canada," create from Statistics Canada's Website, www.statcan.ca/english/Pgbd/People/Population/demo23a.htm, demo23b.htm, demo23c.htm, and Statistics Canada's CANSIM Database, Matrix No. 6900, July 6, 2000.

to the abolishment of mandatory retirement at any age, a move supported by the Canadian Human Rights Commission.[41] There has also been some discussion about raising the retirement age to 67, as is now the case in the U.S. According to a recent survey, however, doing so does not have the support of the Canadian general public.[42]

Many organizations with a primary interest in the younger age group, such as retail establishments and fast-food chains, have already started to feel the impact of the fact that the population from which they have traditionally gained customers and part-time workers is starting to shrink dramatically. Some employers have undertaken initiatives to attract older workers, especially those who have taken early retirement, by offering job sharing and expanding the number of part-time hours available. Ontario school boards, for example, have been trying to entice retired teachers to return to work on a part-time basis as supply teachers, including many who took advantage of the lowered early retirement requirements introduced in April of 1998.[43] McDonald's Restaurants of Canada is another organization that is actively recruiting seniors, as well as directing advertising efforts to appeal to the senior market. Managers there take great pride in the fact that they now have employees of all ages working side by side.[44]

HR specialists must remember that many HR policies, benefits plans, and reward systems that attract and motivate employees in one age group may not appeal to those in another due to differing values and priorities.

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Research Insight

Generation X (Nexus generation)
Individuals born between 1966 and 1980.

According to a recent survey involving in-depth interviews with senior executives from 88 major Canadian private- and public-sector companies, as **Generation X** (also known as **Nexus generation**) employees replace aging boomers, flexible work arrangements, continuous skill development and a balance between work and personal life are becoming increasingly important. Other research reveals that those in Generation X have a different work ethic than those in the baby boom generation. They are not averse to hard work, but place a premium on personal time and value a life-friendly work culture, want to be valued immediately for the skills they bring to the workplace, and like to be active participants in decision making. They view command- and authority-based cultures with disdain, and believe that security comes from transferability of skills rather than corporate loyalty.[45]

The message to employers is that having workers of diverse ages may create a need to bridge the generation gap. Young managers may have difficulty gaining the respect of those reporting to them who are older than they are, or in exerting their authority. In addition, because of their differing values, employees may have difficulty understanding and communicating with those from another generation. It has been predicted that Generation X employees—having experienced the world before and during the technological revolution—will play an increasingly significant role as a link between the baby boomers and the young people just entering the world of work, **the Net Generation** (also known as **Nexters**).[46] While successfully integrating employees of all ages may provide some challenges, organizations doing so benefit greatly from the combination of skills that a multigenerational work force offers.

Net Generation (Nexters)
Individuals born since 1980.

Sandwich Generation
A term referring to individuals who have responsibilities for rearing young dependants as well as assisting elderly relatives who are no longer capable of functioning totally independently.

The aging of the population has had another impact. Many middle-aged employees are caught in the **Sandwich Generation**, with responsibilities for rearing young dependants as well as assisting elderly relatives who are no longer

capable of functioning totally independently. According to a recent Conference Board of Canada study, the number of "sandwiched" employees increased from 9.5 to 15 percent between 1989 and 1999, and will continue to grow. The study also found that those with both child- and eldercare responsibilities are much more likely to leave their jobs because of work/personal life conflicts.[47] Although some employers, such as the Royal Bank,[48] have been proactive in assisting their "sandwiched" employees, only about 10 percent of Canadian businesses have programs specifically designed to assist workers providing eldercare.[49] Recognizing that many employers will not institute voluntary initiatives and that caring for aging loved ones is likely to eclipse childcare as the pressing issue over the next 25 years, a Senate subcommittee has recommended a legislated solution—paid leave for palliative care.[50]

Education   The level of education of the Canadian labour force is increasing at a significant rate. In 1995, for example, an estimated 85 percent of Canadians aged 22 to 24 had completed high school.[51] In addition, more Canadians are pursuing higher education, through a variety of institutions ranging from universities and colleges/*CÉGEPs* to trade schools, private-sector organizations, and professional associations. In 1996, about one in five Canadians aged 15 to 24 pursued post-secondary studies, compared with about one in seven in 1986,[52] and more than nine million adults in the labour force had completed a college diploma or university degree, as compared with just under seven million five years previously.[53] Other trends in secondary and post-secondary education include growth in the number of cooperative-education programs, designed to enable students to gain work experience while still attending school, and of distance-education opportunities, which mesh Internet technology with the fundamental need to continue learning. In 1997, for example, New Brunswick's TeleEducation NB launched TeleCampus on the World Wide Web; it is one of the world's first virtual universities, at which students can enroll in courses, pay their tuition, and complete their studies online.[54]

Today, the number of Canadians involved in adult education and training activities rivals the number of students enrolled in the entire elementary, secondary and post-secondary education system,[55] a trend that many firms encourage through tuition-assistance programs. Some organizations go even further to promote educational opportunities, such as hosting Master's Degree programs on-site.

Given the higher expectations of the better-educated labour force, managers are expected to try to ensure that the talents and capabilities of employees are fully utilized and that opportunities are provided for career growth. In today's economic climate, doing so is not always possible. Many college and university graduates find themselves working in jobs that do not fully utilize their skills and knowledge. In fact, a 1994 International Adult Literacy Survey (IALS) found that one-quarter of Canadian employees do not use their skills at their jobs. At that time, those with a skills surplus not being used outnumbered those with a skill deficit by two to one.[56] Improving the quality of work life is therefore more important than ever.

The good news is that many Canadians are highly educated, and very few Canadians are illiterate in the sense of not being able to read. The bad news is that a startlingly high proportion (43 percent) have only marginal **literacy** skills,[57] defined as the ability to understand and use printed and written documents in daily activities to achieve goals and to develop knowledge and potential.[58] A frightening reality is that inadequate reading and writing skills have replaced lack of experience as the major reason for rejecting entry-level candi-

literacy
The ability to understand and use printed and written documents in daily activities to achieve goals and to develop knowledge and potential.

functionally illiterate

Unable to read, write, calculate, or solve problems at a level required for independent functioning or the performance of routine technical tasks.

dates.[59] While IALS found that almost three out of five Canadians between the ages of 16 and 65 are equipped to deal with the printed materials that they encounter in their daily lives, about one in six working-age Canadians is **functionally illiterate,**[60] unable to read, write, calculate, or solve problems at a level required for independent functioning or the performance of routine technical tasks.[61] Since many of these individuals are currently employed and will be in the labour market for a long time to come, functional illiteracy is exacting a toll, not only on individual social and economic opportunities but also on organizations' accident rates and productivity levels, thus affecting their ability to compete in the global economy.

Syncrude Canada Ltd. is one of a growing number of organizations that provide in-house essential skills (literacy) programs to supplement its workplace- or industry-specific training courses. Although such programs are aimed at refreshing and improving basic reading, writing, math and problem-solving skills, they also improve listening, oral communication, teamwork, leadership, and computer skills, among other things.[62]

A related problem confronting organizations is technological illiteracy. A few firms have been proactive in addressing this issue. For example, Cisco Systems Canada Co. has committed $25 million to various educational initiatives nationwide, including the Networking Academy Program (NAP), a global program—offered in 52 countries and seven languages—designed to provide secondary and post-secondary students with the skills needed to participate in the Internet economy. NAP teaches students how to build and maintain computer networks, and promotes IT as a viable career option. Cisco Canada provides ongoing financial support for NAP to the 81 participating schools across Canada.[63]

An Ethical Dilemma

The maintenance department supervisor has just come to you, the HR manager, voicing concern about the safety of two of her reporting employees whom she recently discovered are functionally illiterate. What are your responsibilities to these employees, if any?

Visible and Ethnic Minorities The proportion of visible and ethnic minorities entering the Canadian labour market is growing, in jobs ranging from general labour to technical, professional, and skilled trades. In 1996, about 3.2 million Canadians were visible-minority group members,[64] constituting 11.2 percent of the population, up from 9.2 percent in 1991 and 6.3 percent in 1986. This increase is largely the result of immigration. More than three-quarters of those who came to Canada during the 1990s were members of a visible minority group.[65] The proportion of immigrants with a mother tongue other than English or French grew from 11 percent in 1986 to nearly 17 percent in 1996.[66] The largest visible minority group in 1996 was Chinese, accounting for slightly more than 25 percent of the total visible minority population, followed by South Asians (21 percent) and Blacks (18 percent).[67] It is currently projected that the number of visible-minority group members living in Canada will increase to approximately seven million by 2016, about 19 percent of the total population.[68]

Ethnic diversity is also increasing. At the time of Confederation (1867), approximately 60 percent of Canada's population was British and 30 percent French. Although the largest ethnic groups are still those with British or French backgrounds, neither group represents a majority of the population. Currently, more than 100 different ethnic groups are represented among Canadian residents.[69]

HR specialists must ensure that policies and programs are developed in their organizations to accommodate and celebrate the diverse cultural characteristics of visible and ethnic minority employees, something that requires much more than ensuring compliance with human rights legislation.

Women   The growing presence of women has been one of the dominant trends in Canada's labour force since the 1950s.[70] As of 1999, there were 7.2 million women 15 years and over in the labour force, representing 45.7 percent of the total. That year, women's participation rate was 58.9 percent, while that of men was 72.5 percent.[71] Factors contributing to the dramatic increase in female participation rate include smaller family size, increased divorce rate, the need and desire for dual family incomes, increased educational level, and the availability of more-flexible working hours and part-time jobs.

employment rate

The percentage of adults in the total population who are currently employed.

The **employment rate** for women has also continued to climb. As shown in **Figure 1.9**, between 1946 and the summer of 2000, the employment rate for adult women tripled, while that for men fell by one-fifth.[72] During the 1990s, the unemployment rate for women fell below that of men and stayed there. In 1999, for example, the unemployment rate for women was 7.3 percent, while for men it was 7.8 percent. This trend reflects the fact that women have moved into occupations in which the unemployment rate is low, while men tend to be clustered in jobs in which the risk of unemployment is much higher.[73] There is still strong evidence that women are underutilized in the Canadian work force, however.

Research Insight

A 1998 study revealed that women hold just 12 percent of the corporate-officer posts at Canada's 560 largest corporations. A similar situation was revealed in a survey of top U.S. companies, where women fill 11.9 percent of such posts. In comparing the results, one major difference was unveiled, however. Canada has more than twice as many firms with no women at the corporate officer level. Further up the ranks in top Canadian firms, the numbers are even slimmer, with women filling just 3.4 percent of the positions with "clout," such as chief operating officer, executive vice-president, or chief executive officer. While 12 Canadian companies are led by women, when the subsidiaries of foreign-owned firms, private companies and Crown corporations are removed from this list, only three remain.[74]

Figure 1.9 Employment Rates of Canadian Men and Women (1946–1999)

Note: Data from 1976 on have been rebased to the 1996 Census of Population
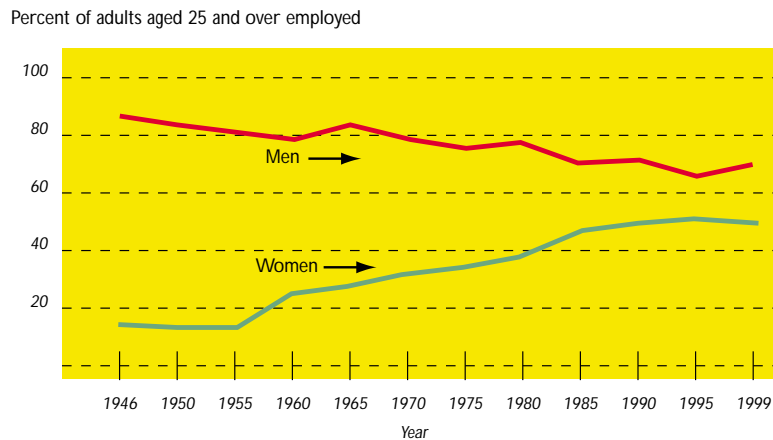
Source: Reproduced from Susan Crompton and Michael Vickers, "Employment Rates of Canadian Men and Women (1946-1999)," in Statistics Canada, *Canadian Social Trends,* Catalogue No. 11-008, (Summer 2000), p.11.

While more women are moving into management positions, there is still a 'glass ceiling' in Canadian firms that needs to be addressed.

A 1997 study revealed that women are slightly better represented at the managerial/administrative level in Canadian businesses and the professions. At that time, women made up 43 percent of all managers and administrators, up from 29 percent in 1982.[75]

Of particular significance to employers is the increasing number of women in the work force with dependent children. Between 1976 and 1998, participation rates for mothers with children under age three doubled from 32 percent to 64 percent.[76] Many organizations are making a determined effort to accommodate working women and shared parenting responsibilities, and offer one or more of the following family-friendly benefits: paid leave banks, childcare information and referral assistance, childcare subsidies, on-site daycare, leave for school functions, emergency childcare support, and flexible work programs (job sharing, a compressed workweek, a shorter workweek, a shorter workday, and/or telecommuting). Other organizations offer more comprehensive work/life programs, designed to assist employees to attain a healthier lifestyle as well as to cope with all of their non-work responsibilities (including parenting). Such programs generally include flexible work programs and some of the other family-friendly benefits listed, as well as health and fitness programs, an employee assistance plan, a wellness program, and/or eldercare.[77] As explained in the Diversity Counts box, the Royal Bank Financial Group has found that offering a work/life program can benefit the organization as well as the employees involved. Evidence of the possible benefits of such programs comes from other sources as well as the reports of individual firms. A 1999 survey of 2000 Canadian men and women revealed that management's recognition of the need for work/life balance is the most powerful driver of work-force commitment, followed by opportunities for personal growth, the organization's commitment to satisfying its customers' needs, and competitive pay.[78] In another survey, 91 percent of the participating employers indicated that work/life benefits are a strategic retention tool. Apparently, employees agree: in one company's survey of its top performers, work/life balance was one of the most frequently cited reasons for choosing to stay with the firm.[79]

Although the number of firms offering family-friendly benefits and work/life programs is on the rise, proper implementation is required to reap positive results. While 52 percent of respondents in a 1999 survey reported having some sort of work/life program (up from 33 percent in 1993), a Health Canada study released that same year concluded that Canadian organizations are not providing employees with the support necessary to strike a healthy balance between work and home. More than a third of workers were found to be experiencing a high level of work/life conflict; a third reported frequent depressed moods; and a quarter indicated that they felt "burned out" from their jobs. The study concluded that most companies have not embraced the changes that lead to substantive results. Identified factors having a negative impact on program success include lack of employee access, hesitancy on the part of employees to admit to needing help, unwillingness to use the program due to fear that doing so would be perceived to indicate a lack of commitment, an unsupportive culture, and lack of supervisory support.[80]

Francophones   Although truly a cultural mosaic (multilingual and multiracial), Canada is officially bilingual. It is the only major industrialized country with two official languages. There are large French-speaking populations in the provinces of Ontario and New Brunswick, and Quebec is predominantly French-speaking.

Diversity Counts

In Attaining Work/Life Balance

Royal Bank Financial Group (RBFG) was one of the first Canadian organizations to recognize that acknowledging that employees have a life outside of work is critical in fostering employee commitment and attracting and retaining top talent, factors that have a direct impact on organizational efficiency. With that in mind, a Flexible Work Arrangement (FWA) program was introduced in the early 1990s. Thirty percent of employees (more than 10 000 men and women) now take advantage of the program. In recent RBFG studies, 81 percent of FWA users reported that they had become more effective in managing work and family life,

and most also reported reduced stress, more energy, and fewer work absences. The organization has also reaped some sizable benefits. In addition to better attendance, improved customer service has been noted, and an improvement in or constant level of job performance was reported by 99 percent of the managers of FWA users surveyed.

Source: David Brown, "Flex-Time Solutions in Practice," *Canadian HR Reporter* 12, no. 17 (October 4, 1999), p. 2; and Joyce Hampton, "A Balancing Between Work and Life," *Guide to Employee Benefits, Supplement to Canadian HR Reporter* 12, no. 12 (june 14, 1999), pp. G1-G2.

An Ethical Dilemma

Since not all employees require assistance in balancing work and family responsibilities, how would you justify your belief that the firm should introduce family-friendly benefits?

Organizations operating in these provinces, particularly in Quebec, must ensure that their policies, procedures, and practices conform to the requirements of relevant employment legislation, as well as meeting the expectations of all of their employees. Furthermore, although organizations functioning in French are found predominantly in Quebec and parts of New Brunswick, many firms in both the private and public sectors must be able to serve their clientele in both French and English.

Aboriginal Peoples Between 1996 and 2006, the number of First Peoples (North American Indians, Inuit, and Métis) in the prime working and family-rearing age group (35 to 54) is expected to increase 41 percent, which will exacerbate their current situation unless drastic measures are taken.[81] First Peoples are still facing considerable difficulty in obtaining jobs and advancing in the workplace. The 1999 federal Human Rights Commission annual report indicated that while the representation of First Peoples continued to increase in the federally regulated public sector in recent years (reaching 2.9 percent as of March 31, 1999), federally regulated private-sector firms hired a smaller proportion of this group for the fourth year in a row. First Peoples' high share of terminations, which stood at 1.5 percent in 1998, compounds these difficulties.[82]

Persons with Disabilities Despite the fact that human rights legislation in every Canadian jurisdiction prohibits discrimination against individuals with disabilities, Canadians with disabilities continue to confront physical barriers to equality every day. Inaccessibility is still the rule, not the exception. As of 1998, only 48 percent of Canadians with disabilities between the ages of 15 and 64 had either full- or part-time jobs, compared to 73 percent of Canadians without disabilities. Moreover, 54 percent of persons with disabilities had annual incomes of $15 000 or less.[83] Given the fact that baby boomers born between 1946 and 1965 will add 1.4 million to the population of working age Canadians with some sort of disability by 2010,[84] these statistics are rather alarming.

Even though studies show that there are no performance differences in terms of productivity, attendance, and average tenure between employees who classi-

fy themselves as having a disability and those who do not, persons with disabilities continue on average to experience high rates of unemployment and underemployment, and lower pay.

Research Insight

According to a recent Royal Bank of Canada study:

- people with disabilities have employment rates about 30 full percentage points below those without a disability

- men with a severe disability who secure full-time employment earn almost 24 percent less than their counterparts without a disability.[85]

Even in organizations covered by the federal Employment Equity Act, little progress has been made. While persons with disabilities make up 6.5 percent of all Canadian workers, they account for only 2.3 percent of employees in the federally regulated private sector, virtually unchanged over the past 12 years. Their representation in the federal public sector rose to 4.6 percent in 1999, a slight improvement from 3.9 percent in 1997.[86]

Overall Impact of Increasing Diversity Managers must be extremely aware that related to the work-force diversity described above are significant value differences about the overall importance of work, what aspects or characteristics of a job are most important, tolerance of discipline in terms of hours and pace of work, attitudes toward authority, and definition of loyalty. Employees increasingly expect to exercise more freedom from management control, and are more demanding and questioning. More people are seeking jobs that are attuned to their personal values and provide the opportunity for them to bring their personalities to work with them,[87] as well as flexible work arrangements and other programs that will enable them to balance their work and personal lives.[88] Policies and practices must be adapted to embrace the diversity of the dominant values represented in an organization's work force.

Technology

It is mainly through technological innovation that firms develop new products and services and/or improve existing ones in order to remain competitive, and gain the productivity and quality needed for competitive advantage.

Manufacturing advances, such as robotics and computer-aided design/computer-aided manufacturing (CAD/CAM), have eliminated many blue-collar jobs, replacing them with fewer but more highly skilled jobs. When robots were introduced in the automobile industry, for instance, there was a major decrease in the demand for welders and painters, but a new demand for technicians who could program, install, and service automated equipment.[89] Due to computer technology, similar changes have been occurring in the nature of office work. Optical scanners, computerized x-ray scanners, and Magnetic Resonance Imagery (MRI) are technological advances that have caused major occupational changes in the medical field over the past few decades, and such advances are being made every day. Currently, for example, a few doctors are attempting to revolutionize heart surgery using computer assistance and robotic arms.[90] The overall impact of the technological changes affecting almost every field is that labour-intensive blue-collar and clerical jobs have been decreasing, while technical, managerial, and professional

Robotics is revolutionizing work in many fields. Such technology requires highly trained and committed employees.

An Ethical Dilemma

How much responsibility does a firm have toward employees whose skills will soon become obsolete due to changing technology?

HR Technology
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jobs are on the increase. This shift in employment opportunities has many implications for organizations: jobs and organization structures are being redesigned; new incentive and compensation plans are being instituted; revised job descriptions are being written; and new programs are being instituted for employee selection, evaluation, and training/retraining—all with the help of HR specialists.

Unfortunately, the training of the Canadian labour force has not kept pace with the rate of technological change and innovation. Consequently, there is a scarcity of skills in certain fields. For example, 95 percent of the 126 firms participating in a recent Conference Board of Canada survey indicated that they are experiencing shortages in non-entry level technical jobs. Recruiting to fill such positions is taking more than four months, on average.[91]

Many Canadian firms, such as Nortel Networks, inevitably have to look outside of Canada to fill their high-tech openings, which is rather disturbing given the fact that there are currently about 1.1 million Canadians seeking employment.[92] Nortel has a history of recruiting experts from around the world to train and nurture Canadian high-tech graduates, because it has been the firm's experience that few schools in the country can keep up with the frenzied pace of technological change, with many lagging about three to five years behind.[93]

While much of the impact of information technology has been positive, it has also led to some organizational problems. For many employees, it has created anxiety, tension, resentment, and alienation. Unions have consistently expressed concerns about job displacement and health hazards, such as those related to video display terminals. All of these issues must be addressed through effective HRM practices such as information sharing, counselling, ergonomic refitting, job redesign, and training.

Information technology has also hastened what experts call the "fall of hierarchy," or promotion of egalitarianism. Power and authority are spread more evenly among all employees. For example, with "distributed computing," every employee with a personal computer on his or her desk can tap into the firm's computer network and obtain needed information. Expecting employees to make more decisions has implications for selection, training, and compensation.

Questions concerning data control, accuracy, right to privacy, and ethics are at the core of a growing controversy brought about by the new information technologies. Sophisticated computerized control systems are used to monitor employee speed, accuracy, and efficiency in some firms, including Bell Canada. More and more firms are also monitoring employee e-mail, voice mail, telephone conversations, and computer usage, and some now monitor employee behaviour using video surveillance.[94] Reasons for such monitoring include eliminating time wastage, deterring abuse of company resources, protecting network security, preventing misappropriation of company resources, ensuring compliance with health and safety standards and regulations and other legislation, and monitoring employee behaviour and performance. Employers considering monitoring employees should be aware that doing so may present both practical and legal problems:

- such monitoring may have counterproductive results such as increased job stress, decreased morale and productivity, lowered employee self-esteem, and decreased trust in and respect for the employer
- setting up and maintaining a monitoring system may involve significant economic costs

- surveillance of employees in the workplace raises the controversial legal issue of employee privacy rights.

When introducing surveillance systems, the following guidelines should be kept in mind:[95]

1. Employees must be informed prior to the implementation of a monitoring system.

2. A policy that clearly stipulates exactly what employees can and cannot do with work resources and time should be developed; employee input is recommended to ensure that employees understand the underlying reasons and to gain acceptance.

3. Video surveillance should be used only if there are no suitable alternatives. If it is considered necessary, it should be reasonable and limited in its intrusions into employee privacy.

4. Once a monitoring system has been implemented, new employees should be required to consent to such monitoring as a term of employment.

5. Clarifying those aspects of employment in which employees should not have any expectation of privacy can help to protect employers from legal action on the part of disgruntled employees.

Human Resources Information Systems Changing technology has also had major implications for HR departments. Over the past few decades, many firms introduced a **Human Resources Information System (HRIS)** to store detailed information on employees, HR policies and procedures, government laws and regulations, collective agreements, etc. HRIS computer applications include: salary and benefits administration; tracking statistics on absenteeism, grievances, and health and safety; collecting data for government statistical reporting and employment equity purposes; advertising jobs and recruiting candidates; and communicating with employees. In a 1993 survey, to which individuals at 502 organizations from across Canada responded, computer utilization ranged from 96.3 percent in payroll management to 12.1 percent in career planning.[96]

Human Resources Information System (HRIS)
A computerized system used to collect, record, store, analyze, and retrieve data pertaining to an organization's human resources.

In the Information Technology and HR boxes throughout this text, we will describe how computers are now being used not only for storage, retrieval and analysis of information but for broader applications, including basic report production, long-range forecasting and strategic planning, and evaluation of HR policies and practices. The Information Technology and HR box that follows, for example, describes the types of reports that can be generated by automated time and attendance systems. It also explains how such systems can decrease time lost to comparatively non-productive work like data entry and employee scheduling, thereby providing time for HR department employees and managers throughout the firm to focus on more strategic issues.

Human Resources Management System (HRMS)
An information management system accessible to staff at all levels, designed to ensure that the organization's human resources are recruited, selected, developed, employed, deployed, and supported effectively.

Today, many Canadian firms, such as Suncor, Inco and Scotiabank,[97] are utilizing computer technology even more extensively by introducing a **Human Resources Management System (HRMS)**, defined as an information management system accessible to staff at all levels, designed to ensure that the organization's human resources are recruited, selected, developed, employed, deployed, and supported effectively.[98] Functional applications include succession planning, pension plan projections and eligibility monitoring, interactive employee retirement training, and more. Self-service applications for employees

Information Technology and HR

The Time is Here for Automated Time and Attendance Systems

To be strategic players in the organization, HR department employees must have information at their fingertips. Time and attendance systems provide vast amounts of HR data that can be used to create valuable management reports, ranging from payroll information to absenteeism, money transaction, general employee information, actual hours worked vs. budgeted hours, and employee activity reports. Data can be collected using punch cards, keypads, bar-coded cards, badges with magnetic strips that employees swipe through a reader, or a biometric reader that uses measurements of each employee's hand to allow him/her to enter information into the system.

Time and attendance software systems can also operate with interactive voice response (IVR). These can be set up to work through the Internet, on a regular company computer network, across telephone lines, or on all three. A primary use of an IVR-operated time and attendance system is the efficient scheduling of staff, one of the most important functions of the HR department. Today's sophisticated time and attendance software systems are omniscient—they know where people are, what they want, what they can and cannot do, and who can and who cannot be trusted to come in when they say they will. Such software can be programmed to incorporate dozens—even hundreds—of possible scenarios. Scheduling basics such as vacation time, overtime and budgets can be taken into account, as well as tracking functions such as who has signed up to work but not shown up. A key advantage is that such a system operates 24 hours per day, and can therefore handle last-minute scheduling changes.

An IVR-operated time and attendance system can be invaluable in complex settings, such as school boards, which have: employees who need to be replaced from time to time (such as part-time teachers); employees who may have to be replaced at the last minute (such as full-time faculty members); and employees who are never replaced (such as the principal). At Edmonton's Public School Board, for example, a computer-driven telephone system has automated teacher absence reporting, and handles 600 to 800 placements per day. Using such a system, replacement workers can be contacted based on a number of different programmed criteria. Such criteria might involve random calls, or calls in alphabetical order, by seniority or according to the top 10 preferred substitutes. Key advantages include the fact that the likelihood of several schools calling the same person to cover on a particular day can be eliminated, while the likelihood of a school obtaining the preferred substitute is increased (provided he or she is available, of course). Such software can assume a personal touch, if so desired. An example would be permitting a teacher calling in sick to leave a recorded message for his or her substitute regarding scheduled activities, topics to be covered, etc. The system can also be programmed so that when the principal calls in sick no replacement is contacted, whereas when the head caretaker phones in, the system calls the secondary caretaker to advise that he or she will be assuming the leadership role that day.

Another setting in which an IVR system can be invaluable is one that is volume-driven, such as a hospital. To schedule staff, hospital unit heads normally discuss any scheduling discrepancies and assign workers according to their expertise and the unit's needs, something that can take hours of valuable (and expensive) time. Because no one group of people can possibly be aware of all of the hospital's scheduling needs, one department may end up sending people home on paid leave while another pays people overtime to fill in. A scheduling system knows who is currently working, each person's areas of expertise, and who is needed where. Because an automated system involves dialing in using a specific telephone and PIN number, paperwork is eliminated, as is the need for expensive and bulky equipment such as time clocks. Another key advantage of both IVR systems and biometric collection devices is that employee misuse is eliminated, as happens when one employee "punches in" for a tardy or absent colleague.

Source: Joyce Hampton, "Put Up Your Hand," *Guide to HR Technology, Supplement to Canadian HR Reporter* 12, no. 18 (October 18, 1999), p. G11; and Ian Turnbull and Joyce Hampton, "The Time is Here for Automated IVR Time and Attendance Systems," *Canadian HR Reporter* 12, no. 20 (November 29, 1999), pp. 22 & 31.

and managers ensure that information reaches those who need it, with one-time data entry, less maintenance, and improved quality and accuracy.[99]

Government

Various laws enacted by governments have had and will continue to have a dramatic impact on the employer–employee relationship in Canada. In one recent survey, 70 percent of the HR specialists responding cited changing regulatory requirements as a major factor altering their work environment.[100]

The legal framework for employment includes: constitutional law, particularly the Charter of Rights and Freedoms; acts of parliament; **common law**, which is the accumulation of judicial precedents that do not derive from specific pieces of legislation; and **contract law**, which governs collective agreements and individual employment contracts. Such laws impose specific requirements and constraints on management policies, procedures, and practices.

Some of the employment-related legislation is aimed at prohibiting discrimination in various aspects and terms and conditions of employment, such as human rights, employment equity, and pay equity. Other laws require employers to meet certain obligations, such as occupational health and safety, employment standards, and labour relations. Still others make various payments mandatory, such as Workers' Compensation, Employment Insurance, and the Canada/Quebec Pension Plans.

To avoid flooding the courts with complaints and the prosecution of relatively minor infractions, the government in each jurisdiction creates special regulatory bodies to enforce compliance with the law and aid in its interpretation. Such bodies, which include human rights commissions and ministries of labour, develop legally binding rules—called **regulations**—and evaluate complaints.

All of the laws mentioned above and their regulations, which will be discussed in detail later in this book, have important implications for all managers, since they must:

- stay abreast of the laws. Because the decisions of courts and quasi-judicial bodies (such as human rights tribunals and labour relations boards) affect interpretation, and legislation itself changes frequently, keeping abreast of legislative developments is a major ongoing responsibility. Often, the HR department staff members play a major role in helping other managers to remain current by circulating reading material or holding seminars

- develop and administer policies and practices that ensure compliance to avoid loss of government contracts, suits by affected employees or regulatory bodies, fines, and bad publicity

- try to ensure that compliance does not interfere with the efficient and effective accomplishment of their other responsibilities. This means finding ways to comply with regulatory requirements with as little cost and disruption as possible. For example, the Workplace Hazardous Materials Information System legislation (which will be discussed in Chapter 18) requires that all employees handling hazardous substances (which includes those using liquid paper correction fluid!) receive training. Many firms have developed manuals, videotapes, and self-administered quizzes, such that employees can study independently at home or at work during off-peak times, and submit their completed quizzes for evaluation and verification of training completion.

common law

The accumulation of judicial precedents that do not derive from specific pieces of legislation.

contract law

Legislation that governs collective agreements and individual employment contracts.

regulations

Legally binding rules established by the special regulatory bodies created to enforce compliance with the law and aid in its interpretation.

One of the factors that make the laws affecting employment in Canada so challenging is the different jurisdictions involved. Employment Insurance and the Canada Pension Plan are federal laws that apply to all employers and employees in Canada, with one exception: the Quebec Pension Plan applies to employers and employees in the province of Quebec. Other legislation varies from one jurisdiction to another. The Canada Labour Code and Canadian Human Rights Act (federal legislation) apply only to those sectors of the economy regulated by the federal government, which represents about 10 percent of the Canadian work force, including federal government departments and agencies, federal Crown corporations, chartered banks, airlines, national railways, the Canadian armed forces, shipping companies and ports, the insurance and communications industries, and certain interprovincial and international operations. Each province and territory has its own human rights, employment standards, labour relations, health and safety, and workers' compensation legislation. While there is some commonality across jurisdictions, there is also considerable variation. Minimum wage, overtime pay requirements, vacation entitlement, and grounds protected under human rights legislation, for example, vary from one province/territory to another. Furthermore, some jurisdictions have pay and employment equity legislation; others do not. Since virtually every aspect of HRM is affected by legal and/or judicial influences, legislative issues will be discussed in almost every chapter of this text.

Globalization

globalization

The tendency of firms to extend their sales or manufacturing to new markets abroad.

Globalization refers to the tendency of firms to extend their sales or manufacturing to new markets abroad. For businesses everywhere, the rate of globalization in the past few years has been nothing short of phenomenal.

While about 86 percent of Canada's exports still go to the U.S.,[101] Canada currently has approximately 200 international trading partners.[102] As one international business expert put it, "The bottom line is that the growing integration of the world economy into a single, huge marketplace is increasing the intensity of competition in a wide range of manufacturing and service industries."[103]

Production is becoming globalized, too, as firms around the world put manufacturing facilities where they will be most advantageous. For example, when Nortel Networks Corp. decided to invest another U.S. $400 million in fibre-optical networking, plans were made to build a new facility in Ottawa and expand existing facilities in the U.K. and Northern Ireland.[104]

multinational corporation

A firm that conducts a large part of business outside the country in which it is headquartered and that locates a significant percentage of its physical facilities and human resources in other countries.

There are increasing numbers of **multinational corporations**—firms that conduct a large part of business outside the country in which they are headquartered and that locate a significant percentage of their physical facilities and human resources in other countries. Many organizations are locating new plants in areas where wages and other operating costs are lower. For example, Hewlett Packard's computers are assembled in Mexico, and 3M—the manufacturer of Scotch tape, chemicals, and electrical accessories—has located one of its newest plants in India.[105]

While cheaper labour is one reason for transferring operations abroad, another is to tap into what *Fortune* magazine calls "a vast new supply of skilled labour around the world."[106] Many multinational firms set up manufacturing plants abroad, not only to establish beachheads in promising markets, but also to utilize that country's professionals and engineers. For example, Asea Brown Boveri (a $30-billion-a-year Swiss/Swedish builder of transportation and electric

Global HRM

Canadian Government Gets a Failing Grade in Providing Family Support

According to a recent report, Europeans are better able to attain a work/life balance than Canadians are because their governments provide more family support. Ottawa-based researchers found that the governments in The Netherlands, Germany, France, Norway and Sweden play a key role in supporting families by providing such benefits as parents' allowances, childcare, tax concessions, lengthy parental leaves, flexible hours, pension income for stay-at-home parents, and income supports. The governments in Canada, the U.S., and the U.K., on the other hand, generally leave it up to parents to figure out how to balance their work and home responsibilities.

Government policy on such matters has major implications for employers. According to a Health Canada report released in the spring of 1999, Canadians who feel stressed due to inability to effectively balance their work and personal lives are costing their employers at least $2.7 billion per year and the health-care system an estimated $425 million. In 1996, 19.8 million workdays were missed due to work/family conflict, and 40 percent of working Canadians reported high levels of such conflict (up from 35.6 percent in 1991). Canadians are not alone in losing the "struggle to juggle" their time. In the U.S., personal illness, family issues and personal needs account for 62 percent of unscheduled employee absences.

Source: Based on Angie Gallop, "Workaholism & The Work–Family Conflict," *HR Professional* 16, no. 5 (October/November 1999), pp. 30–32; Joey Goodings, "European Governments More Supportive of Work/Life Balance," *Canadian HR Reporter* 12, no. 5 (March 8, 1999), p. 2; and Dianne Dyck, "Make Your Workplace Family Friendly," *Guide to Employee Benefits, Supplement to Canadian HR Reporter* 12, no. 22 (December 13, 1999), p. G5.

generation systems) already has 25 000 new employees in former Communist countries and has thus shifted many jobs from Western to Eastern Europe.

This globalization of markets and manufacturing has vastly increased international competition. Throughout the world, organizations that formerly competed only with local or national firms—from airlines to automobile makers to banks—are now facing an onslaught of foreign competitors. From boosting the productivity of a global labour force to formulating selection, training, and compensation policies for expatriate employees, managing globalization and its effects on competitiveness will thus continue to be a major HR challenge in the years to come.

Trends in the Nature of Jobs and Work

Major changes have been occurring in the nature of jobs and work, in part as a response to a number of the environmental challenges already discussed.

telecommuting

The use of microcomputers, networks, and other communications technology (such as fax machines) to perform in the home work that is traditionally done in the workplace.

Telecommuting   **Telecommuting**, which will be described in more detail in Chapter 10, is the use of microcomputers, networks, and other communications

technology (such as fax machines) to perform in the home work that is traditionally done in the workplace. According to Statistics Canada, there are currently 1.5 million Canadian telecommuters (also known as teleworkers). While it is true that not all jobs are suited to telecommuting, a study released in the fall of 1998 found that: half of all employees think that their jobs are at least partially teleworkable; 43 percent would quit their jobs if another employer offered them an equivalent job allowing telework; and one-third would choose telework over a 10-percent raise. Canadian firms with telecommuting policies include the Royal Bank, the Bank of Montreal, Bell Canada, Digital Equipment of Canada Ltd., the federal government, and IBM Canada. At IBM Canada's facility in Markham, Ontario, for example, three-quarters of the staff has the ability to work on a mobile or flexible basis.[107]

contingent employees

Workers who do not have regular full-time or part-time employment status.

Use of Contingent Employees   Many firms are using more **contingent employees**—defined as workers who do not have regular full-time or part-time employment status—to handle vacation and leave coverage, peak-period demands, extra workload, and specialized tasks or assignments. Included are contract workers, seasonal workers, casual and non-regular part-time employees, temporary employees, independent contractors (freelancers), consultants, and leased employees.[108] Contingent workers currently account for about 12 percent of all jobs in Canada, a figure that is expected to reach 25 percent by 2010.[109]

While temporary employees obtained though such agencies as Manpower and Kelly Services have been a popular type of contingent employee for many years, there are a couple of relatively new contingency arrangements: freelancers and leased employees. *Freelancers* are employees who work directly for the employer through independent contract arrangements. They are often contracted to provide specialized services one or two days a week on a permanent basis. *Leased employees* are typically former company employees, now on the payroll of a leasing firm, who work for the company on an as-needed basis, often for extended periods of time.

The use of contingent workers is not restricted to clerical jobs. Many come from the executive suite or middle management—specialists in their fields—including marketing and advertising executives, HR professionals, project managers, accountants, writers, graphic designers, and lawyers.[110] In fact, it is estimated that professionals currently comprise about 20 percent of the total contingent work force.[111]

Part-time Employees   There are more regular part-time employees in Canada than ever before. These are individuals who work fewer hours than full-time core employees, typically during peak periods (such as evenings and weekends in retail stores and restaurants). Approximately 33 percent of all employed women work part-time: two-thirds of them by preference, and the other one-third because they were unable to obtain full-time employment.[112] The fact that part-time workers are often paid less than their full-time counterparts—and may not have benefits coverage—has raised some major equity concerns.

small business

A firm with fewer than 50 employees, generally characterized by individual or small-group ownership, owner involvement in the management of the company, and operations restricted to a particular geographical area (although customers may be geographically dispersed).

Small Businesses   **Small businesses**, classified as firms with fewer than 50 employees, whether sole proprietorships, partnerships or corporations, are a large and increasingly important part of the Canadian economy. Generally characterized by individual or small-group ownership, owner involvement in the management of the company, and operations restricted to a particular geographical area (although customers may be geographically dispersed), small

businesses accounted for 57 percent of total job growth in 1997, and 32 percent of all jobs.[113]

entrepreneur

An individual who starts, organizes, manages, and assumes responsibility for a business or other enterprise.

Small businesses are typically run by **entrepreneurs** who are willing to accept the personal financial risks involved, knowing that they will benefit directly from the success of their enterprise. Many large corporations began as a small-business venture, including Apple Computer and Hewlett Packard, both of which started out in garages.

Unfortunately, not all small-business owners enjoy such success. The risk of failure is high. In fact, according to a recent edition of CBC's "National Magazine" (October 8, 1996), more than one-half of new business ventures fail during the first year. In 1997, 48 percent of all job loss was in this sector.[114]

primary sector

Agriculture, fishing and trapping, forestry, and mining.

secondary sector

Manufacturing and construction.

tertiary or service sector

Public administration, personal and business services, finance, trade, public utilities, and transportation/ communications.

A Service Society As can be seen in **Figure 1.10,** employment trends in Canada have been experiencing dramatic change. The **primary sector**, which includes agriculture, fishing and trapping, forestry, and mining, now represents only 2.8 percent of jobs. While the **secondary sector** (manufacturing and construction) grew from 1960 to 1985, between 1985 and the late 1990s employment in those industries dropped by more than 20 percent. In common with trends in Western Europe and the U.S., the sector of the Canadian economy accounting for the greatest growth in recent decades is the **tertiary or service sector**, which includes public administration, personal and business services, finance, trade, public utilities, and transportation/communications. In 1998, 86.1 percent of Canadian jobs were in this sector.[115]
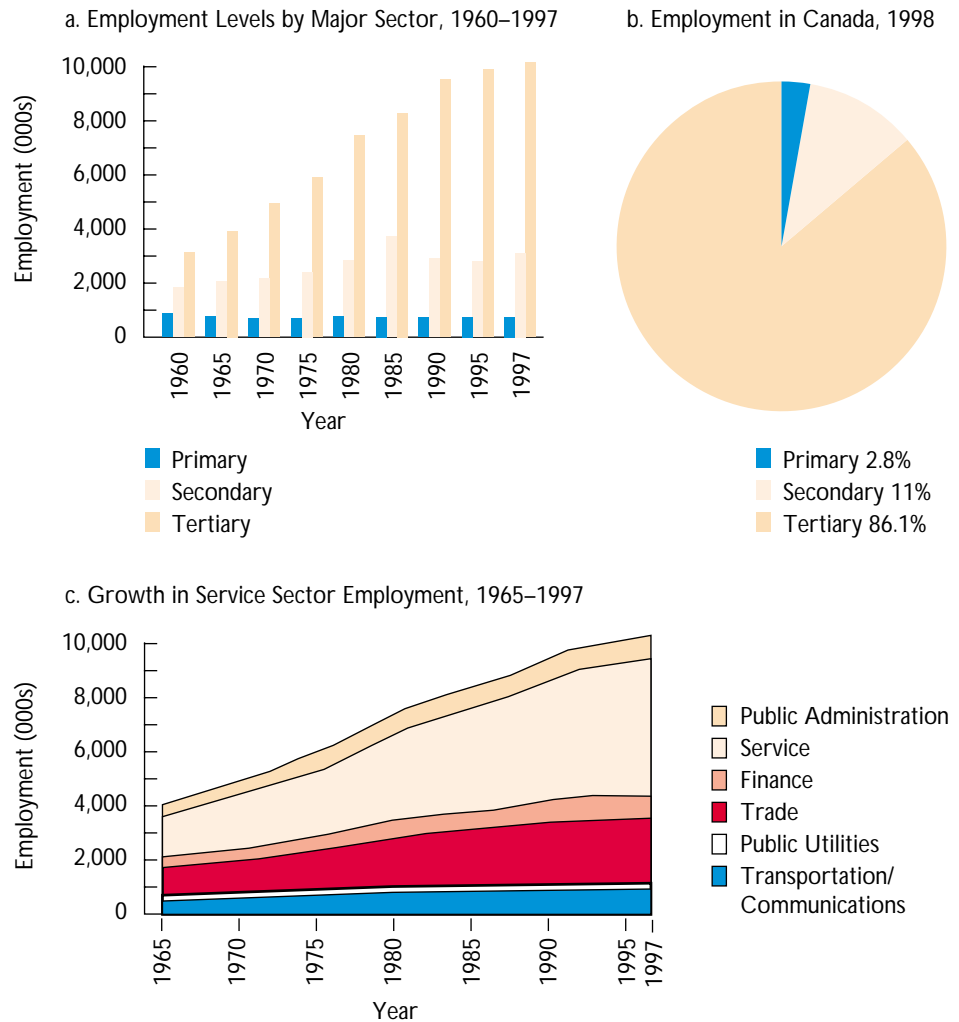
While much of this growth is attributable to rapid technological change (initially in the form of automation and more recently in improvements in IT), part is due to an increase in outsourcing of particular activities by primary- and secondary-sector firms to decrease costs and increase efficiency. Subcontracted functions range from building maintenance to provision of security, cafeteria management and laundry services to payroll and training and development.

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Since all jobs in this sector involve the provision of service, often in person but increasingly through the design, installation, and maintenance of service-providing technologies (such as automated banking machines and cable television), effectively managing and motivating human resources is critical. Although there are some lesser-skilled jobs (in housekeeping and food services, for example), many service-sector jobs demand **knowledge workers**, employees who transform information into a product or service, whose responsibilities include planning, problem solving, and decision making.

knowledge worker

An employee who transforms information into a product or service, whose responsibilities include planning, problem solving, and decision making.

human capital

The knowledge, education, training, skills, and expertise of a firm's workers.

Knowledge Work and Human Capital Management expert Peter Drucker has said that "the foundation of an organization is not money or capital or technology—it's knowledge and education (**human capital**). By 2005, knowledge workers will be the single largest group in the labour force."[116] He is not alone in this belief. Many experts believe that the distinguishing characteristic of companies today and tomorrow is this growing emphasis on human capital. Jobs today in all sectors demand a level of expertise far beyond that required of most workers 20 or 30 years ago, which means that human capital is quickly replacing machines as the basis for most firms' success.

Furthermore, it is not unusual for more than one-quarter of sales to come from products less than five years old. As a result, "innovating—creating new products, new services, and new ways of turning out goods more cheaply—has become the most urgent concern of corporations everywhere."[117]

Figure 1.10 Employment Trends

a. Employment Levels by Major Sector, 1960–1997

b. Employment in Canada, 1998

- Primary
- Secondary
- Tertiary

- Primary 2.8%
- Secondary 11%
- Tertiary 86.1%

c. Growth in Service Sector Employment, 1965–1997

- Public Administration
- Service
- Finance
- Trade
- Public Utilities
- Transportation/ Communications

Source: Reproduced from Statistics Canada's Website www.statcan.ca/english/Pgbd/People/Labour/ labor10b.htm July 10, 2000.

For managers, the challenge of fostering intellectual or human capital lies in the fact that knowledge workers must be managed differently than workers of previous generations. New HRM systems and skills are required to select and train such employees, encourage self-discipline, win employee commitment, and spark creativity. 3M is one organization that has learned how to encourage creativity and access the skills and ideas of all of its employees:[118]

At 3M, there is a corporate policy that 30 percent of its annual revenues must come from products that are less than four years old. Thus, over the years, 3M has mastered the art of motivating employees to come up with new and useful ideas. Every 3M employee must take courses on risk taking, handling change, and assuming responsibility for his or her job. Scientists and engineers are actively encouraged to form small groups to come up with new ideas and launch new products. If they can't obtain funding from the managers of their own business units, they can seek money from other

business groups. If that fails, they can appeal to a panel of scientists from across the firm to obtain a "Genesis Grant," which provides up to $50 000 in funding.

3M has a long history of success with innovations that initially seemed useless but later went on to earn millions of dollars. For example, 3M executives tried to end the Thinsulate project at least five times. Innovators within 3M persisted, however, and the light, waterproof, synthetic fibre is now used in sporting goods, shoes, and car doors. In short, Thinsulate has become a wildly successful product, but it only saw the light of day because the firm offered ways for creative employees to bring it to the market.

Tomorrow's HR, Today

New Management Practices

In the organizations that have successfully responded to the dramatic changes occurring in their internal and external environments, the quest to be more competitive has led to changes in how they are organized and managed. Examples of this are as follows.

bureaucratic structure (bureaucracy)
A pyramid-shaped organization, characterized by a hierarchical structure and many levels of management.

*The traditional **bureaucratic structure***, characterized by a pyramid shape and hierarchies with many levels of management, *is being replaced by new organizational forms*, generally emphasizing cross-functional teams and improved communication flow, with corresponding de-emphasis on "sticking to the chain of command" to get decisions made.[119]

Flatter organizations are the norm. Instead of firms with seven to ten or more layers of management, flat organizations with just three or four levels are starting to prevail. At Celestica Inc., a subsidiary of IBM Canada Ltd. that manufactures computer electronics, there are only two levels of management beneath President Eugene Polistuk. Management only comprises about five percent of the firm's total staffing—and that's for 1500 people and a $1.4 billion business.[120]

empowerment
Providing workers with the skills and authority to make decisions that would traditionally be made by managers.

Since managers have more people reporting to them in flat structures, they cannot supervise their employees as closely. *Employee empowerment* is thus becoming more common. At 3M's plant in Brockville, Ontario, workers on the shop floor conduct the entire recruitment and selection process, from initial interviewing to testing. The six-to-eight-person teams also handle quality control, logistics, scheduling, and shipping and receiving.[121]

Experts argue in favour of *turning the typical organization upside down*. They say today's organizations should put customers/clients on top and emphasize that every move the company makes should be toward satisfying customer/client needs. To accomplish this, front-line employees—the reception-area clerks at the Holiday Inn, customer service representatives at Canada Trust, flight attendants at Air Canada, and assemblers at GM Canada—must be given the authority to respond quickly as needs arise. The main purpose of managers in such "upside down" organizations is to ensure that the front-line staff members have the resources they need to do their jobs effectively.

boundaryless organization structure
A structure in which relationships (typically joint ventures) are formed with customers, suppliers, and/or competitors, to pool resources for mutual benefit or encourage cooperation in an uncertain environment.

Boundaryless organization structures are emerging. In this type of structure, relationships (typically joint ventures) are formed with customers, suppliers, and/or competitors, to pool resources for mutual benefit or encourage cooperation in an uncertain environment. CAMI Automotive Ltd., located in Ingersoll, Ontario, is an example. A joint venture between General Motors of Canada and Suzuki Motor Corporation, its success is attributable, at least in part, to the synthesis of Japanese management and design with a Canadian work force.[122]

General Electric CEO Jack Welch knows the value of cultivating employee loyalty and commitment.

Work is increasingly organized around teams and processes rather than specialized functions. Over 40 percent of those responding to a recent Conference Board of Canada survey indicated that team-based activity was widespread.[123] While not all firms adopting a team-based design have introduced self-managed teams, such autonomous work groups have become more popular, and are considered a key success factor at firms ranging from Celestica to Federal Express to Xerox Canada.[124]

The bases of power are changing. According to management theorist Rosabeth Moss Kanter, position, title, and authority are no longer adequate tools for managers to rely on to get their jobs done. Instead, "success depends increasingly on tapping into sources of good ideas, figuring out whose collaboration is needed to act on those ideas, and working with both to produce results. In short, the new managerial work implies very different ways of obtaining and using power."[125] While managers in the past thought of themselves as a "manager" or "boss," today's managers increasingly think of themselves as a "facilitator" or "team leader."

Managers today must build commitment. Building adaptive, client-focussed or customer-responsive organizations means that eliciting employees' commitment and self-control is more important than ever. Jack Welch, CEO of General Electric, put it this way: "The only way I see to get more productivity is by getting people involved and excited about their jobs. You can't afford to have anyone walk through a gate of a factory or into an office who is not giving 120 percent."[126]

The following High Performance Organization box provides an example of how one firm—Asea Brown Boveri—is putting into practice changes like all of those described above.

The Plan of This Book

This book is premised on two beliefs. First, we believe that HRM is the responsibility of every manager—not just those in the HR department. Throughout this book, we have therefore included practical suggestions designed to help all managers carry out their day-to-day responsibilities more effectively. The second belief is that, given the increasing need for highly competitive organizations staffed by committed employees, HR programs should be directed at helping firms to achieve this goal. Thus, we have provided numerous examples to illustrate the ways in which HR programs are helping to foster employee commitment and to make organizations better, faster, and more competitive.

This book is divided into six sections. In the remainder of Part One, we will first discuss the increasing importance of the HR function and its evolving role in strategic decision making. Then we'll present the rights of employees and obligations of managers pertaining to equal opportunity and equity, and what is involved in truly embracing and valuing diversity. In Part Two, we'll cover four critical aspects of HRM: designing and analyzing jobs, HR planning, recruitment, and selection. The focus of Part Three will be on developing effective human resources through orientation and training, career development, managing quality and productivity, and a performance appraisal. In Part Four, all aspects of compensation administration will be explored: from establishing pay plans, to the issues involved in pay-for-performance strategies and use of financial incentives, to employee benefits and services. Part Five will describe ways to build

The High Performance Organization

New Ways of Organizing and Managing

Zurich-based electrical equipment maker Asea Brown Boveri (ABB) provides a good example of a firm that "disorganized itself to compete in the fast-moving global market." ABB did four things to make itself super-responsive: it organized around mini-units, empowered its workers, flattened its hierarchy, and eliminated central staff. How did ABB do it?

First, within two years of taking over this $30 billion firm, Chair Percy Barnevik "de-organized" its 215 000 employees into 5000 mini-companies, each averaging only about 50 workers. For example, the ABB hydro power unit in Finland is a highly customer-focussed little business, in which employees' efforts are all centred on its local (Finnish) customers. Each of ABB's 50-person units is run by its own manager and three or four lieutenants. Such small units are very manageable: it's a lot easier to keep track of what everyone is doing when there are only 50 people than when there are 1000, let alone 5000 or 10 000.

Next, to speed up decision making, the 5000 mini-companies were empowered. The employees have the authority to make most of their own business decisions without checking first with top management. For example, if a customer has a complaint about a $50 000 machine, a mini-company employee can approve a replacement on the spot, rather than having to wait for reviews by several levels of management. Giving employees this much authority means, by the way, that ABB's 5000 busi-nesses must be staffed, as management expert Tom Peters puts it, by "high-performance team members," highly skilled employees with the capacity and commitment to make those big decisions.

Third, ABB's 215 000-employee organization was "de-layered," leaving only three management levels (compared to the seven or eight that a company of comparable size might have). Highest is a 13-member top-management executive committee based in Zurich. Below this is a 250-member executive level that includes country managers and executives in charge of groups of businesses. The lowest level consists of the 5000 mini-company managers and their management teams.

Fourth, since decision making was pushed down to front-line ABB employees, ABB was able to eliminate most of headquarters' staff advisers. For example, when Finland's Stromberg Company was acquired, Barnevik reduced its headquarters' staff from 880 to 25. Similarly, he reduced staffing at German ABB headquarters in Mannheim from 1600 to 100.

The next effect of this reorganization, combined with superior HR systems for attracting, training, motivating and retaining employees, is responsiveness and increased competitiveness. ABB can be characterized as a lean, flat organization staffed with highly committed, empowered employees, who can respond quickly to competitors' moves and customers' needs.

Source: Tom Peters, *Liberation Management* (New York: Alfred Knopf, 1992), p. 9.

effective employee/employer relationships in both union and non-union settings, and will delve into topics such as fair treatment, the dynamics of labour relations, union organizing, collective bargaining, contract administration, and occupational health and safety. In Part Six, we'll examine international issues in HRM.

Chapter *Review*

Summary

1   Human resources management (HRM) refers to the management of people in organizations. It comprises the activities, policies, and practices involved in obtaining, developing, utilizing, evaluating, maintaining, and retaining

the appropriate number and skill mix of employees to accomplish the organization's objectives. HRM is important to all managers since they must meet their goals through the efforts of others, which requires the effective management of people.

2   Line authority authorizes managers to direct the work of those reporting to them and make decisions about production, and may be exercised only over those in a manager's direct chain of command. Line managers are in charge of an aspect of operations directly linked to the organization's products or services. Staff authority involves authorization to assist, counsel, advise, or provide service to others. Staff managers—those responsible for service departments (such as HRM and accounting)—possess such authority. Functional authority involves the right to make final decisions on issues affecting other departments. The HR department typically has functional authority for highly technical activities (such as compensation and benefits administration) and activities for which centralization enhances efficiency and effectiveness (such as recruitment).

3   Every supervisor and manager is responsible for HRM. In firms with an HR department, the role of the HR staff involves: formulating and administering policies and procedures; offering advice to managers throughout the firm; providing services in areas such as staffing, orientation, training, and labour relations; helping to ensure compliance with policies and procedures, collective agreements, and legislation; and serving as consultant and change agent.

4   The size and sophistication of the HR department and specific functional areas therein are linked to the size and complexity of the organization.

5   Internal environmental factors influencing HRM include: the organizational culture, which consists of the core values, beliefs, and assumptions that are widely shared by members of the organization; and the climate, which is the prevailing atmosphere. The climate is linked to management's leadership style, HR policies and practices, and amount and style of communication.

6   A number of external factors have an impact on HRM, including economic factors, labour market conditions, labour unions, demographic trends and increasing work-force diversity, technology, government, globalization, and trends in the nature of jobs and work.

7   In order to respond to such challenges, new modes of managing and organizing have evolved. The traditional pyramid-shaped organization is giving way to new organizational forms; flatter organizations are becoming the norm; and employees are being empowered to make more decisions. Upside-down organizations and boundaryless organization structures are becoming more common; work is increasingly organized around teams and processes; the bases of power are changing; and team leaders are replacing managers. Building employee commitment has become critical to organizational survival and success.

Key Terms

authority	common law
baby boomers	contingent employees
boundaryless organization structure	contract law
bureaucratic structure (bureaucracy)	demographics

diversity   line authority
e-business   line manager
e-commerce   literacy
employee advocacy   multinational corporation
employee assistance program (EAP)   Net Generation (Nexters)
employment rate   organizational climate
empowerment   organizational culture
entrepreneur   outsourcing
functional authority   participation rate
functionally illiterate   policy
Generation X (Nexus generation)   primary sector
globalization   proactive
human capital   procedure
human resources information   productivity
  System (HRIS)   reactive
Human Resources Management   regulations
  (HRM)   Sandwich Generation
Human Resources Management   secondary sector
  System (HRMS)   small business
intrapreneur   staff authority
knowledge worker   staff manager
labour force   telecommuting
labour market   tertiary or service sector
labour union   unemployment rate

Review and Discussion Questions

1 In your own words, define HRM and describe its objectives.
2 Differentiate among line, staff, and functional authority, and provide an
   example of each.
3 Describe the two major internal environmental influences on HRM and
   explain the impact of each.
4 Explain the ways in which labour unions influence the HR policies and
   practices in both unionized and non-unionized firms.
5 Describe the ways in which labour market conditions, government legisla-
   tion, and globalization are affecting HRM in Canada today.
6 Explain how a Human Resources Management System (HRMS) can bene-
   fit an organization.

Critical Thinking Questions

1 Explain why all managers are HR managers, and provide three examples
   illustrating how HRM concepts and techniques can be beneficial to all man-
   agers.
2 Explain how changing demographics and increasing work-force diversity
   have had an impact on the organization in which you are working or one
   in which you have worked.

3 A firm has requested your assistance in ensuring that their multigenerational work force functions effectively as a team. What strategies and/or programs would you recommend? Why?

4 Find a recent newspaper or journal article describing the impact of changing technology on HRM in a particular organization or sector. Briefly summarize the impact. Critically evaluate the way in which the changing technology was handled: (a) Which was the action taken: proactive or reactive? (b) Were the affected employees adequately prepared for the change? If so, how? If not, why not? (c) What steps were taken, if any, to ensure that the changing technology would reap benefits for the firm or sector?

5 Explain why employee commitment is critical in organizations today, and describe specific strategies being employed in firms in your community to build and maintain such commitment.

6 Today's managers increasingly think of themselves as "facilitator" or "team leader," rather than "manager" or "boss." Do you agree with this statement? Why or why not? Should managers today think of themselves as team leaders, rather than bosses? Why or why not?

Application *Exercises*

RUNNING CASE: Carter Cleaning Company

Introduction

The main theme of this book is that HRM is not just the job of a central HR department, but rather the responsibility of every manager. Perhaps nowhere is this more apparent than in a typical small service business. The owner/manager usually has no HR staff on whom to rely. However, the success of his or her enterprise (not to mention his or her family's peace of mind) often depends largely on the effectiveness of the processes through which employees are recruited, hired, trained, evaluated, and rewarded. Therefore, to help illustrate the HRM responsibilities of all managers and ways in which they can be handled effectively, we have included an ongoing saga—a continuing case based on a small business in southwestern Ontario. In the segment of the case at the end of each chapter, the main character—Jennifer Carter—will be confronted with HR challenges that must be resolved by applying the concepts and techniques discussed in that particular chapter.

In order to answer questions arising in the incidents at the end of subsequent chapters, the following background information is required:

Carter Cleaning Centres Jennifer Carter graduated with a degree in Business Administration from Northern University in June of 2000 and, after considering several job offers, decided to do what she had really always planned: go into business with her father, Jack.

Jack Carter opened his first laundromat in 1980 and his second in 1982. The main attraction of these coin laundry businesses to him was that they were capital- rather than labour-intensive. Once the investment in machinery was made, the laundromat could be operated with just one unskilled attendant and none of the labour problems one normally associates with being in the retail

service business. The attractiveness of operating with virtually no skilled labour notwithstanding, in 1986 Jack decided to expand the services in each of his laundromats to include dry cleaning and pressing. He embarked, in other words, on a strategy of related diversification, in that he added new services that were related to and consistent with the existing coin laundry facilities. His decision was based in part on the fact that he wanted to better utilize the unused space in the rather large stores he currently had under lease, and partly because he was, as he put it, "tired of sending out the dry cleaning and pressing work that comes in from our coin laundry clients to a dry cleaner five miles away, who then takes most of what should have been our profits." To reflect the expanded line of services, he renamed his two stores "Carter Cleaning Centres." Sufficiently satisfied with their performance, he opened four more similar facilities over the next five years. Each centre had its own on-site manager and seven employees, on average, and annual revenues of about $400 000. It was this six-store chain of cleaning centres that Jennifer joined upon graduation.

Her understanding with her father was that she would serve as a troubleshooter/consultant to him, with the aims of learning the business and incorporating modern management concepts and techniques to resolve problems and facilitate growth.

Questions

1   How important is effective HRM in a small business such as Carter Cleaning Centres? Why?

2   What internal and external environmental challenges is Jennifer likely to confront? How will they affect the business?

Case Incident   *HR Systems Inc.*

Lou Wally and Stan Smith founded HR Systems Inc. three years ago in Calgary, to provide three types of HR services to firms in the area.

Their first and most profitable market is small businesses. Instead of hiring a full-time person to develop employee handbooks, HR policy manuals, performance appraisal systems, job analysis questionnaires, job descriptions and specifications, compensation plans, etc., it is more cost-effective for many small firms to contract with HR Systems Inc. to do so.

The second service is the provision of an Employee Assistance Program (EAP) to participating companies for a reasonable fee.

The third service involves extensive management consulting activities, including outplacement, executive recruitment, small-business development, training and development, and problem analysis/correction/follow-up.

Lou and Stan are quite informal in their own management style. Lou is a trained psychologist and wants to have a solid working team. Stan, although telling everyone outwardly that this is what he wants, is from another school of thought. He doesn't like or trust visible minorities and believes in hierarchical management. He expects employees to be creative in their work groups but to "do as they're told or else!" The implication is that if employees don't have their noses to the grindstone—or if they disagree with his approach—they should pack up their belongings and go.

Lou and Stan fill the positions of executive vice-president and president, respectively. The company comprises approximately 20 employees and several temporary contractors. The program managers are all male. The newest hires have been females—in both professional and secretarial positions—who are paid well below the prevailing wage rates. There are no Aboriginal persons, persons with disabilities or visible minority group members, and there have been no efforts to hire any.

As stated, both Lou and Stan are informal. They believe in Friday-afternoon staff meetings that include wine, beer, and racist and dirty jokes. Some of the women in this relatively new and growing company have indicated to Lou that they feel rather uncomfortable in the staff meetings and would prefer not to attend. Stan has made it clear that attendance is mandatory.

The EAP program manager is a former salesperson who has little background or experience in the field. His performance in securing new clients is poor, and he does not appear to have an appreciation for professional confidentiality. For example, on two separate occasions he reported to managers at their firms the personal difficulties that specific employees were experiencing. Although his efforts were well intentioned (he was seeking authorization for increased services due to some extreme personal circumstances), the damage was done.

There are interpersonal problems between the various work groups and the company is rife with rumours. The employees are becoming increasingly concerned about their hard-earned credibility in a relatively small business community. Several of the professionals on staff are very angry that the owners do not practise the very management styles they are teaching and selling. Staff members are also afraid that the company might be experiencing financial problems, since cheques have been delayed and two employee paycheques bounced. This is of grave concern to several of the employees who are the sole support of their families.

Recognizing that there are a few problems in the firm, the two owners have just hired you as the HR manager, and given you responsibility for "getting things back on track."

Questions

1   Describe the organizational climate at HR Systems Inc.
2   As the new HR manager, which internal and external environmental factors would you be particularly concerned about? Why?
3   Explain the contributions that you feel you will be able to make to the organization.
4   How would you recommend that the remaining problems be addressed?

Source: Based on a case developed by Sharon Craig, while employed as a faculty member at Sir Sandford Fleming College, Peterborough, Ontario.

Experiential *Exercises*

1   Working individually or in groups, interview an HR department staff member at a firm in your community. Prepare a brief report—for presentation to the class or submission for critique—outlining the ways in which the HR department there handles the following five types of activities: formulating

policies and procedures, offering advice, providing services, monitoring to ensure compliance, and serving as a consultant and change agent.

2   Prepare a summary of the employment legislation affecting all employers and employees who are NOT under federal jurisdiction in your province or territory. Explain the impact of each of these laws on HRM policies and practices.

3   Prepare a brief report describing three Canadian organizations that have recently restructured or adopted a new approach to management. Explain the changes made and explain their impact.

Web-based *Exercises*

1   Go to the Web sites of three large Canadian organizations. Summarize the information available online about their HRM systems, policies, and procedures. Identify the major similarities across firms, and then describe the ways in which their HRM systems, policies, and procedures differ. Based on the information gleaned, how would you characterize the climate and culture at each of these organizations? Justify your response.

2   Using the Web sites of Human Resources Development Canada (**www.hrdc-drhc.ca**) and Statistics Canada (**www.statcan.ca**) as the basis of your research, identify the employment trends for two positions in each of the following fields: (a) HRM, (b) retail sales, (c) hospitality management, (d) accounting, (e) mining, and (f) manufacturing. What are the implications of these trends for those working in the positions you chose? Based on the trends identified, which fields/positions would you recommend to an individual seeking career guidance? Why?

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