

10

STAFFING THE ORGANIZATION

After studying this chapter, you should be able to:

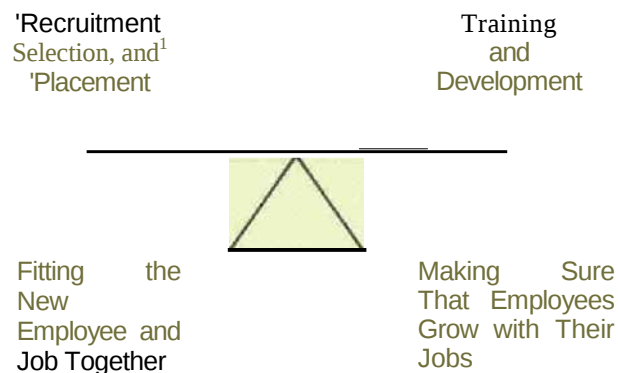
- A Discuss the elements of staffing.
- A Explain the steps in human resource planning.
- A Identify key laws influencing staffing.
- A Discuss the trade-off between recruiting, selection, and placement on the one hand, and training and development on the other.
- A Identify approaches to selection and hiring and explain their relative benefits and problems.
- A Describe the elements of placement.
- A Explain why training is needed and identify training methods.
- A Discuss why performance appraisal is important to the firm and how employee performance can be measured.
- A Describe how job worth, labor market conditions, pay systems, and employee performance determine levels of employee compensation.

Staffing involves bringing new people into the organization and making sure that they serve as valuable additions to the work force. It is a vital part of personnel management. The aim of staffing is to match, or align, the abilities of the job candidate with the needs of the firm.

In staffing, management is faced with a balancing act. As one option, it can work especially hard to recruit, select, and place individuals who are very well suited to the firm's needs. The alternative is to put less emphasis on these processes and focus instead on training and development. Figure 10-1 illustrates this balancing act.

Careful selection and placement certainly have their advantages. The new employees can begin to work immediately, showing results

BALANCING THE STAFFING OPTIONS



today rather than in six months at the conclusion of a training program. SEDCO and other offshore drilling companies like to hire undersea welders who are already competent and can do their jobs safely. Acquiring those skills takes years of experience which SEDCO wants to bypass. Individuals are hired because they already have proven skills; the firm does not have to gamble that they will learn them properly. Brokerage companies, such as Prudential-Bache, offer high bonuses to brokers who come from other companies. These brokers already have the needed skills and are of proven ability; Prudential-Bache doesn't have to worry about hiring a dozen brokers and having only three or four work out.

Training and development also have advantages. For one thing, people can be hired at lower rates of pay if they come to the firm untrained. Also, the training and development can be tailored exactly to the company's needs. Westinghouse, for example, hires students with degrees in advertising, but the company completely retrains them in 3 training institute. Ford, Bell Telephone, and even McDonald's have similar training programs for employees who need special skills that cannot be obtained anywhere else. In addition, people trained by a firm often feel loyal to it. Sales and service personnel trained by IBM feel a strong loyalty to their company.

The choices made in resolving this balancing act depend upon careful consideration of human resource objectives, legal constraints, the natures of internal and external labor supplies, and other factors. Even after such choices are made, the firm is faced with the continuing need to evaluate employee performance and to determine equitable levels of employee compensation.

In this chapter, we will consider the four basic stages of staffing; recruiting, selection and hiring, placement, and training and development. In addition, we will discuss the related issues of laws affecting staffing, performance appraisal, and compensating employees.

HUMAN RESOURCE PLANNING

It would be unthinkable for a company to fail to plan for its future needs for materials, plant capacity, or financing. Similarly, firms must plan to insure that their human resource needs are satisfied. **Human resource planning** is the process of analyzing an organization's human resource needs under changing conditions and developing the activities-necessary to satisfy those needs.¹ Human resource planning requires consideration of where the firm is in terms of staffing and where it wants to be. Then, strategies can be developed to move from the current to desired situation. This process requires the following steps:

1. This definition is drawn from J. W. Walker, *Human Resource Planning* [New York: McGraw-Hill Book Co., 1980]. This section is based on M. J. Wallace, Jr., N. F. Crandal

1. *Specification of human resource objectives.* These objectives How
Iraa larger organisational goals, discussed in Chapter 5.
2. *Inventory of current internet] personnel.*⁷- Current employees both
accomplish today's tasks and serve as the human resource base uf the
future. As such, a clear picture of" the current personnel status is a
necessary step in human resource planning. An inventory of current
personnel might include such information as numbers of people in
various positions, their skills, time an the organization, performance
records, and wage levels. Other useful internal supply information
would include turnover and absenteeism rates by position and move
ment ratca between positionsv
- &. *Estimation of (internal labor supplies.* Such developments as termi-
nations, retirement, organizational growth, and changes in the organ-
isation's .focus [as well as simple desires to bring hi "new blood"! may
require that organisations look beyond current internal labor sup-
plies. This requires identification of labor maikets and or labor supply
and wage rates within those markets.
4. *Consideration arf current and protected organizational and fob design.*
For instance, how will the size of the organization and its units
change over time; How will the required skill mix be altered?
Answers to these questions, in turn, may depend upon forecasts of
economic conditions, consumer castes, and other lactors.
- & *Rased art the above informaiivti. development of a forecast of labor
demand in terms uf the number of people required, the qualifica-
tions required, and the time at which they will be needed-* For la-
stance, it might be determined that an additional 35 salespersons
with particular expertise will be needed in five years. Many sophisti-
cated models are available to provide guidance at this step.
- 6, *O\$velapWkent of human resource strategies.* Once future supply and
demand are estimated, alternative strategies can be devised to equate
the two. These may involve, for instance, manipulation of such vari-
ables, as hiring rates and policies, promotion and transfer rates and
policies, and termination policies. Again, use of mathematical rnod^
els may ease the development and besting of alternative strategies.

LAWS INFLUENCING STAFFING

The legal environment has a major impact on staffing. Tt places many constraints on recruiting, selection, placement, and other, .starting

C. H. \$a%.&dmfiii\$Gritig.{futfyta *Resources: An ImrvductJan to frfia Pmfeis&fGU* (New York; Random House, 1982), 142-52.

2. Far a discussion of procedures to carry o«t a human resource audit, see E. Flamholtz, *Human Resource Accounting* (Enclncb CA: Diekensn, 1974J.

practices specifying required, acceptable, or prohibited activities. We will review key legislation dealing with employee health, safety, and security; with employment discrimination; and with labor unions.

Health, Safety, and Security

A substantial amount of legislation deals with various forms of employee protection. In this section, we will review statutes relating to such topics as working hours, working conditions, and benefits.

Wages and Hours. The Fair Labor Standards Act of 1938 introduced both the minimum wage and the 40-hour workweek. At the time of passage, the minimum wage was set at 40 cents per hour. The law also said that workers must receive time-and-a-half pay for time spent on the job in excess of the 40-hour standard.

Not all employees are covered by the Fair Labor Standards Act. People in managerial, professional, or sales positions, for example, are not protected by the act.

Child Labor. The Fair Labor Standards Act also regulates child labor. The minimum age for most jobs is now 16. The employment of 14- and 15-year-olds is restricted to a few types of jobs such as filing and sales. The range of jobs for children under 14 years of age is even more restricted: They may deliver newspapers, work as actors or actresses, or hold selected farm jobs.

Social Security. The Social Security Act, passed in 1935, established our social security system. The aim of the system is to provide a minimum guaranteed income to retired and disabled persons. Today, about one out of every seven people in the United States receives a social security check each month.

The social security system is funded by a tax on employees and employers. In 1986, employees were required to pay into the system an amount equal to 7.15 percent of their first \$42,900 earned; employers were required to match that amount. The rate for self-employed persons¹ was 14.30 percent on the first \$42,900 earned, though a 2.0 percent credit reduced the effective rate to 12.3 percent. Currently, more than 90 percent of working people in this country pay into the social security system regularly. The average worker pays about the same amount in social security tax as in federal income tax.

Unemployment Benefits. Each state has a program for protecting people who lose their jobs through no fault of their own. These programs differ in cost and coverage, but they must all meet certain federal guidelines. Under these programs, employers pay a tax to the state—usually equal to 1 percent or less of the wage of each employee

or more during any single quarter of the year. Recently

ployed workers may then draw upon these funds for the duration of their unemployment, subject to certain restrictions.

People must have worked at least 12 weeks before losing their jobs in order to be eligible for unemployment benefits. Those fired for poor performance, leaving the job voluntarily, or refusing to accept work for which they are qualified are not entitled to the benefits.

Occupational Safety and Health Act (1970). The goal of the Occupational Safety and Health Act is to reduce the number of safety and health hazards in the workplace. The law established the Occupational Safety and Health Administration (OSHA) and gave the Secretary of Labor the authority to set health and safety standards for individual industries.

Employment Discrimination

It has been necessary for Congress to pass several laws that directly address the problem of employment discrimination. The Civil Rights Act of 1964 and the Equal Employment Act of 1972 are two of these laws. They make it illegal to discriminate on the basis of race, color, religion, national origin, or sex in hiring or promotional decisions.

Enforcement Procedures. The Civil Rights Act established the Equal Employment Opportunity Commission (EEOC), which is responsible for enforcing federal law relating to job discrimination. The EEOC can take a firm to court if it violates the law. The more usual practice is to persuade the offending firm to change its policies and pay damages to any person discriminated against. When AT&T was charged by the EEOC with keeping women and minorities in low-paying jobs, the phone company agreed to change its policies and to pay 15,000 of its employees a total of \$15,000,000 in damages.³

Major Provisions of the Law. The Civil Rights Act and the Equal Employment Act have been strengthened by other federal legislation. Let's look at the most important parts of current federal law relating to discrimination.

A Race, color, or national origin. The law clearly states that it is illegal to discriminate on the basis of race, color, or national origin. There are no exceptions.

A Sex. In only a few cases is it legal to discriminate on the basis of sex. In such cases, it is the responsibility of the firm to prove that, for example, a woman would not be able to perform the job in question.

3. R. N. Corley, R. L. Black, and O. L. Reed, *The Legal Environment of Business* (New York: McGraw-Hill Book Co., 1981), 352.

Appearance. Many firms want their employees, especially those who deal with the public, such as salespeople and receptionists, to meet certain appearance and grooming standards. Although there have been cases of "appearance" discrimination; business firms generally have the right to require their employees to meet appearance standards.

Age. It is now illegal in most cases to force employees to retire before age 70. One exception is top executives with a planned retirement income of \$27,000 a year or more. Some states now have laws prohibiting forced retirement because of age, period. President Reagan, the oldest chief executive in the history of the United States, worked hard to see that such a law was passed on a national basis. The age law also specifically protects persons between the ages of 40 and 70 from age discrimination.

Handicapped. Every employer who has a contract with the federal government worth \$2,500 or more must actively seek to

Discrimination
in the hiring and
promotion of
handicapped
persons is
prohibited by
federal law.



hire and promote handicapped people. A handicapped person is defined as any individual with a physical or mental problem that limits the person's normal activities. However, the law does state that the handicapped person must be qualified to perform that particular job for which he or she is being considered.

Equal Pay and Comparable Worth. The 1963 Equal Pay Act requires that men and women receive equal pay for equal work. What is important is not whether the job *titles* are the same, but that the contents of the jobs are substantially similar. If a company pays men and women

differently, it must prove that their jobs differ in terms of skill, effort, responsibility, or working conditions.

Some people go further and argue that there should be equal pay not only for equal work, but also for comparable worth. So, if a secretary's job is of equal worth to that of a carpenter, the pay should be the same. Comparable worth is now being hotly contested in the courts.

Affirmative Action. Affirmative action means that employers must actively recruit, hire, and promote members of minority groups if such groups are underrepresented in the firm. That is, if the labor pool in a community is 15 percent black and 10 percent Mexican-American, then 1.5 percent and 10 percent of the labor force of a firm operating in that community should be black and Mexican-American, respectively.

Labor Unions

As we discussed in Chapter 4, and as examples throughout this book make evident, labor unions are major forces influencing many firms. They give workers a source of collective power and may act as intermediaries between labor and management. They may influence wages and benefits and may constrain many management actions. As a result of social, economic, and legal changes, the roles of unions have evolved over the last 50 years and will doubtless continue to change.

Early in this century, labor-management relations were generally unregulated. With the coming of the Great Depression, however, Congress passed laws which encouraged collective bargaining and which tried to bring a better balance between management and labor. The major provisions of some of these acts follow.

Norris-LaGuardia Act (1932). Until the early 1930s, employers could go to court to prevent organizing, bargaining, and striking activities. They could also force workers to sign "yellow-dog contracts"—a promise that they would not join a union if hired by the company. The Norris-LaGuardia Act outlawed these contracts and prohibited the courts from standing in the way of lawful union activities. The act strengthened the position of unions but did not deal with the rights of individual workers.

Wagner Act (1935). The Wagner Act, formally known as the National Labor Relations Act, recognized the right of employees to engage in union activities, to organize, and to bargain collectively without interference from employers. The act stipulates that when a majority of employees in a given work unit wants union representation, the employer must bargain collectively regarding wages, hours, and terms of employment. The act also established the National Labor Relations Board, which is responsible for conducting representation elections and for investigating charges of unfair labor practices.

Taft-Hartley Act (1947). The Taft-Hartley Act, also known as the Labor-Management Relations Act, restricted the power of unions, which some people felt had been given an unfair advantage in the bargaining relationship by passage of the Wagner Act. Passed over President Truman's veto, the Taft-Hartley Act attempted to provide balance. Specifically, it said that employees were free to refrain from, as well as engage in, union activities; it recognized that both unions and employers are capable of unfair labor practices; it established the Federal Conciliation Service to provide help in negotiations when both parties request it; it outlawed the closed shop; and it gave the President the authority to halt a strike for 80 days if the strike posed a threat to national security. The act also allowed states to pass "right-to-work" laws. These laws prevent unions from negotiating labor contracts which make union membership mandatory.

Landrum-Griffin Act (1959). The Landrum-Griffin Act was passed to combat corruption. Under the terms of the act, also called the Labor-Management Reporting and Disclosure Act, unions and management must provide the government with a variety of information concerning their activities. Unions must report their constitution and by-laws, administrative policies, and financial dealings. Employers must report any expenditures designed to prevent employees from organizing. The act also provided a Bill of Rights of Union Members, under which every union member has the right to nominate candidates for union office, vote in union elections, attend union meetings, examine union accounts and records, and seek relief in court if deprived of these rights.

Civil Service Reform Act, Title VII (1978). Executive Order 10988, issued by President Kennedy in 1961, established the right of government employees to be represented by labor organizations and to enter into agreements concerning working conditions. However, these employees were not given the right to strike, to demand that unsettled grievances go to arbitration, or to make demands concerning job security or economic matters.

The Civil Service Reform Act of 1978 replaced Executive Order 10988 and clarified the relationship between federal employee unions and the government. It set up a Federal Labor Relations Authority as an independent body to monitor labor-management relations in this area and required binding arbitration of unresolved grievances. However, government workers still did not have the right to strike.

RECRUITING

The first step in staffing is to put together a group of job applicants from which to choose. This step is called **recruiting**. No matter how

employees are later selected, trained, and motivated, it is important to start out with a good group of job applicants. The greater the number of applicants and the better their qualifications, the more likely the firm is to build a solid personnel base.

Sources of Applicants

Job applicants can be found in many ways. We'll look at six sources of applicants. These sources differ in terms of ease of use, cost, and the quality of applicants obtained.

Newspaper Advertisements. The simplest and best known way to publicize a job opening is through newspaper and magazine advertisements. Although they often bring in many applicants, such advertisements do not function as a screening device. That is, the ads may attract many job seekers, but only a few of them may be qualified for the position advertised.

Referrals. Current and past employees sometimes refer their friends and relatives to the firm. Because these employees usually understand the firm's personnel needs, referrals can be a very good source of job applicants. When companies in the computer industry need new employees, they routinely ask current employees for referrals. The assumption is that their current employees will know the best people in the industry.

Private Employment Agencies. These firms are in the business of matching job seekers with suitable jobs. They charge a fee for their services, sometimes to the job seeker and sometimes to the hiring firm. In effect, when a company contracts with an employment agency, it is turning over the task of recruiting and screening applicants to someone else. Many private employment agencies specialize in finding people to fill top management positions.

Public Employment Agencies. Most cities have an office of the state employment agency whose role is to find jobs for unemployed people and to keep track of people receiving unemployment compensation. Some of these agencies also offer training programs.

Educational Institutions. Universities, colleges, junior colleges, vocational schools, and high schools may all be good sources of job applicants. For jobs in great supply, companies may send recruiters to campuses for the purpose of finding and interviewing job applicants.

Labor Unions. For blue-collar and some professional jobs, labor unions are often a good source of applicants. Some unions have hiring halls where employers and job seekers are brought together. Builders and contractors sometimes hire trade construction workers in this way.

Union halls, in this respect, function as centralized labor exchanges, where buyers (employers) and sellers (job seekers) jointly determine the allocation of job seekers to specific job slots.

The Realistic Job Preview

Most companies present overly favorable pictures of themselves and their job openings in order to attract job applicants. Partly as a result, many new employees are dissatisfied when they learn the "truth" about the company. Some may even quit after a short time there. To avoid this, some companies now use realistic job previews. The aim of the realistic job preview (RJP) is to give the recruit an accurate picture of what the company and job are like. For example, films of people on the job and uncensored comments of current employees may be used to acquaint new employees with the day-to-day reality of the job. Exxon prints brochures describing the kinds of jobs available for people with different backgrounds, the kinds of promotions and salary opportunities available, and parts of the world in which each individual might be located. Perhaps because of its highly developed preview, Exxon has one of the lowest employee turnover rates in the petroleum industry.

The realistic job preview is one example of what is more generally called emotional inoculation. People who are given a dose of the reality they are to face—whether it be the truth about the probable outcomes of surgery, about the possible aftermath of a flood, or about undesirable aspects of a job—are emotionally inoculated against that reality and better able to deal with it.⁴ In the case of the realistic job preview, studies suggest that such inoculation results in increased job satisfaction and decreased turnover after hiring. And, perhaps surprisingly, the RJP does not seem to reduce the recruitment rate; that is, it does not "turn off" qualified employees. The logic of the RJP is presented in Figure 10-2,

SELECTION AND HIRING

The role of recruiting is to locate job candidates; the role of selection and hiring is to evaluate each candidate and to pick the best one for the position available. Some business firms use informal selection procedures such as reviewing completed application blanks and resumes. Others ask their job candidates to take a battery of personality and ability tests. Still others have assessment centers where selecting and hiring new employees is very systematic.

4. For a thorough discussion of emotional inoculation, see I. L. Janis and L. Mann, *Decision Making: A Psychological Analysis of Conflict, Choice, and Commitment* (New York: Free Press, 1977).

Figure 10-2 **TRADITIONAL AND REALISTIC
JOB PREVIEWS**

TABLE 1

Traditional Procedures

Set Initial Job
Expectations Too High

Job Is Typically
Viewed As Attractive

High Rate of Job
Offer Acceptance

Work Experience
Disconfirms Expectations

Low Job Survival;
Dissatisfaction; Frequent
Thoughts of Quitting

Realistic Procedures

Set Job Expectations
Realistically

Job May or May Not Be
Attractive Depending on
Applicant's **Own Needs**

Acceptance Rate May Be a
Bit Lower but Usually Is
the Same As for Traditional
Job Previews

Satisfaction;
Needs Matched to **Job'**

High Job Survival;
Satisfaction; Infrequent
Thoughts of Quitting:

Source: From J. P. Wanous, "Effects of a Realistic Job Preview on Job Acceptance, Job Attitudes, and Job Survival" *Journal of Applied Psychology* 58 11973}; 327-32, Copyright 1973 by the American Psychological Association. Adapted by permission of the author.

Careful selection procedures can be time-consuming and costly. However, if costs of a wrong decision are high, if there are a large number of applicants relative to the number of openings, and if selection tools have high degrees of accuracy, careful procedures are probably worth the cost. Let's look at some of the ways in which firms determine whether job candidate qualifications are in line with the requirements of the job.

Application Blanks

The first source of information about a potential employee is the application blank. An **application blank** provides the hiring firm with

information about educational background, work experience, and outside interests. Much of this information is especially useful for applicant screening purposes. For example, an applicant for a position as a computer analyst should have had courses in data processing. The application blank would tell the employer right away whether the applicant had the necessary training.

However, there are at least three problems with application blanks as sources of information about potential employees. First, the information provided by the applicant may not be relevant to performance on the job. Second, applicants may give incorrect or misleading information on application blanks or in resumes.

Finally, there are legal restrictions as to what can and cannot be asked on an application blank. Figure 10-3 is a partial listing of questions considered to be unfair by the Washington State Human Rights Commission. Clearly, many of the questions routinely asked on application blanks are violations of state or federal law.

Figure 10-3 UNFAIR PREEMPLOYMENT INQUIRIES

- ▲ Any inquiry that implies a preference for persons under 40 years of age.
- ▲ Whether applicant is a citizen. Any inquiry into citizenship which would tend to divulge applicant's lineage, ancestry, national origin, descent, or birthplace.
- ▲ All inquiries relating to arrests.
- ▲ Inquiries which would divulge convictions which do not reasonably relate to fitness to perform the particular job or relate to convictions for which the date of conviction or prison release was farther than seven years before the date of application.
- ▲ Specific inquiries concerning spouse, spouse's employment, or salary, children, child-care arrangements, or dependents.
- ▲ Any inquiries concerning handicaps, height, or weight which, do not, relate to job requirements.
- ▲ Whether the applicant is married, single, divorced, engaged, or widowed.
- ▲ Type or condition of military discharge.
- ▲ Request that applicant submit a photograph.
- ▲ Sex.
- ▲ Any inquiry concerning race or color of skin, hair, eyes, etc.
- ▲ All questions as to pregnancy, medical history concerning pregnancy, and related matters.
- ▲ Any inquiry concerning religious denomination, affiliations, holidays observed, etc.
- ▲ Requirements that applicant list all organizations, clubs, societies, and lodges to which applicant belongs.
- ▲ Inquiry into original name where it has been changed by court order or marriage.

Source: This is a partial listing of questions considered to be unfair by the Washington State Human Rights Commission.

References

References are another popular selection tool. **References** are written by previous employers, co-workers, or acquaintances. The evidence suggests, however, that references are generally of little value in the employee selection process. The people asked to provide references sometimes do not really know much about the person requesting a reference. At other times, they are not frank because they do not want to say anything bad about a person — especially in writing. As a result, references are generally biased in the applicant's favor.

Interviews

Interviews involve asking the job candidate a series of questions. In what is called a structured interview, the questions are precise and **are** asked in a fixed order. In unstructured interviews, there is a looser interchange between the interviewer and the job candidate.

Interviews are very popular and are widely used. More than 90 percent of all people hired for industrial positions are interviewed at least once. There are many reasons for the popularity of interviews. For one, it is easier to ask someone a series of questions than to develop a test such as an ability test. For another, interviewing makes the selection process more personal and gives the interviewer an overall idea of whether the applicant is right for the job.

Despite the popularity of interviews, however, it has been shown that a successful interview does not always mean that the recruit performs well on the job. Interviewers sometimes show many biases, disagree with one another over which recruits are likely to do best, and ignore information available about recruits. And, interviewers may make their decisions on the basis of things they aren't aware of while slighting factors they consider to be important.⁵

One view of interviews is that they are essentially games or rituals:

In one sense the interview is a battle of wits. The applicant, who wants to put his best foot forward, engages in "impression management," seeking both to cover up his deficiencies and to provide answers that will please the interviewer. The latter tries to penetrate these defenses and catch a glimpse of the "real person" underneath.⁶

Unfortunately, it seems that these gaming aspects and other problems largely undermine much of the potential value of interviews.

5. On this point, see E. Valenzi and I. R. Andrews, "Individual Differences in the Decision Processes of Employment Interviewers," *Journal of Applied Psychology* 58 [1973]: 49-53.

6. G. Strauss and L. R. Sayles, *Personnel: The Human Problems of Management* 3d ed., © 1972, p. 419. Reprinted by permission of Prentice-Hall, Inc., Englewood Cliffs, NJ.

Testing

Testing is a relatively objective way to determine how well a person may do on the job. Unlike interviews, which rely on the clinical judgment of the interviewer to put information together and come up with a decision, testing is an actuarial approach. That is, information is collected which is known to be related to some criterion of interest such as performance. Then, a relatively objective score is calculated and used to make staffing decisions. Many human resource experts and personnel managers believe that testing is the single best selection tool. Tests yield more information about a person than does a completed application blank, and they have less bias than do interviews.

Types of Tests. Let's examine four different types of tests: ability, personality, interest, and work sample tests.

Ability Tests. An ability test measures whether the applicant is able to perform the tasks required in the job. Mental ability tests assess memory, problem-solving speed, verbal comprehension, ability to deal with numbers, and so on. Mechanical ability tests measure spatial relations—the ability to see how parts fit together into a whole. Candidates for dental school are often given a block of soap and a knife and asked to carve a tooth or other readily identifiable shape. The idea is that a candidate who can create a tooth in the correct proportions will be able to perform well when operating in a patient's mouth. Psychomotor ability tests assess reaction time and finger dexterity. They are given to people applying for jobs involving physical, rather than mental, tasks. Psychomotor tests are routinely applied to draftees for professional football teams.

Personality Tests. A personality test measures the strengths or weaknesses of personality characteristics that might be important on the job. Job applicants are asked to describe themselves in terms of traits or behavior. The Ghiselli Self-Description Inventory, for example, lists 40 pairs of adjectives. Applicants are asked to pick the trait in each pair that best (or, in some cases, least) describes themselves.

_____ .capable	_____ defensive	_____ weak
_____ discrete	_____ .touchy	_____ selfish

On the basis of responses to such pairs, scores on personality dimensions—initiative, decisiveness, self-assurance, and so on—are obtained*

7. For a discussion of the development of this inventory, including the inventory administration data, see E. E. Ghiselli, *Explorations in Managerial Talent* (Pacific Palisades, CA: Goodyear Publishing Co., 1971).

Interest Tests. An interest test measures a person's likes or dislikes for various activities. One popular interest test is the Kuder Vocational Preference Record in which the person is given many sets of three activities and told to pick his or her favorite. A typical set is;

- _____ play baseball
- _____ work a puzzle
- _____ watch a movie

Responses to such items result in scores on ten interest categories including literary, outdoor, and mechanical.

Work Sample Tests. A **work** sample test measures how well applicants perform selected job tasks. The tasks might include typing speed for typists or judgment tasks for police officers.,

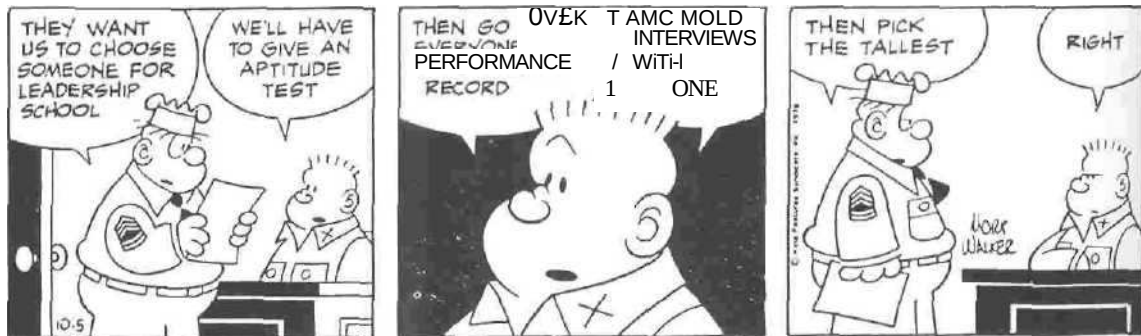
Validity and Reliability. It is important that tests (and, in fact, any selection tools] be valid and reliable, A measure cannot be valid unless it is reliable. So, examination of the reliability of tests can provide insights into their validity. Several measures of validity may be relevant. Some deal with content of the test or other scale, others with how the scale looks, and still others with the relationship of the scale to other scales.

Of basic concern for selection purposes is whether the test accurately predicts what it is employed to predict. Does a typing ability test really predict typing performance? Does a supervisory ability test predict supervisory success? To answer such questions, it is necessary to address them directly. For example, the typing ability test could be administered and its relationship to typing performance noted.

If the test is validated by giving it to current employees and comparing the results with their current performance, it is said to have **concurrent** validity. Concurrent validity gives an incomplete and often misleading picture. For instance, since tests were given only to current employees, there is no way to tell how those not selected or those who have left the job would have scored- Further, the test scores could have been the result of job experience rather than previous ability. The more appropriate (and more difficult, time-consuming, and costly] approach to validation involves administering the test to job applicants and then waiting until months or years later to examine performance. Unless a test can be shown to have such predictive validity, it cannot legally be used for purposes of selection or placement. This same restriction holds for all selection tools—interviews, application blanks, or whatever. If a claim is made that any of these tools works in a discriminatory fashion, such predictive validity evidence must be presented.

In general, it seems that work sample tests and ability tests do a good job of predicting who will do well on the job. And, research indicates

that the validities of ability tests may be highly general from job to job. As a result, there is likely to be increasing use of such tests for selection in the future.⁸ However, research concerning validities of interest and personality tests has been less encouraging. It suggests that while some such tests may prove useful for certain occupations, they are less helpful in predicting success across a variety of occupations.



Source: © King Features Syndicate, Inc,

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Fairness in Testing. Everyone would agree that tests should be, fair. What may bring disagreement is the definition of a fair test. To some, it means a test that doesn't contain items that would be unfamiliar to some people because of their race or ethnic origin. Others might focus on whether the test measures things that are really needed on the job, rather than just acting as hurdles to block entry.

In the eyes of the law, a fair test is one that does not systematically underpredict or overpredict performance of one subgroup of employees relative to another. For instance, if a test predicts that white males will do better than black males on the job when they actually do equally well, the test is unfair.

Faking Tests. There is a danger that tests may be faked. That is, people may guess what they feel to be the "correct" or desired answers and then give those answers rather than their true beliefs. If tests are "transparent"—that is, easy to "see through" or figure out, the possibility of faking increases. This danger has long been recognized.

Assessment Centers

Instead of just using an interview or a test, many large companies' approach the employee selection process more systematically. They use a

8. F. L. Schmidt and J. E. Humer, "The Future of Criterion-Related Validity," *Personnel Psychology* 33 (1980): 41-60.

variety of procedures combined in the form of an **assessment center**. These centers have psychologists and other experts on human behavior as well as tests, interviews, group discussions, and other approaches. Often, managers from within the firm serve as assessors.⁹

One approach used in assessment centers is **role playing**, in which job recruits pretend they are, for instance, marketing managers or first-line supervisors in a real decision situation. Another approach to discovering how recruits hold up under fire is the **in-basket**. The recruit is given a basket piled high with memos, phone messages, letters, and other things to be done. Each person's performance is evaluated in terms of how the tasks are sequenced, how promptly they are completed, whether the most important ones in the pile are finished, and how good the proposed problem solutions are.

Assessment centers have many uses beyond selection. They may help with early spotting of management potential. They may pinpoint weaknesses which employees should focus on to improve their career prospects. And, when assessors are managers within the firm, the training they receive on how to run assessment centers is also valuable in helping them to understand the firm, to observe and rate behavior, and to make judgments.

Assessment centers, on the average, cost about \$100,000 to maintain each year. But they may be worth the cost to the large firms which use them such as AT&T, IBM, and General Electric. Virtually every study of assessment centers has shown them to make better predictions of employee performance than other approaches to selection. And, employees typically feel that assessment centers have given them a fair chance to show their abilities.

PLACEMENT

Placement means fitting people and jobs together. It includes everything from helping new employees feel at home in the firm to promoting them to positions of greater pay and responsibility to demoting them to less desirable positions when necessary.

Orientation

Orientation involves introducing new employees to their jobs and to the company. It is their first inside look at the company, and it can

9. For an excellent discussion of assessment centers, see G. C. Thornton, III, and W. C. Byham, *Assessment Centers and Managerial Performance* [New York: Academic Press, 1982]

make an important impression. If properly done, job orientation reduces employee uncertainties, makes company policies and expectations clear, and provides a good idea of what the firm, plant, and co-workers are like. Often, both the personnel department and the new employee's supervisor are involved in the orientation efforts.

We will discuss orientation further in Chapter 23. We will see that the orientation process may have an impact that will extend throughout the employee's career.

Lateral Move

Firms may sometimes move employees laterally. For instance, as discussed in the previous chapter, systematic job rotation may build worker skills. At Union Carbide, three executive vice-presidents traded jobs to get a better feel for the total organization and to prepare for the presidency. Such lateral moves can be valuable learning experiences, building a more solid base for subsequent promotions.

Promotion

The most pleasant job move is the promotion. A promotion is ft move up, generally to a new title, more responsibility, and better benefits.

Promotions are handled carefully because they usually mean moving a person into a position of greater potential impact on the firm. Legal restrictions also complicate the promotion process. Additionally, the fact that the promoted individual did well at the old job is no guarantee that that person will do well at the new, higher level job. Jobs at different levels in the firm may require vastly different skills and interests. All too often, a good salesperson or engineer becomes a poor manager.

This tendency is called the Peter Principle. The Peter Principle asserts that good workers are continually promoted to positions of greater authority. Eventually, they reach their "level of incompetence" and will not be promoted again. Carried to its extreme, the Peter Principle says that employees are ultimately promoted to positions for which they are not qualified. Most practicing managers can point to examples of the Peter Principle at work in their firms.

Promotions can also cause problems for the people promoted. Many employees are happier in their current jobs than they would be if promoted to positions requiring greater responsibility, new skills, and geographic moves. As we'll discuss in the appendix to Part 7, such changes can cause stress. To make the move a bit less scary, some firms have instituted fallback positions. Employees accepting promotions are guaranteed that if they are unhappy, they can "fall back" to the old positions or positions of equal stature.



Source: © King Features Syndicate, Inc.

Demotion

A movement down in title, responsibility, or benefits—called demotion—is rare in organizations. Demotions are especially stressful for employees, of course, and they are likely to be resisted by unions. Still, especially during economic recessions, employees may have to make the choice between demotion and unemployment. Some companies have experimented with demoting employees temporarily so that they can relate better to their subordinates. Also, as noted above, some employees ask for their old, lower level jobs back if they are unhappy with their promotions.

Terminating Employees

Another painful reality, especially in hard times, is the need to terminate employees. As a result of technological changes, mergers, altered strategies, foreign competition, and other factors, firms must often engage in firings—sometimes of major proportions—even at the executive level. For instance, in the wake of deregulation of the telephone industry, AT&T quickly made plans to cut 11,000 jobs at a savings of \$400 million to \$500 million a year. It also moved to shrink its first five layers of management to four, both to cut costs and to streamline decision making.

Such firings (referred to in at least one major firm as MIS, for Management Initiated Separations) are extremely stressful to individuals and firms. While the terminated employees may subsequently find jobs for which they are better suited, the short-run pressures are nevertheless great. In some cases, outplacement firms are hired by the terminating organization to assist affected individuals. These firms help the employer with the dismissal—offering advice and sometimes getting involved in the termination interview—and then counsel the individual on how to

carry out a job search and cope with the period of transition between jobs. They may also actually help the individual find a job.

It is no longer the case that companies can terminate employees at will. The idea of termination at will was that management had the right to fire employees for any reason, much as Mr. Dithers regularly fires Dagwood Bumstead, even on a whim. While courts generally recognize management's right to terminate employees who are incompetent, lazy, or uncooperative, they are increasingly attacking firings for some other reasons. For instance, firings for reasons of convenience, to make the employee a scapegoat, and to avoid pension costs have been challenged.

TRAINING AND DEVELOPMENT

The training of employees and the development of their expertise and careers has many advantages for the firm, not the least of which is helping the firm meet its immediate human resource needs. Over the long run, however, it ensures that the firm's employees are ready to meet future challenges. A wide range of approaches to training and development have been devised, some with notable success.¹⁰

Determining Training and Development Needs

Training needs may arise for many reasons. In some situations, specific skills may be required which are not readily available such as computer programming, accounting, and mechanical skills. New employees also need to find out who the shop steward is, who has the ear of management, and which parking space is reserved for the president of the company. All are important parts of training.

Other training efforts are in anticipation of future personnel needs or are designed to promote career development among employees. Sometimes training takes the form of counseling employees on how to handle stress, overcome dependence on alcohol or other drugs, or to manage their time. It may also be necessary for firms to set up special training programs for women, minorities, and the handicapped in order to meet affirmative action goals.

Technological change has made many jobs obsolete, creating tremendous demand for retraining. However, a *Business Week*/Harris poll showed that 64 percent of companies surveyed offered no formal retraining programs for the displaced.¹¹

10. For a thorough discussion of training and development, see K. N. Wexley and G.P. Latham, *Developing and Training Human Resources in Organizations* (Glenview, IL: Stoneman & Co., 1981).

11. *Business Week* [April 25, 1983], 64.

Approaches to Training and Development¹²

The two general aims of training are to teach specific skills, such as operating fiberglass-molding equipment, and to improve organizational processes such as communications among widely scattered plants and warehouses of the same company. There are many ways to conduct training programs. These can be classified as on-the-job and off-the-job training.

On-the-Job Training. As the name implies, **on-the-job training** is conducted while employees perform job-related tasks; they are not taken out of the office or plant and put in a classroom. On-the-job training is the most direct approach to training and development; it offers the employer the quickest return in terms of improved performance. Such training is also conducted in anticipation of future job requirements. For example, many large companies rotate their managers through a variety of positions in order to broaden their knowledge of the company. Other sorts of on-the-job training for managers might include regular coaching by a superior, committee assignments to involve individuals in decision-making activities, and staff meetings to help managers become acquainted with the thinking of other managers and with activities outside their immediate areas.

Off-the-job Training. It is often necessary to train employees away from the workplace. Role playing and in-baskets, which we discussed in conjunction with assessment centers, are often used for training purposes. There are other popular off-the-job training techniques.

Classroom Method. Classroom training allows many trainees to be taught by relatively few instructors. It may employ films, videotapes, lectures, and other audio-visual media. Some large organizations have sophisticated classrooms for training purposes. With **vestibule training**, trainees are given instruction in the operation of equipment like that found in their departments. For managers, classroom training might also include case studies. Case studies involve the presentation of a large amount of information about a business problem such as how to finance expansion of a new plant. Trainees are asked to analyze the material and present recommendations. This may both enhance their knowledge about specific matters and improve their decision-making skills.

Programmed Instruction Method. With **programmed instruction**, subject matter is broken down into organized, logical sequences. The trainee is presented with a segment of the information and must respond by

12. This section is based on H. J. Ghrudden and A. W. Sherman, Jr., *Managing Human Resources*, 7th ed. (Cincinnati, OH: South-Western Publishing Co., 1984), 192-99.

writing an answer or by pushing a button on a machine. When a correct response is given, the trainee is presented with the next segment of material. An incorrect response is met with an explanation and with a "try again" response. Computer-assisted instruction (CAI) is a more sophisticated version of programmed instruction in which use of computer memory and computational ability permits teaching of more complex topics,

Management Game Method. With management games, trainees are faced with a simulated situation, such as a business, and are required to make an ongoing series of decisions such as quantity of a product to manufacture and price to charge. Generally, trainees are members of teams competing with other teams. Feedback is given to trainees about the impacts of their decisions, often by a computer. If carefully developed, the games give a feeling of "real" decision making and generate considerable enthusiasm.

Sensitivity Training Method. Sensitivity training is used with small groups, called T (for training) groups. Through extended sessions in which group members attempt to share their feelings and be open to the views of others, sensitivity training attempts to develop participants' sensitivity, self-insight, and awareness of group processes. Increasingly, sensitivity training is focusing on job and organization-related issues rather than solely on personal feelings.

Behavior Modeling Method. Behavior modeling involves supervisor trainees in dealing with actual employee problems and gives them immediate feedback on their performance. Behavior modeling tries to bring about behavioral change through four steps:¹³

1. Trainees view films or videotapes in which a model supervisor is portrayed dealing with an employee in an effort to improve or maintain the employee's performance. The model shows specifically how to deal with the situation.
2. Trainees participate in extensive practice and rehearsal of the behaviors demonstrated by the models. The greatest percentage of training time is spent on these skill-practice sessions.
3. As the trainee's behavior increasingly resembles that of the model, the trainer and other trainees provide such social reinforcers as praise, approval, encouragement, and attention. Videotaping such behavior rehearsals adds feedback and reinforcement.
4. The principles of transferring the training to the job are emphasized throughout the training period.

13. From B. L. Rosenbaum, "A New Approach to Changing Supervisory Behavior," *Personnel* vol. 52, no. 2 (1975): 40-42.

PERFORMANCE APPRAISAL

Performance appraisal is [the measurement of employee performance. Before we look at techniques for performance appraisal, let's consider why performance should be appraised in the first place.¹⁴

Why Appraise Performance?

There are many reasons to measure how well employees are performing. First, many administrative decisions, such as those dealing with promotions, salary increases, and layoffs, depend on performance appraisals. Second, if employees are to do their jobs better in the future, they need to know how well they have done them in the past. Then, they can make adjustments in their work patterns. Finally, performance appraisal is necessary as a check on new policies and programs. For example, if a new pay system has been implemented, it would be useful to see whether it has had a positive effect on employee performance.

Pitfalls in Performance Appraisal

Performance appraisal is a difficult process. As Figure 10-4 illustrates, problems may occur due to the nature of the job, the rater, or the situation. For instance, accurate appraisal is particularly difficult when work is nonroutine, when the rater and ratees have differing perspectives, and when the appraisal system is incompatible with organization structure or technology. Clearly, great care needs to be exercised in selection, use, and refinement of performance appraisal systems.

Types of Performance Measures

There are three major ways by which performance may be appraised. Appraisal can focus on traits, behaviors, or accomplishments.

Trait Approaches. Under these approaches, a manager or performance appraiser rates an employee on such traits as friendliness, efficiency, and obedience to commands. Presumably, these traits are related to performance. One such approach asks the appraiser to check the word or phrase (such as "outstanding," "average," or "poor") that best describes how an employee rates on each trait.

14. For good discussions of performance appraisal, see S. J. Carroll and C. E. Sdineier, *Performance Appraisal and Review Systems* (Glenview, IL: Scott, Foresman & Co., 1982); and D. R. Ilgen and J. L. Barnes -Parrel 1, *Performance Planning and Evaluation* (Chicago: Science Research Associates, 1984).

Academic Profile KENDRITH

M. ROWLAND



Kendrith M. Rowland (D.B.A., Indiana University) is Professor of Business Administration at the University of Illinois at Urbana-Champaign. Professor Rowland's teaching and research interests span a number of areas including both organizational behavior and personnel management. He has published widely in key management journals and is coeditor of two books, *Current Issues in Personnel Management*, third edition, and *Research in Personnel Management*. Since 1981, he has also served as coeditor of the annual *Personnel and Human Resources Management*. He is a consultant to many organizations in the public and private sectors. Prior to his academic career, Professor Rowland served as a psychiatric social worker and a corporate communications and training director in industry.

Q: Do you see any areas of personnel that you feel are getting less attention than they deserve?

A: Yes, and the area that I most want to mention is reflected in the "high-tech-high-touch" concept. This concept suggests that the high-tech (depersonalized, performance-oriented, stress-producing) equipment and work processes being introduced into organizations today should be offset or counterbalanced with high-touch (personalized, process-oriented, stress-reducing) personnel activities and programs.

Unfortunately, in the tension between high-tech and high-touch, it seems that high-tech usually gets the resources it needs and high-touch gets the quick fix, often in the form of another depersonalized system with more rules, more paperwork, and so on.

The high-tech-high-touch concept represents a dichotomy that requires important value-laden choices. There are many other dichotomies of this nature that exist in our professional and personal lives. What is rather startling to me, however, is how divergent these dichotomies are becoming and how compulsively driven we seem to be to test the outer limits of each of them.

As practitioners, we describe the employees of our organizations as our "most important assets," but continue to treat them as economic commodities—or worse.

Personally, while we proclaim the need for law-abiding behavior, we frequently for self-interest engage in illegal discrimination and other related activities to circumvent the law.

In summary, while responding to and exploring the limits of the dichotomies that exist in our pro-

fessional and personal lives, we need to thoughtfully consider and perhaps reassess our underlying values. To me, this is an area of personnel that deserves more attention.

Q: What are some of the emerging challenges that will be facing personnel managers in the coming decade?

A: A multiplicity of factors, including new technologies, increasingly competitive world markets, and a changing labor force, will alter the ways organizations in our country respond to their environments and their employees in the coming decade. These factors, in turn, will create challenges and opportunities—for personnel managers.

I believe personnel managers will be required to demonstrate more fiscal accountability. As a result of rising personnel costs, organizational superiors will want to know if employees are better prepared for their jobs, showing performance improvements, less absent from work, healthier, and exhibiting generally positive attitudes toward the organization.

In addition, I believe personnel managers will be further encouraged by the employees of their organizations to give them a greater voice in the decisions that directly affect them—decisions about their jobs, wages and salaries, and a range of fringe benefits.

Personnel managers will need to take a broader, more strategic view of their responsibilities. This will result in less defensive, fire-fighting behavior. It will mean the taking on of a more balanced, internal personnel-consultant (change agent) role with superiors and peers in line management positions and employees.

SOURCES OF PROBLEMS IN PERFORMANCE APPRAISAL

The Job	The People	The Situation
No identifiable outputs Lack of specificity of appraisal criteria or performance standards Nonroutine, unprogrammed work	Subjectivity in human decision process Differences in perspectives due to sex, race, age, role, etc. Errors due to failure to observe ratee performance, understand ratee job, or understand appraisal system Errors due to completion of the rating form Intentional biases against ratees	Failure to change system when organisational tasks or objectives change Lack of compatibility of appraisal system with organization structure, size, work-force composition, technology; etc. Failure to develop or apply policies to reinforce importance of efforts in area of appraisal Human-resource management decisions that ignore appraisal data

Source: From *Performance Appraisal and Review Systems* by S. J. Carroll and C. E. Schneier. Copyright 1982 by Scott, Foresman and Company. Reprinted by permission,

These trait approaches are very popular, but they suffer from a number of problems. For instance, words such as "superior" and "average" may mean different things to different people. The people appraising performance may feel uncomfortable giving someone a low score on such traits as efficiency, decisiveness, or supervisory ability, especially if their ratings will be shown to the person being rated. They may also be prone to various biases and rating errors.

Behavioral Approaches. These approaches involve the recording of specific employee actions. With the critical incidents method, for example, the performance appraiser keeps a list of all the things that the employee did which were especially good or bad. Sometimes, such incidents are gathered from job incumbents and/or supervisors, and a list of incidents discriminating between high and low performers is developed. Such a list, illustrated in Figure 10-5, can then be used by others.

A newer and somewhat related approach, the Behaviorally Anchored Rating Scale (BARS) or Behavioral Expectation Scale (BES) presents a list of possible employee actions, ranging from very desirable to very undesirable.¹⁵ An example of good performance for a grocery

15. The following examples are drawn from L. Fogli, C. L. Hulin, and M. R. Blood, "Development of First-Level Behavioral Job Criteria," *Journal of Applied Psychology* 55 (1971): 3-8. For a review of BARS, see D. P. Schwab, H. G. Heneman, III, and T. A. DeCotiis, "Behaviorally Anchored Rating Scales: A Review of the Literature," *Personnel Psychology* 28(1975): 549-62.

..Figure 10-5 CRITICAL INCIDENTS

Position: PERSONNEL OFFICER

- _____ In classifying a position, fails to take into account other functions in the -unit or in the larger organization which impact the position being classified-
- _____ In discussions related to filling a difficult position, **will** explore all possible: **mechanisms for filling the** position and talk to program **officials** to ascertain cause of difficulty in locating applicants before making a recommendation.
- . _____ Does not ask employees for additional information which might help in becoming qualified for a position.
- _____ Agrees with supervisor's request that an overgraded employee fee loverlbooked during the review period.
- _____ Identifies **potential** interpersonal conflicts due to differences in personality,, age, race, etc., between patties to a grievance before making a decision,

Source: From *Performance Appraisal and Review Systems* by S. f. Carroll and C. E. Schneier. Copyright;J © 1982 by Scott, Foresman and Company. Reprinted by permission.

checker **might** be "By knowing the price of items, this checker would *m* expected to look for mismarked and unmarked items." An example of poor performance might be "In order to take a break, this checker **can** be expected to block off the checkstand with people in line." The rater checks the action on the scale that the employee would be mostlikelyfOj engage in.

By focusing on specific actions, behavioral approaches are an improvement **upon the earlier** trait approaches. They consider things under the control of the employee **rather** than things which might be heavily influenced by other factors. They specify exactly what employee needs to do to get a good rating, and they provide the basis fbrl concrete feedback. However, they sometimes give employees the feeiin\$[that the rater is always looking over their shoulders.

A variant of BARS, called the **Behavioral Observation Scale (BOS)**; also focuses on specific behaviors, but asks the frequency with which the' employee engages in the behaviors, rather than **which action is tetostj** likely.

Outcome Approaches. Rather than consider traits or actkn&| some appraisal techniques rate what the employee is supposed to accom-¹ plish on the job. One of these approaches, management by objectives, w be discussed in Chapter 12. Such approaches may be time-consuming anil may cause people to focus only on objectives that can be easily expressed] in numbers. They do, however, get directly at the things that the pany cares most about, and they let the employee know specified] which outcomes are most important.

COMPENSATING EMPLOYEES

The salary or wages paid to employees, as well as other job benefits, depend in part on how well employees perform on the job. Other factors influencing employee compensation are the relative worth of each job within the firm, labor market conditions and prevailing wage rates, and the type of pay system used. Let's take a look at these determinants of employee compensation.

Many factors must be considered when determining employee compensation.



Job Analysis

The systematic study of a job to determine its characteristics is called **job analysis**. How is the information gathered for a job analysis? One common method is to observe workers on the job, noting which tasks they perform, the order in which the tasks are performed, and the time it takes to perform each task. Another method is to interview employees about the nature of their work. Sometimes employees are asked to supply the needed information by filling out written questionnaires. The value of this information, however gathered, is that it allows the job description to be written.

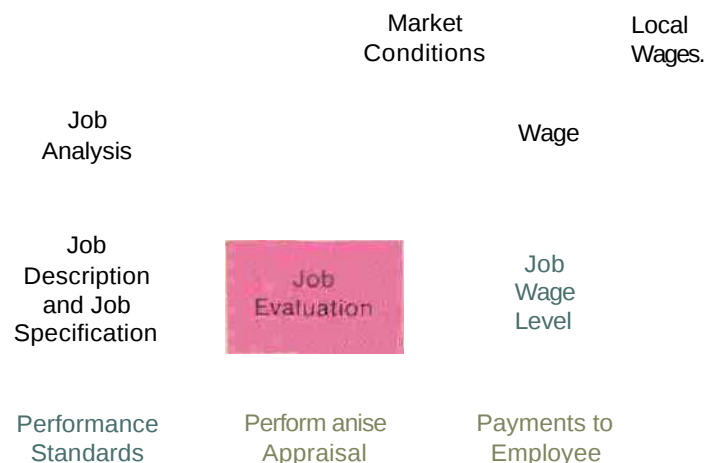
Job Description

A **job description** is a short summary of the basic tasks making up a job. A job description usually includes the title of the job, work activities and procedures, work conditions, and hours and wages.

Job descriptions serve a number of important functions. First, they clarify organizational structure by specifying who is to perform each task; they also minimize job overlap, wherein two people are assigned the same task. Second, job descriptions can be used to introduce new employees to their jobs. In this way, they are given a good idea of what to expect on the job before they actually start work.

Other uses of job descriptions are also worth noting. For example they are important in developing job specifications, performance standards, and the criteria for job evaluations. A job specification is a summary of the qualifications needed in a worker for a specific job. A job specification is especially useful in recruiting job applicants and making hiring decisions. Performance standards define the goals to be achieved by a worker over a specified period of time. The purpose of a job evaluation is to determine the relative worth of a job in the firm. The job analysis and the job description provide the information needed for the job evaluation. The result of the job evaluation process is a rank ordering or rating of job importance which, of course, is useful in setting wage and salary scale? Figure 10-6 shows the overall process of setting wage and salary rates including the factors discussed.

Figure 10-6 THE WAGE DETERMINATION PROCESS



Labor Market Conditions

Supply and demand cause the wages for some jobs to be higher than for others, even though the jobs may be of similar difficulty, responsibility,

ty, and so on. The level of wages is also influenced by the competitive wage in the local area. For example, machine shops in the same town will all tend to pay the same wage, especially if a union contract is in effect. Because of this tendency, some companies conduct surveys of local wages to make sure that their own are in line.

As shown in Table 10-1, there is quite a bit of variability in average hourly wage rates for the same job in different parts of the country. On the average, the hourly wage rate for forklift operators is \$5.89 more in Green Bay, Wisconsin, than in Gainesville, Florida. For truck drivers, the wage differential between Green Bay and Corpus Christi, Texas, is \$4.05. Notice that while workers in most of the categories in Table 10-1 are paid more in Boston than in Oklahoma City, forklift operators and accounting clerks are paid less.

Job	AVERAGE HOURLY WAGE RATES*				
	Boston, Massachusetts	Green Bay, Wisconsin	Gainesville, Florida	Oklahoma City, Oklahoma	Corpus Christi, Texas
Secretary	\$ 8.82	\$ 8.08	\$ 7.06	\$ 8.31	\$ 7.84
Truck driver	10.53	10.86	10.26	8.82	6.81
Computer operator	8.22	7.95	6.48	7.69	7.04
Forklift operator	9.29	10.39	4.50	10.05	6.61
Drafter	10.58	9.93	10.28	9.12	8.75
Accounting clerk	6.83	7.31	6.20	7.21	6.15
Shipper and Key-entry operator	8.36 6.71	8.68 5.52	6.57 5.96	7.56 6.63	6.60 6.26
*Wage quotation for Gainesville, Florida, September 1984. All other quotations are for August, 1984.					

Source: U.S. Department of Labor. Bureau of Labor Statistics, *Area Wage Surveys* {1985}

Pay Systems

Even after the value of a job is determined (and the local and regional wage differences are taken into consideration), one person may be paid more for the same job than another person. We can identify at least five other factors that may account for wage differentials. They include seniority, individual performance, group performance, plant-wide productivity, and profit sharing.

Seniority. Seniority refers to the number of years spent with the company. In some companies, the more years of seniority, the greater the level of pay. Wage and salary increases are automatic rewards for duration of service. The idea is that seniority reflects loyalty to the company as well as experience.

Individual Performance. How much individual employees are paid may also be based on how well they do on the job. Under a piece-rate system (see Chapter 2) of compensation, total wages are tied directly to output. For example, a worker in a toy factory may get one dollar for every puppet produced. Obviously, the more efficient the worker, the bigger the paycheck. As we'll see in Chapter 12, piece-rate pay systems encourage employee motivation.

Group Performance. Workers performing similar or related tasks are sometimes organized into work groups. In such situations, pay scales are often tied to group performance. How much each person takes home, therefore, is based on how well the group as a whole does. Because wages for one worker are determined by the efforts of others, group members have an incentive to push slow workers to do better. Again, we see that compensation systems and job motivation are related.

Plant-Wide Productivity. Employee rates of pay can be based on how well the entire organization does. If the company has a good year, each worker receives a bonus. One popular plan of this type is the **Scanlon Plan**, under which groups of employees suggest to management how productivity might be improved. Then, at regular intervals, such as once a year, the productivity of the organization is evaluated. If productivity is up, each worker is rewarded with a bonus. Some Japanese companies have adopted an interesting variation of this plan; they have annual picnics at which new ideas, inventions, and improvements devised by their employees are exhibited and demonstrated by the company president.

Profit Sharing. Many companies today feature profit-sharing plans. The idea is simple: If company profits are high, employees are given a bonus in the form of either a cash payment or company stock. Unlike a plant-wide productivity plan in which payments are tied to productivity standards, here they are tied to profit. Such plans have the nice feature that firms make payments only when they can best **afford** them.

One problem with profit-sharing plans, as well as with tying bonuses to plant productivity, is that employees are not rewarded on the basis of individual performance. As we'll discuss in Chapter 12, research evidence clearly shows that the more closely rewards are tied to individual performance, the more strongly the employee will be motivated. Also, employees do not like to be penalized for things outside their control, such as low company productivity or profit. As a result, plant-wide productivity plans may result in more positive employee attitudes toward the company, but they probably do not have much impact on performance.

IMPLICATIONS FOR MANAGEMENT

Throughout your career as a manager, you will be called on to make or to be involved in staffing decisions. Give them the attention they deserve. Like other resources, the people recruited, selected, placed, and trained by the organization are crucial inputs. Unlike many of the firm's resource inputs, they may play important roles for many years. To complicate matters, they may change in both nature and purpose over time. Decisions concerning such important, long-lasting, changeable inputs will certainly be difficult. And they will certainly be important.

Whether you are involved in a final staffing decision or are asked to make inputs, a knowledge of relevant laws is crucial. For instance, many questions you might be tempted to ask a recruit may violate state or federal laws. Some things you might want to try during a union recruiting drive may also be illegal. Similarly, you should try to be well versed in laws concerning employee benefits, health and safety, and selection and placement.

As a manager, you should keep in mind the need for valid and reliable selection tools. Invalid or unreliable tools lead to poor selection decisions—often at tremendous cost to the firm—and invite legal redress. Since application blanks, references, and interviews are easy to use and seem to be informative, you may find it tempting to rely heavily on them

FROM THE FIELD: Staffing Practices

In early 1986, we surveyed human resources executives in a variety of industries to learn more about current organizational staffing practices. We first asked the executives the degree to which various selection tools were used in their firms. Possible responses were 1 (no use), 2 (very little use), 3 (moderate use) and 4 (substantial use). Here are the average responses for the tools, ranked from most used to least used:

Rank	Tool	Average Rating
1	Interviews	4.0
2	Application blanks	3.5
3	References	3.4
4	Ability tests	2.1
5	Work sample tests	1.9
6	Assessment centers	1.6
7	Personality tests	1.3
8	Interest tests	1.2

These results are not too surprising. Recall, though, that the techniques most widely used here are each prone to misrepresentation, biases, or other sources of error.

Continued

Using the same scale, here are the results for a question concerning the degree to which compensation in the executives' firms is based on various factors. The bases of compensation are ranked from most used to least used:

Rank	Basis of Compensation	Average Rating
1	Individual performance	2.7
2	Company profits	2.7
3	Seniority	2.0
4	Group performance	2.0
5	Plant-wide productivity	1.9

Since reward systems based on individual performance have powerful motivating consequences, the heavy reliance on such a basis for compensation is encouraging. What we cannot see from these data, of course, are the extents to which the organizations actually carry through on using these bases or to which employees perceive this to be the case.

Finally, we presented the executives with a series of statements concerning some important recent staffing issues. Scores ranged from 1 to 5, with possible responses including 1 (completely disagree), 3 (neither agree nor disagree), and 5 (completely agree). Here are the average responses.

Statement	Average Rating
It is generally a good idea to give potential employees as realistic a picture of the company and job as possible, rather than to paint an overly rosy picture.	4.8
Comparable worth is an issue whose time has come.	2.2
In general, unions do more harm to American businesses than good.	3.3
The laws which apply to personnel management are becoming increasingly strict.	3.8

It is apparent that executives believe in the realistic job preview. Staffing executives—to whom comparable worth is presenting serious potential challenges and difficulties—are apparently not yet embracing that issue. Further, these staffing executives have mixed feelings about the benefits of unions, and they see legal constraints on staffing as tightening.

for selection decisions. Keep in mind their flaws. If you do rely on interviews, be very careful to plan the interview in advance, to build structure into the process, and to focus on job-relevant information. Don't rely on interviews in an attempt to avoid legal requirements. If you use tests; all selection tools are treated similarly by such laws. When possible, employ properly validated tests and, especially for decisions concerning managerial positions, consider assessment centers. These approaches are sometimes difficult and expensive to use. However, there is no doubt that, when properly implemented, they can improve the selection process.

Finally, you may be involved in compensation decisions. In making your inputs, keep in mind that successful compensation programs are both equitable and motivating. A system must pay careful attention to employee inputs if it is to be regarded as fair. It must somehow tie compensation to performance criteria if it is to be motivating.

computer-assisted instruction
(CAI)
concurrent validity critical
incidents method demotion
emotional inoculation
Equal Employment Act of
1972 Equal
Employment
Opportunity Commission
(EEOC)
Equal Pay Act Fair Labor
Standards Act of
1938

fallback positions	human	placement
resource planning	in-basket	predictive validity
interest test	interviews	profit-sharing plans
analysis	job description	programmed instruction
evaluation	job specification	promotion
Landrum-Griffin Act (1959)		realistic job preview (RJVP)
management games	Norris-LaGuardia Act (1932)	recruiting
Occupational Safety and Health Act (1970)		references
Occupational Safety and Health Administration (OSHA)		role playing
on-the-job training		Scanlon Plan
orientation	performance	selection and hiring
appraisal	performance	seniority
standards	personality	sensitivity training
test	Peter Principle	Social Security Act
		staffing
		Taft-Hartley Act (1947)
		termination at will
		testing
		training and development
		vestibule training
		Wagner Act (1935)
		work sample test

REVIEW QUESTIONS

1. What is the basic goal of staffing?
2. Define human resource planning.
3. Identify five key laws influencing staffing.
4. In what sense, do recruiting, selection, and placement differ from training and development?
5. What is the purpose of the realistic job preview?
6. Name the six primary sources of job applicants.
7. In the selection and hiring process, how does a personality test differ from an interest test?
8. What is a fair test?
9. Explain how the Peter Principle works. Give an example.
10. What are the two basic aims of training?
11. What are some of the reasons why it is necessary to appraise employee performance?
12. Describe some of the problems with trait approaches to performance appraisal.
13. What is a job description? What is it used for?

CASE 10 A Personality Testing for Blue-Collar Jobs

for many years, companies have used sophisticated role playing or psychological tests to decide what manager gets what job. Now, more companies are using similar techniques when hiring people for such entry-level jobs as customer-sales representatives and clerks, as well as for blue-collar positions.

The trend is most prevalent at companies that are espousing so-called participatory management, giving workers more responsibility in running operations. And companies like financial service and insurance firms, forced to improve service in the face of increased competition, say they are searching harder for employees with greater "people" skills—empathy, ability to communicate, and an overall motivation to please others.

"Ten years ago, we didn't expect as much from people," says Robert Goehring, manager of human-resources development for Kimberly-Clark Corp., the paper-products concern. "Now we have participative organizations that foster a high degree of responsibility, even at the operator level."

At Kimberly-Clark's newest plants, for example, applicants for nonunion machine-operator jobs are put through "leadership-simulation" exercises. In one session, the job candidate is asked to play the role of a supervisor directing a seasoned subordinate to switch to a more demanding job.

Mr. Goehring and many other personnel experts contend that such tests accurately predict future job performance. But critics have long maintained that personality tests or simulation exercises sometimes depict wrong or irrelevant traits needed for a particular job. Personality tests, in which applicants answer a long series of questions, may accurately describe such traits as aggressive-

ness, but they won't necessarily "measure how well that person will do on the job," says D. Quinn Mills, a Harvard Business School professor.

Simulations also are considered only as accurate and fair as the person judging them. Further, applicants with experience in a job—even if they have performed poorly—may fare better in role playing than potentially outstanding, but inexperienced, candidates.

Another concern: A spokesperson for the AFL-CIO says the union believes that some companies use personality tests to weed out prospects with union inclinations. "They can make sure every new hire has the traits of an independent or a nonjoiner, someone who won't take part in group action," the spokesperson says.

Still, a growing number of companies, while acknowledging the tests' flaws, feel that the changing workplace and demand for better service require them to hone their hiring process through testing.

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1. Do you think it is appropriate to use personality tests for entry-level positions and blue-collar jobs: Why or why not?
2. A professor in the case says that personality tests may accurately describe traits but won't necessarily "measure how well that person will do on the job." What procedures could be used to assess whether the tests do in fact relate to job performance?
3. Would it be better for firms to use interviews to determine whether people have "people" skills such as empathy and ability to communicate rather than relying on tests- Why or why not?