

New Challenges in HR Management

Josef Hornacek

KSPSP FSS MU Brno

New Challenges in HR Management

Contents:

- Labor Market Context of HRM
- LME/CME Models of Coordination
- Strategic HRM and High Road HRM Practises
- High Performance Paradigm
- Alternative Work Practices
- HRM and Corporate Social Responsibility
- Equity and Justice in 21st Century Organizations
- Sources

New Challenges in HR Management

Labor market definition: Can be understood as the mechanism through which human labor is bought and sold as a commodity and the means by which labor demand is matched with labor supply.

Key constraints in LM

Demand and supply in: absolute numbers in labor force, availability of particular skills, knowledge and expertise.

Social changes in: economic, political, and technological sphere altering labor supply and the types of labor required by firms.

Various models of LM: Internal/external labor market, insiders/outsiders labor market.

Globalisation: Turning of national frames, patterns and concepts to international environment.

New Challenges in HR Management

Internal/external labor market

The internal labor market: Existing within a single organisation and represents its internal supply of labor. Mechanism by which existing employees are attributed to particular roles within a firm.

- Depends on various HR policy emphases in firm (level of investment in employee training and development, career ladders, job security, e. g.).
- Importance of contextual factors, particularly types of skills, knowledge and attributes required.
- Different functions: source of motivations, support of psychological contract, provision of training and development, career opportunities and good working conditions.
- Device of managerial control through a process of stratification, division and allocation of roles and responsibilities.

New Challenges in HR Management

The internal labor market – out of classical model (hiring/firing)

Limited access to the LM outside the firm: senior jobs are recruiting by internal promotion. Skills by in-house training. Providing internal opportunities/reducing ability to move out with transferable skills (technologies, processes).

Evidence of internal LM (Doeringer and Piore, 1970):

- Recognizing set of variables which should govern the pricing and allocation of labor;
- Demonstration that the rules which actually govern pricing and allocation are inconsistent with set of variables.

Factors of indication internal LM:

- Rules on labor allocation survived through considerable period of time;
- Rules can be inferred through negotiations of labor and management;
- Specific investment in enterprise (human capital, on-the-job training).

New Challenges in HR Management

The external labor market

Labor force as (not homogenous) commodity: multitude of individual (and local, regional, national, international) labor markets.

Labor force as pool of applicants: with skills, knowledge, experience...

External LM: pricing, allocating and training are governed directly by economic variables (?!).

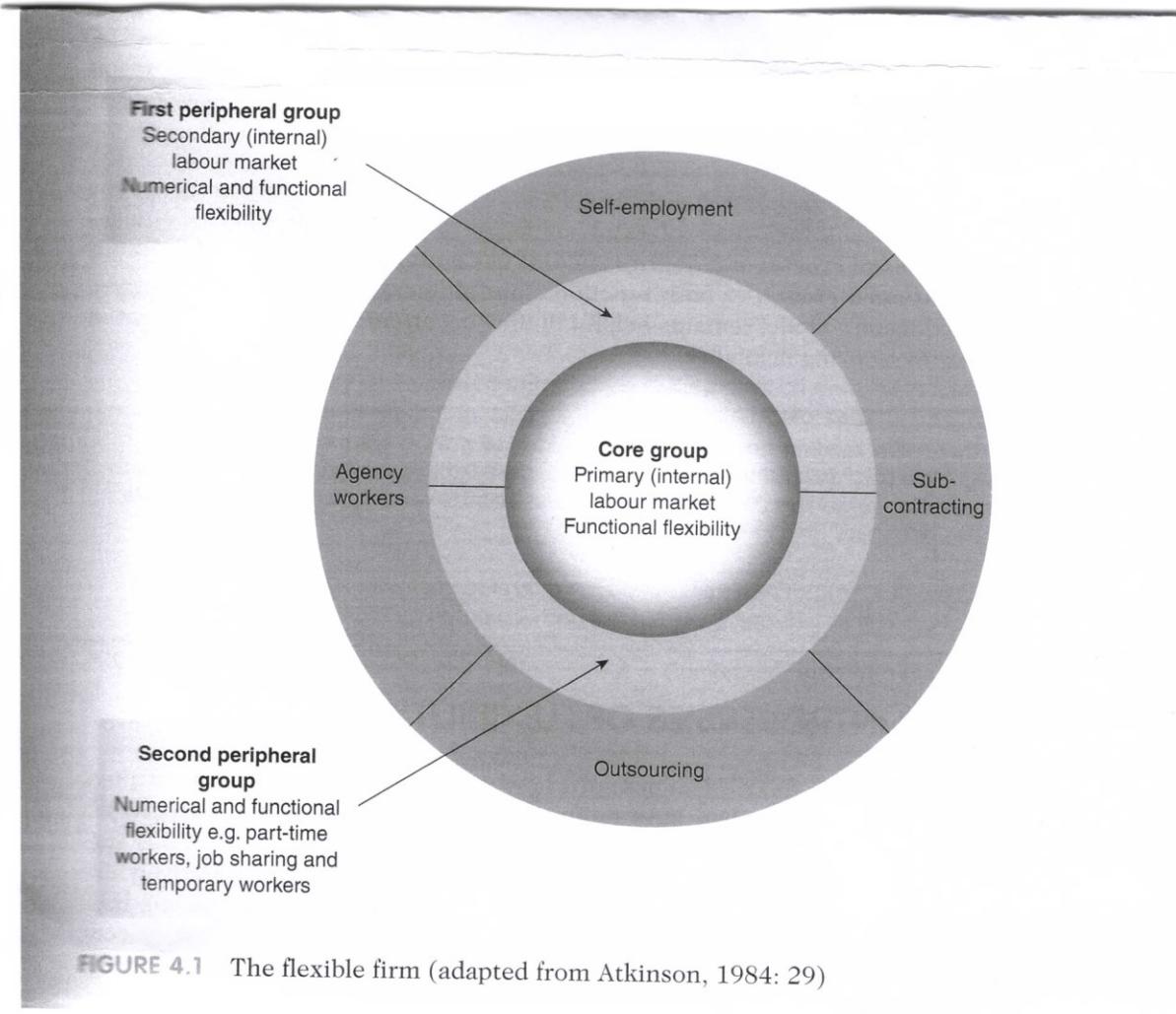
Additional variables of labor force as commodity: education, profession, age (generation), region, (illegitimate) prejudice (once the doctor, always the doctor...), level of human capital.

Sources of external LM: free competitive market of labor force, agency workers, sub-contracting, outsourcing, self-employment...

Operating at external LM: peripheral groups, (1) numerical and functional flexibility, (2) time and place flexibility (part time, job sharing, temporary).

New Challenges in HR Management

Internal/external labor market scheme



New Challenges in HR Management

Internal/external labor market: free choice for firms?

LME/CME models: Liberal market economy and Coordinated market economy as social systems of production. Basic models of co-ordinations and operations at national level. Focused on strategic interactions. Institutional economy approach.

LME/CME models as Varieties of Capitalism: empirical evidence (US/D).

Issues of LME/CME model: industrial relations, vocational training and education, corporate governance, inter-firm relations, coordination with employees.

Key concepts: (1) Institutional complementarity, LME/CME function differently and its subsystems need to fit together in order to produce good fit and synergy. (2) Institutional comparative advantage, LME as low cost production and dynamic innovation, CME as high value production and improvement in quality and design.

Needs to put together subsystems of production. Comparative institutional advantage.

New Challenges in HR Management

LME case

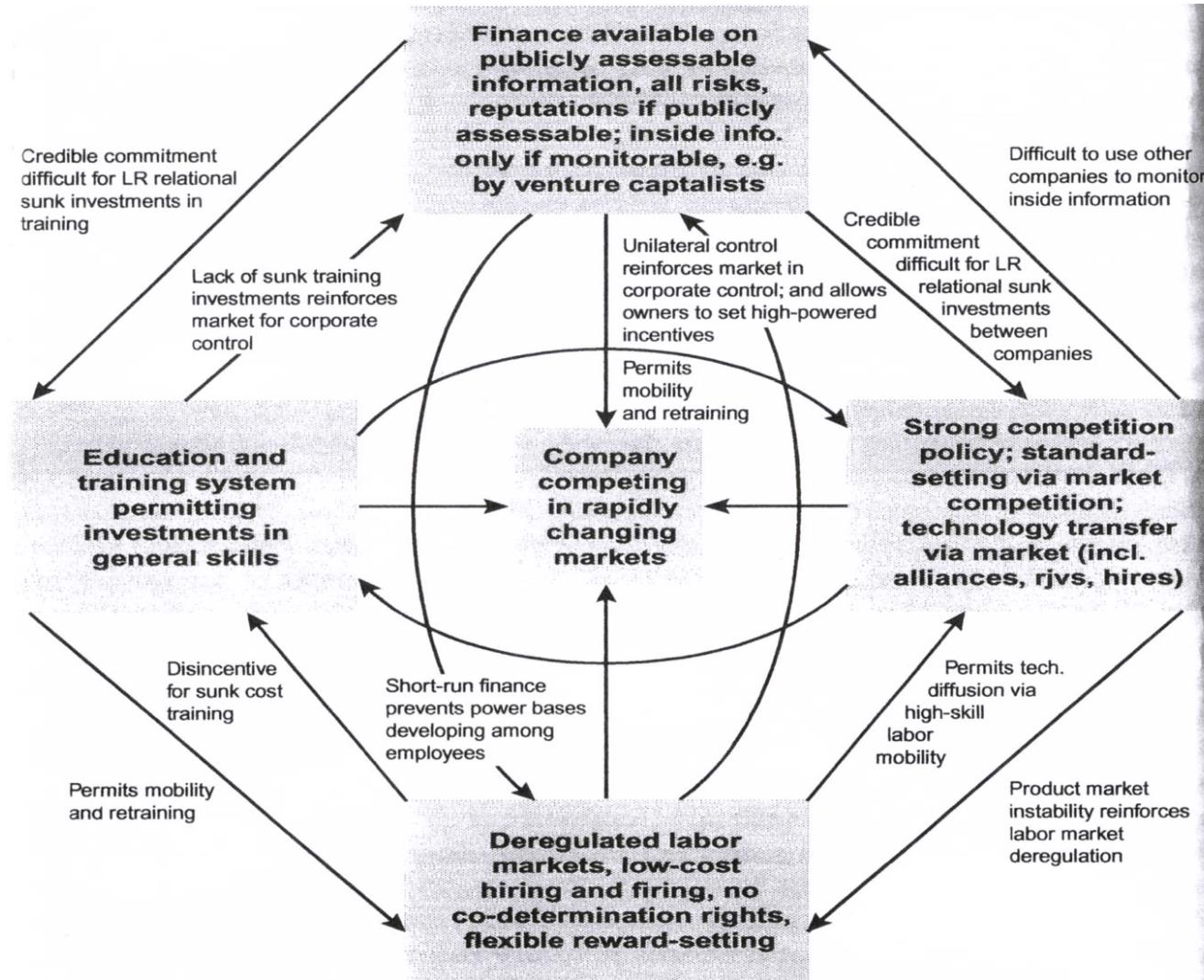


FIG. 1.4 Complementarities across subsystems in the American liberal market economy

New Challenges in HR Management

CME case

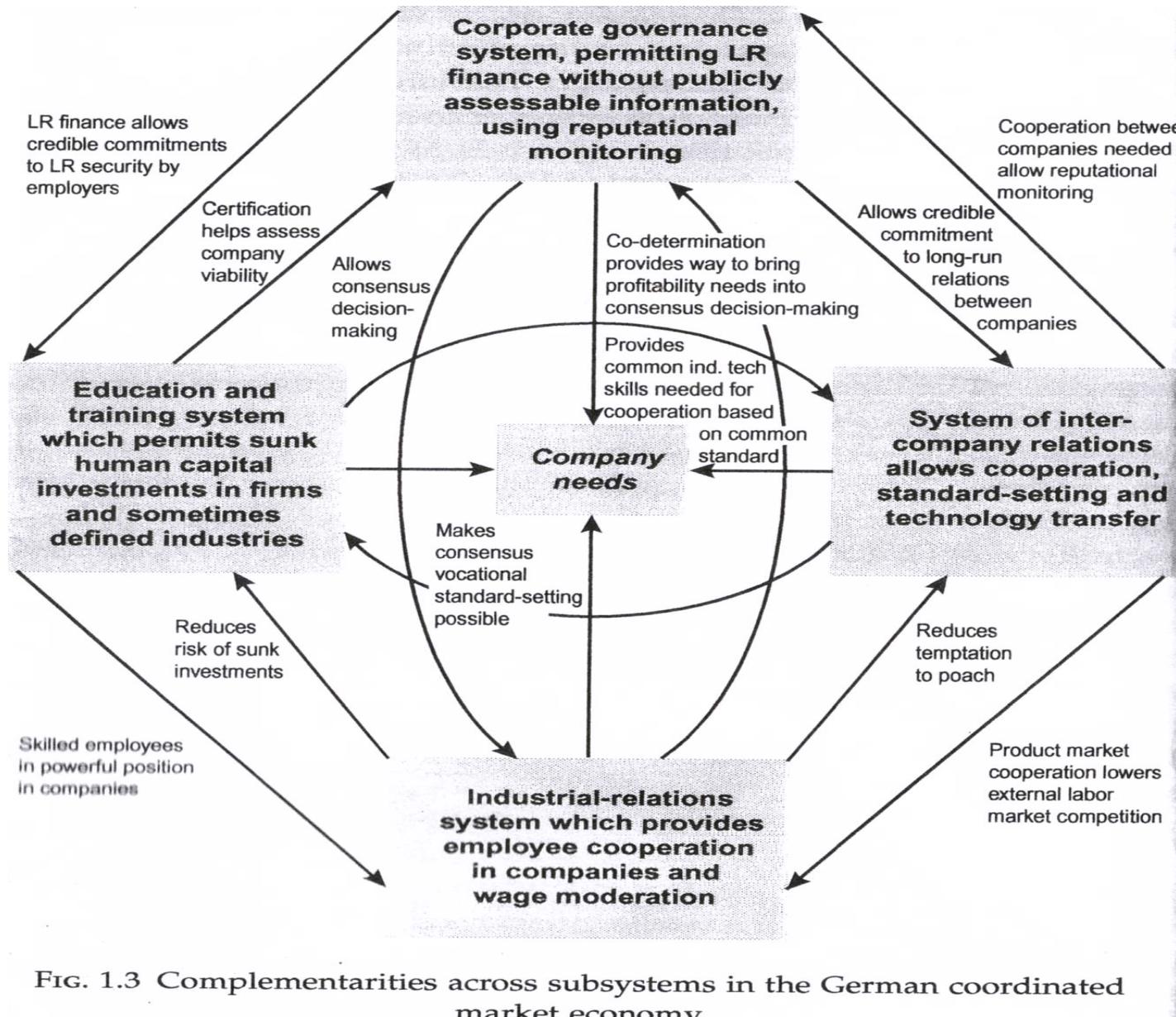


FIG. 1.3 Complementarities across subsystems in the German coordinated market economy

New HR Marketing: Challenge on Creativity

Needs to put together (coordination issues)

| LME external coordination | CME internal coordination |
|---|---|
| Decisions are made on the base of current earnings, price and share rating. | Patient capital, investment in projects generating returns in long run. |
| Free hiring and firing. Downsizing, outsourcing, terminated jobs... | Long-term contracts, job security, durable workplaces... |
| Formal contracts with employees, preferably individual. | High capable institutions of employers and employees, collective contracts. |
| Company strategies focused on marginal product and profit. | Company strategies focused on market share. |

New Challenges in HR Management

LME/CME education/skills subsystems

LME: Firms rely more on external LM to recruit, motivate and compensate labor to find needed skills. Larger inflow and outflow of labor, hire-and-fire stuffing methods. Market has a larger role in setting pay rates and motivating employees to work hard. Buy low/sell high and win/lose organizational culture.

CME: Firms rely more on internal labor markets. Recruit new entry-level employees from external labor market. Training avoid the work force from short-term market fluctuations and the threat of unemployment. Workers get extra skills and training by moving up job ladders and rotating among positions. Firms provide substantial job security, more mechanism for participation, and standardized wage and benefits. Extensive industry-wide union coverage. Stronger emphasis on stability, mutuality, long-term obligations and win-win outcomes.

LME and CME both have performance advantages and disadvantages.

New Challenges in HR Management

Skill formation

Structural differences between various systems of skill formation:

- the extent and nature of the state's coordinating role in economic development;
- the organizational basis, and particularly the cohesion of business associations;
- the strength of the market for corporate control;
- the organization and effectiveness of the public training system;
- the extent and form of labor market regulation.

Different models of vocational education and training (VET): US, Japan, Germany.

Main issues: Voluntarism and regulation, competitive and co-operative relations, products and product markets, firm level choices, trade unions and skill formation within firms.

The problem of quality of the jobs: low skills equilibrium. Front-line service work with low skills, low pay and low prospects.

New Challenges in HR Management

Education/skills in CEE

Task content of jobs: Demands for non-routine cognitive task is increasing, for routine cognitive is still the same, for non-routine manual personal and routine manual is decreasing.

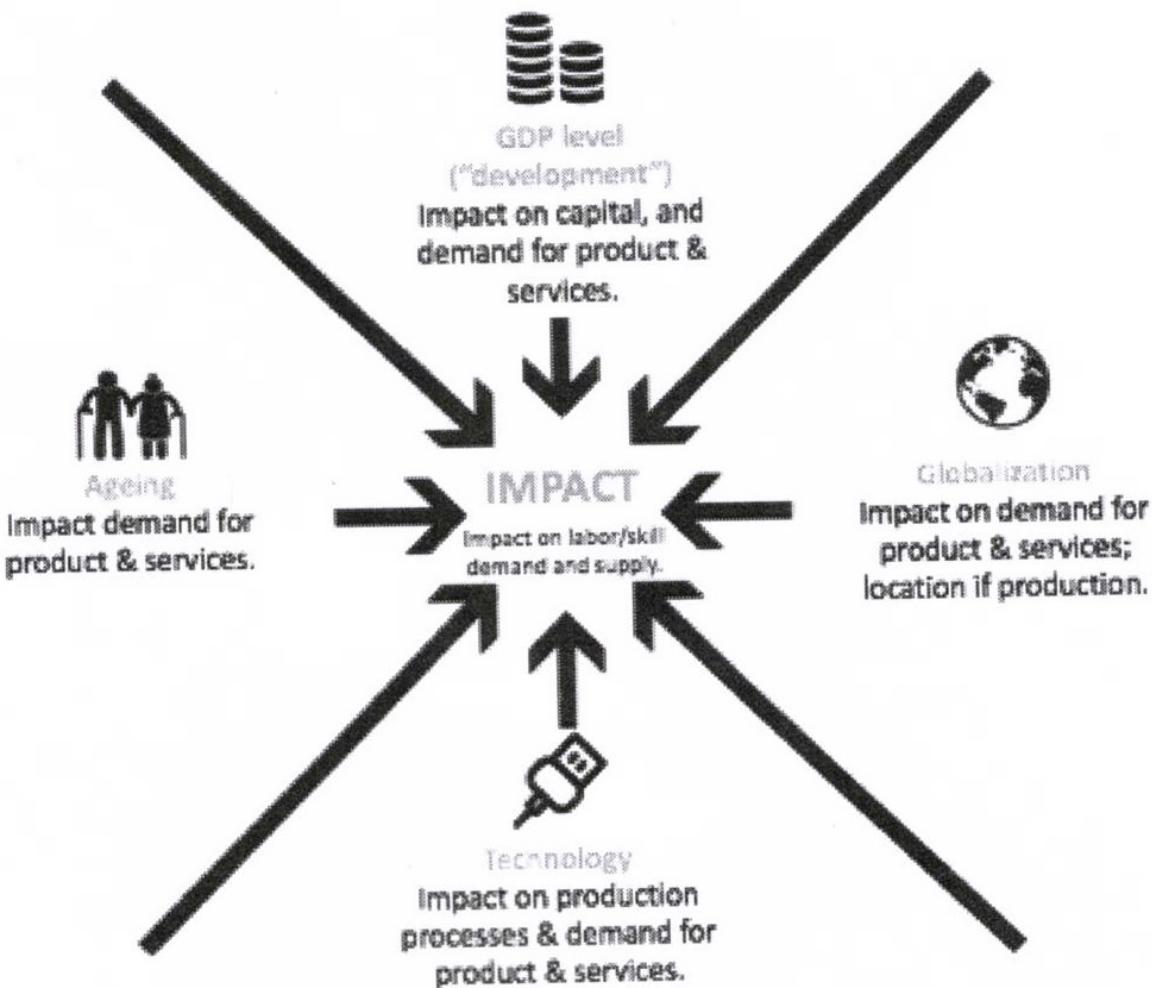
Age cohorts: The pace of the shift from highly manual toward non-routine cognitive jobs was significantly faster for younger cohorts, while older cohorts experienced much slower changes. The gap between generations was the smallest in the evolution of routine cognitive tasks.

Tertiary education as independent variable: the changes in job tasks is positively correlated with tertiary education (more tertiary educated, more non routine cognitive task job)

Skills are instrument of power by labor relations point of view: factor changing the situation of labor may be the need for innovation and for higher skills. This would shift the balance of power to the advantage of employees, with a need for more stability (less flexibility of employment) to enable training and to reap its results.

FIGURE 3.1. A FRAMEWORK FOR SKILLS DEMAND TRANSFORMATION

Economic Transformation



New Challenges in HR Management

Strategic human resources management

HRM shaped during the period of (2nd) industrial revolution: changing technological, market, political/legal, social and business environments. Movement over time from artisan or craft production to mass production. Assembly-line industries.

Strategic HRM (definition): (1) The pattern of planned human resource deployments and activities intended to enable an organisation achieve its goals. (2) Organisational systems designed to achieve competitive advantage through people. HRM practices create valuable resources within the firm that are capable of producing competitive advantage through people. Lead to better employee, organizational and financial outcomes.

Strategy: Type of organizational behaviour. (1)The model of prospector, defender, and analyzer companies. (2) Cost leadership (control, cost reduction)/differentiation strategy (commitment HRM, supporting employee innovation).

New Challenges in HR Management

Strategic human resources management – high road strategy

Alternative strategies: Employers face alternative paths to competitive advantage. High road: value added strategy. Low road: cost-based strategy.

High road strategy (Osterman, 1994): Implementing innovative work practices such as quality circles, job rotation schemes, and team based production. Cooperative/mutual gains, high involvement work systems (employee participation, gain-sharing pay, high training, job security).

Low road strategy: Adversarial, zero sum, low investment work system, labor as commodity (narrow and deskilled job tasks, hire and fire staffing, command and control management, minimum pay and benefits, contingent workers).

Independent variables: (1) Nation: national business systems develop an institutional comparative advantage and path-dependency trajectory (LME/CME). (2) Industry: characteristic as capital intensity, industry growth, product differentiation and dynamism show different HRM practices. Advanced industries tend to require high-performance HRM systems.

New Challenges in HR Management

Theoretical Framework

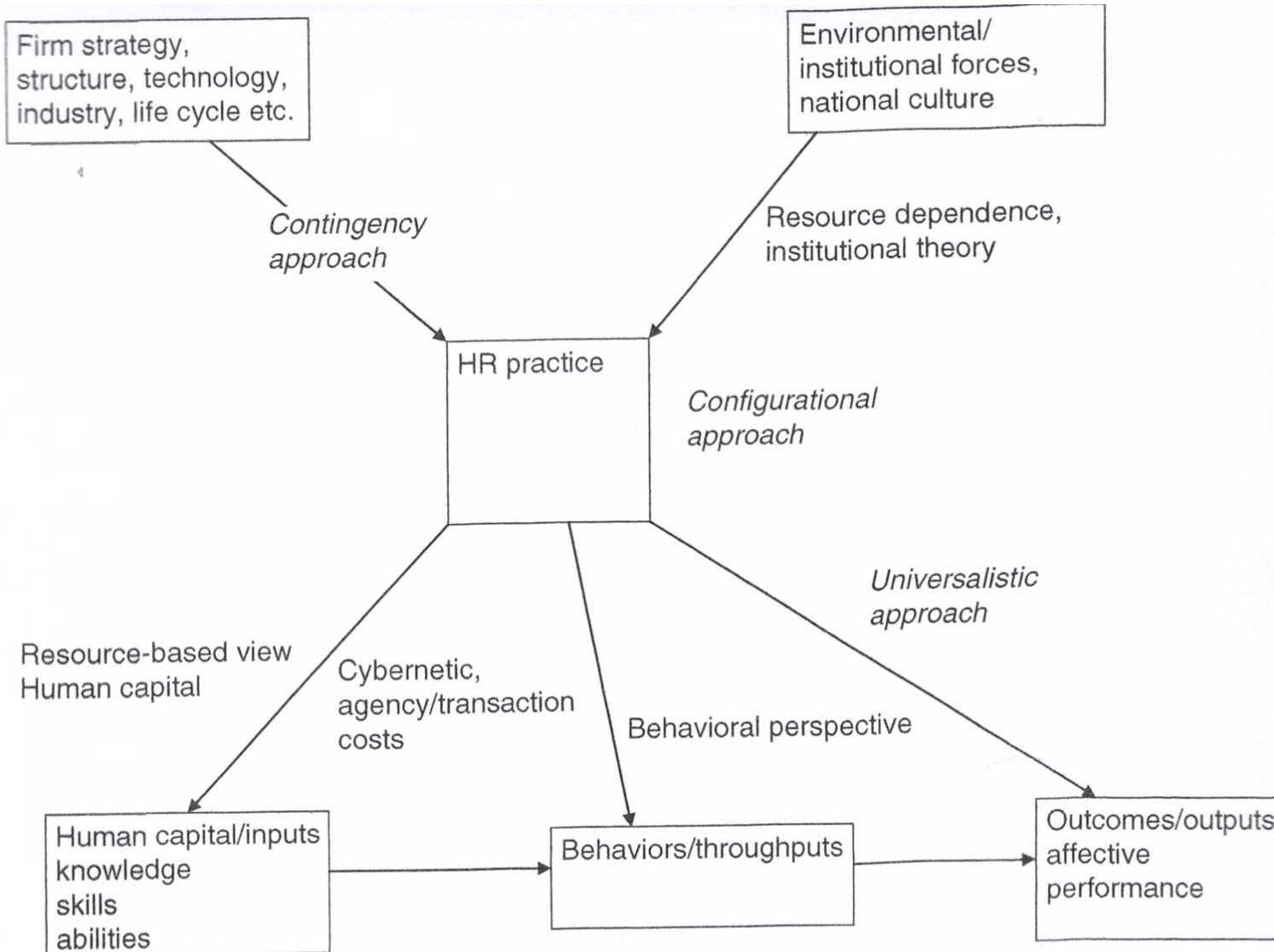


Figure 3.1 Sources: McMahan et al. (1999); Wright and McMahan (1992); Wright and Snell

New Challenges in HR Management

High performance paradigm – High performance work system (HPWS)

Participation: An extension of employee involvement or participation in decision-making, often in the form of the establishment of semi-autonomous teams.

Multiple tasking: A division of labour such that employees are required to perform a range or a wider range of tasks.

Organizational development: A conception of organizational performance that does not consist of nor largely rely upon minimisation or reduction of the costs associated with employees.

Effort on effectiveness: A recognition – or, at least, the hope or intention – that the management of work and people has a direct and significant effect on organizational performance.

Mutuality: An acknowledgement that issues of work organization cannot be separated from considerations more usually associated with production management.

New HR Marketing: Challenge on Creativity

New challenges in high performance management

- Overall assessment of the model
- Its rate of diffusion
- Its importance in an organization's performance
- The institutional/cultural context
- The issue of mutual gains
- The model's „transmission mechanism“
- Different sets of practices in HPM in organisations (unsufficient underpinning theory)
- Methodological issues in HPM research (definition of research problem)

New Challenges in HR Management

Alternative work practices (AWPs)

Synonymous terms: Innovative HR practises, High involvement management (HIM), High performance work practices (HPWP), High performance work systems (HPWS), sophisticated HRM...

The association of AWPs and firm performance: Premised on the notion that HR and organizational rules may be associated with performance by emphasizing team work and co-operation. AWPs could replace trade unions (TUs) in industrial/employment/labor relations. AWPs may represent the firms' preferred work rules, in contrast to the terms of typical collective bargaining agreements.

Creation of work councils: New representative body of employees substituting or parallel to the TUs. AWPs may reflect workers' changing views and preferences regarding the organization of work and need for union representation.

More extensive AWPs, the stronger performance effect (in general, but the debate still going on).

New Challenges in HR Management

HRM and Corporate social responsibility (CSR)

Recruiting: Applicants have been shown to take note of CSR information (organization's environmental practices, community relations, sponsorships activities,, treatment of women and minorities...). CSR appears to influence the attractiveness of a company. Ecological ratingis the strongest predictor of attraction, over and above pay and promotional opportunities (Lievens, Chapman, 2009). Company image information is a signal of working conditions.

Employer branding: Image of organisation is an important factor for evaluating employers. Negative views of the organization can have deletrious effects on recruiting outcomes. In general, people seem to be more attracted to organisations whose traits and characteristics are perceived to be similar to their own. Employer brand management involves promoting, both within and outside the firm, a clear view of what makes a firm different and desirable as an employer.

New Challenges in HR Management

HRM and CSR

Three steps of employer branding: (1) Firm develops a concept of what particular value – brand equity – it offers to prospective nad current employees. (2) Externally marketingof this value proposition to attract the targeted applicant population. (3) Carrying the brand promise made to recruits into the firm and incorporating it as part of organizational culture.

Challenges in CSR: Globalization, delocalization of production, broadening of the geographical scope of firms, increasing work intensity, changes nature of careers, decline of TUs. The greater strategic contributions of the HRM function have come to the fore as employee have become understood as firms' human capital.

Issues that relate to HRM: Violations of Labor Code, safety and working conditions, corruption, frauds, abusing drugs and alcohol, falsifying work records, conflicts of interests, misusing insider information, dealing with grievances...

New Challenges in HR Management

Employment/labor relations, HRM and CSR 1

Understanding employees: Group of primary stakeholders without which a corporation cannot survive as a going concern..., normative stakeholders of firms in the sense that these stakeholders are the answer to the question: „For whose benefit should the firm be managed?“

Understanding CSR: (1) CSR activities are beyond the law and sense voluntary. (2) CSR activities are associated with attempts to reduce harms involved with a firm's activities or with generating some social „good“ or benefit. (3) CSR reflects an, at least partially, moral or ethical obligation to consider stakeholder interest.

New Challenges in HR Management

Employment/labor relations, HRM and CSR 2: The outlook

(Notion of) Non-market strategy: Firms operate in market strategic area (decisions on pricing, market entry and exit) and non-market strategic area (lobbying, public relations, stakeholder engagement). The nonmarket environment includes those interactions that are intermediated by the public, stakeholders, government, the media, and public institutions.

Interactions in the non-market: May be (1) voluntary, such as when the firm adopts a policy of developing relationships with government officials, or (2) involuntary when government regulates an activity or activist groups organize a boycott of a firm's product.

New Challenges in HR Management

Issues in CSR – HRM research

Issues are the subject of non-market strategy: Issues are the most visible manifestations of phenomena at the junction of CSR and HRM. Four clusters of issues.

- 1) **Difference: diversity and discrimination.** How organisations manage their obligations under the law to provide equal opportunities to employees of different genders, creeds, sexual preferences, disabilities and ethnicities. Focusing on HRM proces (recruitment, selection, pay, working conditions, treatment in the workplace). Diversity of senior management team in organisations, particularly in respect to their gender and appearing of glass ceiling.
- 2) **International labor: bribery, corruption, and child labor.** The issues of globalization and the increasing geographical scope of modern corporations. Describing and explanation of bad jobs, safety at workplaces, poverty wages, long working hours. The extent of child labor (about 246 mio between 5 -17 in 2000).

New HR Marketing: Challenge on Creativity

Issues in CSR – HRM research

3) Worker health: safety, mortality and well-being. Working conditions on the national, regional and firm level. The practices, conditions and management of employee well-being in the workplace. Primary point of view is that safeguarding the health and safety of employees at work is a fundamental objective of any responsible corporation. Setting of sense of „well-being“ from physical, psychological, emotional or mental perspectives. Often focuses on measures of CSR in respect of employee stakeholder, principally in terms of work-related employee injury and illness.

4) Employees as citizen volunteers. Focus on employee involvement in the CSR programs of their employers. Many programs are oriented to developing stronger community links. Supporting and encouraging employee volunteering has attracted particular attention. Employee volunteer programs are considered to represent bundles of policies, communications and practices toward time-based activities that are directed towards non-profit voluntary sector.

New Challenges in HR Management

Equity in the twenty-first-century workplaces

Main topic: Recently issues of equity between groups, predominantly women and members of ethnic groups in the workforce. This has been embodied in industrial legislation, for example in equal pay for women and men, and frequently in specific equity legislation (Antidiscrimination Act). Former studies tended to concentrate on white, male, unionized workers in manufacturing and heavy industry.

Model of equity: Come from Universal Declaration of Human Rights:
„Everyone has the right to work , to just and favorable conditions of work and to protection against unemployment. Enriched by idea of basic employment rights which promotes equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination.

Assumptions on employment equity: All persons, irrespective of gender, race, socio-economic background, impairments et cetera, have the right to benefit fairly. „Right to benefit“ – person must be enabled to reap benefits.

New Challenges in HR Management

Justice in the twenty-first-century workplaces 1

Justice: Social construct with the focus on individuals' subjective concerns about fairness. Justice issues are a driving concern in the field of employment relations in the pursuit of a collective deal for employees.

Four facets of organizational justice: (1) fairness of outcomes, (2) fairness in procedures, (3) fairness in interpersonal treatment, (4) fairness of explanations conveying information about procedures or outcomes.

Distributive justice: Individuals' ratio of their inputs (expense) to their outputs (gain) with the corresponding ratios of a comparison other (i.e. a co-worker).

Procedural justice: Procedure is viewed as fair during the enactment of organizational procedures only if individuals perceived themselves to have control over the presentation of their arguments as well as time to present their case.

Interactional justice: Individuals' sensitivity to the quality of interpersonal treatment during enactment of organizational procedures.

New Challenges in HR Management

Justice in the twenty-first-century workplaces 2 Effects of (in)justice

Independent effects of justice dimension: (1) Distributive justice is related to attitudes about specific *events* (promotion, performance appraisal), strong predictor of pay satisfaction. (2) Procedural justice predicts system-related satisfaction (attitudes and behaviors towards the organization such as organizational citizenship behaivor, organizational commitment and trust. (3) Effects of interactional justice have been associated with attitudes and behaviors at the *agent* level (attitude to authority figures in organisations).

Interactive effects of justice dimensions: Strong interactive effects between distributive and procedural justice. When procedurajustice is high , it matters less if the outcomes was fair or not, but if the procedures are deemend unfair, the favourability of the outcome~~s~~distates an individuals'overal reaction.

Additive effects of justice dimensions: (1) General justice experience influences an individual's response, (2) overall justice mediates the relationship between specific justice judgements and employee job satisfaction, commitment and turnover intentions.

New Challenges in HR Management

Sources

- BACON, M. 2008. Management Strategy and Industrial Relations. In: BLYTON, P.; BACON, N.; FIORITO, J.; HEERY, E. (eds.) 2008. *The SAGE Handbook of Industrial Relations*. London: SAGE Publications Ltd.
- BLYTON, P.; BACON, N.; FIORITO, J.; HEERY, E. (eds.) 2008. *The SAGE Handbook of Industrial Relations*. London: SAGE Publications Ltd.
- BRAMMER, S. 2011. Employment relations and corporate social responsibility. In: TOWNSEND, K.; WILKINSON, A. (eds.) 2011. *Research Handbook on the Future of Work and Employment Relations*. Cheltenham: Edward Elgar.
- COLAKOGLU, S.; Ying, H.; LEPAK, D. P. (2009). Models of Strategic Human Resource Management. In: WILKINSON, Adrian, Nicolas BACON, Tom REDMAN a Scott SNELL. *The Sage handbook of human resource management*. Los Angeles: Sage, 2009
- COYLE-SHAPIRO, J.; DHENSA, R. K. 2011. Justice in the twenty-first-century organization. In: TOWNSEND, K.; WILKINSON, A. (eds.) 2011. *Research Handbook on the Future of Work and Employment Relations*. Cheltenham: Edward Elgar.
- FROST, A. C. 2008. The High Performance Work Systems Literature in Industrial Relations. In: BLYTON, P.; BACON, N.; FIORITO, J.; HEERY, E. (eds.) 2008. *The SAGE Handbook of Industrial Relations*. London: SAGE Publications Ltd.
- GOSPEL, H. 2009. Human Resources Management: A Historical Perpective. In: WILKINSON, Adrian, Nicolas BACON, Tom REDMAN, Scott SNELL. *The Sage handbook of human resource management*. Los Angeles: Sage
- HALL, P. A.; SOSKICE, D. W. 2001 *Varieties of capitalism: the institutional foundations of comparative advantage*. Oxford [England]: Oxford University Press, pp 8 – 68
- LIEVENS, F.; CHAPMAN, D. 2009. Recruitment and Selection. In: WILKINSON, Adrian, Nicolas BACON, Tom REDMAN a Scott SNELL. *The Sage handbook of human resource management*. Los Angeles: Sage, 2009
- PROCTER, S. 2008. New Forms of Work and the High Performance Paradigm. In: BLYTON, P.; BACON, N.; FIORITO, J.; HEERY, E. (eds.) 2008. *The SAGE Handbook of Industrial Relations*. London: SAGE Publications Ltd.
- STRACHAN, G.; BURGESS, J.; FRENCH, E. 2011. Equity in the twenty-first-century workplace. In: TOWNSEND, K.; WILKINSON, A. (eds.) 2011. *Research Handbook on the Future of Work and Employment Relations*. Cheltenham: Edward Elgar.
- WILTON, N. 2013. *An introduction to human resource management*. 2nd ed. Los Angeles: SAGE, pp 83 - 110
- TOWNSEND, K.; WILKINSON, A. (eds.) 2011. *Research Handbook on the Future of Work and Employment Relations*. Cheltenham: Edward Elgar.
- WILKINSON, Adrian, Nicolas BACON, Tom REDMAN a Scott SNELL. *The Sage handbook of human resource management*. Los Angeles: Sage, 2009

Questions and Discussion

**Thank you for
your attention**