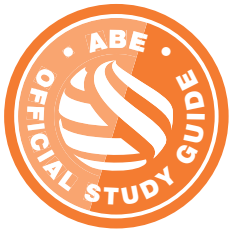
Your road to success

LEVEL 4 PRINCIPLES OF HUMAN RESOURCES



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Author: Cathy McTaggart, MSc, PGCAP, Chartered FCIPD, FHEA
Reviewer: Jacqui Bishop, BA (Hons), MA, PGCE, Dip M, Dip MRS, MCIM

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Using your study guide

Welcome to the study guide, **Level 4 Principles of Human Resources**. Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus), designed to support those completing the **Level 4 Diploma.**

Element of learning	Key capabilities
Element 1: The HR function	Ability to identify the contribution of the HR function to the achievement of business objectives. *Business awareness; scanning of the external and internal organisational environment; HR objective setting*
Element 2: Approaches to HR management	Awareness of how different approaches to HR management are used in business organisations *Analysing, interpreting and assessing different HR perspectives and ideas; stakeholder involvement*
Element 3: Resourcing, reward and performance	Ability to recommend techniques for retaining talent Ability to recommend creative and effective policies of reward management *Analysing core HR specialisms and operational essentials; comparing different HR approaches; problem solving; making recommendations*
Element 4: Employment models and contracts	Ability to recommend the best use of employees to meet budget and business delivery challenges *Constructing a contract of employment, analysing different employment models, making recommendations*

This study guide follows the order of the syllabus, which is the basis for your studies. Each chapter starts by listing the learning outcomes of the course and the assessment criteria. This course is a Level 4 course. This means you will have the following level of knowledge and skills when you complete your learning.

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Level	Knowledge descriptor (the holder…)	Skills descriptor (the holder can…)
Level 4	• Has practical, theoretical or technical knowledge and understanding of a subject or field of work to address problems that are well defined but complex and non-routine. • Can analyse, interpret and evaluate relevant information and ideas. • Is aware of the nature of approximate scope in the area of study or work. • Has an informed awareness of different perspectives or approaches within the area of study or work.	• Identify, adapt and use appropriate cognitive and practical skills to inform actions, and address problems that are complex and non-routine while normally fairly well-defined. • Review the effectiveness and appropriateness of methods, actions and results.

In this study guide there are a number of features which we hope will enhance your studies:

'Over to you': activities for you to complete – just print out the page and use the space provided. You can write out longer answers on an extra piece of paper.

Case studies: realistic business scenarios to reinforce and test your understanding of what you have read.

'Revision on the go': use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.

'Need to know': key pieces of information that are highlighted in the text.

Examples illustrating points made in the text to show how it works in practice.

Tables, graphs and charts to bring data to life.

Reading lists: identifying resources for further study, including Emerald articles (which will be available in your online student resources).

Source/quotation information to cast further light on the subject from industry sources.

Highlighted words throughout and **glossary terms** at the end of the book.

Note

Website addresses current as at June 2017.

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Chapter 1

The Contribution of the HR Function to the Achievement of Business Objectives

Introduction

Ask people what Human Resource (HR) function is and what it does, and you'll get a variety of answers. Certainly, the HR function varies from one organisation to another. Many things influence this including the size of the organisation; the nature of the workforce and the employment sector; and the national context. Nonetheless, the overall purpose of any HR function is to ensure that the organisation achieves success through its people. In this chapter we'll explore how the HR function contributes to the achievement of business objectives.

Learning outcomes

On completing the chapter, you will be able to:

1 **Explain how the Human Resource function contributes to the achievement of business objectives in contemporary organisations**

Assessment criteria

1 **Explain how the Human Resource function contributes to the achievement of business objectives in contemporary organisations**

1.1 Summarise the contribution of human resource objectives to the achievement of business objectives

1.2 Explain how human resource objectives are evolving in response to changes within the contemporary business environment, including the demand for flexibility within workplace

1.3 Summarise human resource objectives for a business organisation

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Level 4 Principles of Human Resources

1.1 The contribution of human resource objectives to the achievement of business objectives

What are the different types of business organisations?

Not every organisation is the same – in terms of size, operating sector, geographical locations, business objectives, etc. It is important how these variables impact on the organisation's HR function and how it contributes to the achievement of business objectives.

Firstly, let's consider the different types of business organisations.

Almost all organisations fall into one of three sectors: the private sector, the public sector and the voluntary sector (Taylor and Woodhams, 2015).

! NEED TO KNOW

There are three "types" of organisations – forming the private, public and voluntary sectors.

Private sector

Organisations in the private sector are owned by individuals – who are often sole traders running their own businesses – or by shareholders – who have invested money into an existing business. The purpose of most private sector organisations is to make profit for their owners.

Private sector organisations can be divided into the following sub-categories.

- **Small and medium enterprises** (known as SMEs) – UK legislation, the Companies Act 2006 – defines SMEs as organisations with:
  - an annual turnover of less than £22.8m;
  - fewer than 250 employees;
  - a balance sheet total of less than £11.4m.

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OVER TO YOU

Activity 1: Defining an SME

If you are outside the UK, find out the definition of an SME in your country with the appropriate measures of size as per the UK definition, if available.

Write your answer below.

- **Multi-national corporations** (often known as MNCs) are companies that are involved in the manufacture of goods or services in two or more countries (called "host" countries). It will have a headquarters based in one country that will be called its home country. It will adapt its products to fit the needs of the host country. An example of a multi-national company is Adidas.
- A **global company** is one that trades with other countries, selling the same products using the same brand image. Unlike MNCs, global companies do not have official headquarters, and they are composed of separate organisations which are part of one global company. Each organisation operates independently, and the role of the global company is to only deal with matters that affect the whole company or brand. An example of a global company is McDonald's which has stores in most parts of the world.

CASE STUDY

A Global Company Example

According to their corporate website, in 2015 the annual turnover for Coca Cola was US$44,294 million. In that same year, they sold 29.2 billion cases of their products in more than 200 countries, and produced those products in more than 900 bottling and manufacturing facilities across the world, including the United States, Africa, Europe and Asia.

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OVER TO YOU

Activity 2: Corporate website investigation

As a homework activity, investigate the corporate websites of other high profile MNCs – American Express, Diageo, McDonald's and Google. How do they compare to Coca-Cola, in terms of turnover and operating locations? Make notes in the table below to share in class with your tutor and fellow students, if applicable.

Company	Turnover	Operating locations
Coca-Cola	US$44,294 million	900
American Express		
Diageo		
McDonald's		
Google		

Public sector

Public sector organisations can be categorised as follows.

- **National or local/regional governments** – these have responsibility for the country's economy, education, welfare and protection.
- **Publicly-owned organisations** – these are usually accountable to national government and carry out a business enterprise on their behalf. An example of this, in the UK, is the British Broadcasting Corporation (BBC). An example in Trinidad and Tobago is the National Infrastructure Development Company Limited (NIDCO).

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- **Public-service providers** – these can operate at a national or regional level. An example would be The Ministry of Education, Science, Vocational Training and Early Education – the centrally funded education system in Zambia.

Public sector organisations are funded mostly by taxes and are managed (directly or indirectly) by public officials, such as government ministers.

Voluntary sector

Typically, voluntary sector organisations are either:

- **charities** – an organisation set up to help those in need, funded mainly by donations from the public;
- **co-operatives** – a business that is owned and funded by its members, who share the profits;
- **campaigning organisations** – a group that is formed to influence government policies, for example, Greenpeace.

OVER TO YOU

Activity 3: Co-operatives

Working with another student, if possible, identify a co-operative operating locally to you. Summarise below how the co-operative is governed and promoted.

Factors which impact on the organisation's business objectives

When formulating business objectives, an organisation needs to consider certain factors, which can be **external** or **internal**:

External factors

External factors are outside the organisation's control, but shape the way it operates. The **PESTLE analysis** – Political, Economic, Sociological, Technological, Legal and Environmental – is a popular tool which can be used to examine the external factors impacting on an organisation's decision-making and corporate objectives.

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Factor	Examples
Political	What is happening politically in the world, or the country/countries in which the organisation operates? This includes **government policies** on taxes, tariffs on imports of foreign goods, legislation and – importantly in some countries – political stability.
Economic	What is happening within the economy of a country/countries? For example, is the economy growing or declining? Are interest rates high or low? Are unemployment levels rising or falling?
Social	What is happening socially in the markets in which the organisation operates? What are the current social trends? For example, what is the **demographic structure** of the local or national community in terms of age and gender distribution, population growth rates, race or ethnicity, education levels, income and occupations?
Technological	How is technology impacting on the products that the organisation sells, or the services it provides? What is the impact of social networking sites?
Legal	How are laws impacting on employment (for example, working hours, equal opportunities, national minimum wage), health and safety, tariffs on imports/exports and taxation?
Environmental	What is happening with respect to ecological and environmental issues, such as pollution, recycling and global warming?
Additional factors to consider:	
Competition	What are your competitors doing? How do their products and prices compare to yours? Are they releasing any new products?
International factors	What are the PESTLE and competition factors in another country in which your organisation operates?

Table 1: PESTLE example plus competition and international factors

! NEED TO KNOW

Key external factors that impact on an organisation are the competition, government policy and legislation, social trends and demographics.

OVER TO YOU

Activity 4: PESTLE analysis

Think back to our earlier example of Coca-Cola. Using the PESTLE analysis tool, analyse the external factors that would impact on their business objectives. You should also consider the competition. Summarise your findings in the table below.

Name of organisation: Coca-Cola	
Political	
Economic	
Social	
Technological	
Legal	
Environmental	
Competition	

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Internal factors

Internal factors are unique to each organisation, and include factors such as the following:

- **The money is available to spend** – a cash-rich organisation can invest money to improve the business, for example, by training staff or launching a marketing campaign. An organisation that is struggling financially may not be able to this.
- **The thoughts of senior management** – do senior managers have a vision for the future? Senior managers have to play a major leadership role for an organisation to be successful.
- **The role of line managers** – there's a strong link between the role of line managers and organisational success. Questions to consider include: how much is delegated to line managers in terms of staff, budget and resource management? Are line managers sufficiently trained to carry out their role?
- **Organisational culture** – Armstrong and Taylor (2017) describe organisational culture as the combination of "values, norms, beliefs, attitudes and assumptions" that shape how people think and behave in an organisation. If this culture is positive, staff should be motivated to achieve the business goals. If negative, staff may not want to stay with the organisation, or may be demoralised about their work and their future.

NEED TO KNOW

Key internal factors that impact on an organisation are the finances, management and organisational culture.

OVER TO YOU

Activity 5: Internal factors

Working with another student, if possible, consider an organisation with which you are both familiar. What internal factors do you think most shape the way it operates, and the decisions it makes? Can you think of any additional internal factors other than those mentioned above?

What are the functions of HR?

HR is concerned with the issues of managing people in the organisation so that the organisation is able to achieve its business objectives. Here's a brief overview of some key functions of HR.

- **Recruitment and selection** – is the process of having the right people, in the right place, at the right time. It ensures that an organisation has the right people resources to achieve its business objectives now and in the future.
- **Performance management** – is a set of processes that ensure employees contribute positively to the business by improving individual, team and organisational performance. It integrates various HR activities, such as training and development, and reward management.
- **Reward management** – ensures that the contribution that employees make to achieving individual, team and organisational goals is recognised and rewarded. Effective reward management is essential for attracting, engaging, motivating and retaining employees.
- **Training and development** – ensures that employees have the appropriate skills and knowledge to fulfil the organisation's business objectives. It includes a range of on-the-job and off-the-job methods. Effective training and development can improve business performance, productivity and efficiency.

We'll look at each of these four functions in more detail in Chapter 3.

! NEED TO KNOW

HR is concerned with all aspects of how people are employed and managed in organisations.

How can HR be delivered in organisations?

HR can be delivered in a variety of ways. In some organisations, all members of the HR team work in generalist roles, while in other organisations there are both generalist and specialist roles. Much depends on the size of the organisation, the wider structure and the overall business objectives. In a small company the HR "team" may be just one person.

! NEED TO KNOW

Each organisation is unique and the way that HR is delivered adapts accordingly.

Let's look at the two main ways in which HR is delivered.

The **traditional model** is made up of a single team with generalists, specialists and administration that provide key services and handle the needs of line managers, employees and senior staff. Typically, the HR team has a customer focus and "open door" relationships with employees. This model is common in small and medium-sized organisations (Taylor and Woodhams, 2015).

The **"three-box" model**, developed by the influential US academic David Ulrich, is based on different types of HR professionals working in different ways (Ulrich, 1997).

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HR business partners	HR centres of excellence	HR shared services
Senior HR professionals working closely with business leaders and line managers influencing the development and implementation of organisational strategy.	Small teams of HR experts with specialist knowledge, for example, knowledge in reward management.	A single (often relatively large) unit that deals with all the routine services across the business such as payroll and advice on simpler HR issues.

Typically, this model is found in large public and private sector organisations, including multi-nationals. The model brings several benefits to the organisation, for example, it means that HR is more driven by the business and the internal voice of the customer, taking a proactive approach towards its internal and external clients. Also, HR is quicker to respond to the needs of the management as well as the changed conditions in the organisation. However, the model isn't without criticism, for instance, the different parts of the model may struggle to share knowledge and resources.

OVER TO YOU

Activity 6: HR delivery in an organisation

Look at your own organisation or an organisation with which you are familiar. How is HR delivered? What has influenced the delivery approach? What is the impact of the delivery approach on the organisation and its workforce?

How does HR contribute to high levels of organisational performance?

The purpose of HR is help make possible the achievement of the organisation's business objectives. This means that any HR objectives need to be consistent with the business objectives and focused on the key HR functions and activities.

Whilst the precise HR objectives will vary from business to business and industry to industry, the following are examples of how HR can contribute to high levels of organisational performance:

- hiring the best people available at every level
- maintaining competitive pay practices and reward programs
- properly training and developing employees

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- monitoring and supporting individual and team performance
- introducing programmes to reduce employee absence
- creating a work atmosphere that promotes good working relationships.

The "**best practice**" approach assumes that there is a set of best HR practices which always result in high levels of organisational performance (Armstrong and Taylor, 2017). However, this approach doesn't take account of the unique context of the organisation. Importantly, there's a range of good HR practices – some of which will help an organisation and some of which will not. What's crucial to understand is that what works for one organisation won't necessarily work for another.

The "**best fit**" approach stresses that HR practices should take account of the unique context of the organisation (Armstrong and Taylor, 2017). In other words, to be effective, the objectives and practices of HR must support the goals of the business. This is known as **vertical integration** or "vertical fit" (Wei, 2006).

Also, there needs to be horizontal integration or "horizontal fit". This is achieved if all HR functions – such as recruitment and selection and performance management – feed into and support each other, with no conflict between them.

NEED TO KNOW

The greater the degree of vertical and horizontal integration, the more effective HR is likely to be.

OVER TO YOU

Activity 7: Reply to an email

A fellow student has sent you the following email:

During my studies I've come across the phrase "best fit is more important than best practice". What does this mean?

Use the space below to draft a reply.

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1.2 How human resource objectives are evolving in response to changes within the contemporary business environment

Factors shaping HR objectives

HR objectives are shaped by both internal business factors and external factors.

Internal business factors

HR objectives must support and be consistent with business objectives. For example, if a business objective is cost reduction, then an HR objective may be reducing workforce costs through organisational restructure. Other strategies within the business such as the marketing strategy, shape HR objectives too. For example, entry into new markets may require employees to develop new knowledge and skills. The organisational culture shapes HR objectives too. For instance, if there's an organisational culture that places value on employees being treated as individuals, then there is likely to be a strong focus on personal development. An important aspect of running a successful business and a successful HR function is to align business objectives and HR objectives. As we explored earlier, there needs to be "vertical fit" between the HR objectives and the organisation's business objectives.

External factors

Earlier in this chapter, we looked at the PESTLE analysis tool. The information resulting from this analysis shapes the organisation's business objectives and, in turn, its HR objectives.

Factor	Examples
Political	A new government policy about skills development, requiring a different approach to the training and development of employees.
Economic	A loss of market share to competitors, requiring changes to divisional structures or cost reduction through job losses.
Social	Population changes in the area where the business is located, requiring new approaches to recruitment to overcome skills shortages. Changing expectations about **work-life balance**, requiring more **flexible working** options.
Technological	Rapid growth in new technologies, requiring new ways of working such as teleworking.
Legal	Changes to employment law, requiring changes in the way employees are recruited or rewarded.
Environmental	Changes to environmental practices within the organisation, requiring new ways to manage performance.

Table 2: PESTLE – impact of factors on HR objectives

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OVER TO YOU

Activity 8: External factors impacting HR objectives

Go back to the PESTLE table you completed in Activity 4. How do the external factors that you identified impact on the HR objectives of the company? Summarise your findings in the table below.	
Name of organisation: Coca-Cola	
Political	
Economic	
Social	
Technological	
Legal	
Environmental	

The role of HR in business planning

HR plays an important role in business planning, because only through the effective use of its workforce can an organisation achieve its business objectives. For example, the HR function:

- supports informed decision making by researching and analysing key HR and environmental information;
- aligns HR with the needs of the business, now and in the future;
- compiles facts and figures of how HR can add value.

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Measuring HR's contribution

The HR function must be able to measure and monitor its contribution to the achievement of business objectives. Practical reasons for doing so include, stopping what isn't effective, being accountable to **stakeholders**, improving HR processes, and so on.

Useful tools to help manage the performance of the organisation and HR include the following:

- **Key performance indicator (KPI)** – a measurable value that demonstrates how effectively an organisation is achieving business objectives. Organisations use KPIs to evaluate their success in reaching targets. A KPI in relation to HR might be employee turnover. Defining the KPI numerically gives better definition, for example, reduce employee turnover by 5% every year.
- **Service level agreement (SLA)** – a formal agreement between two parties that details the type of service one party (the HR function) will provide to the other (management or other business functions such as marketing and finance). Typical elements of an SLA include:
  - roles and responsibilities of the HR function;
  - services provided;
  - performance targets and KPIs;
  - monitoring and evaluation of the SLA.
- The **balance scorecard** – measures organisational performance across four perspectives: financial, customers, internal business processes, and learning and growth. It can be used to link human resource management (HRM) activities with the organisation's strategy and evaluate the extent to which it adds value to business strategies and objectives. You will find out more about human resource management in Chapter 2.

HR objective	Measure
Operate effective recruitment and selection processes	Recruitment survey data Time to fill vacancies and costs involved Percentage of jobs filled by internal promotions
Achieve high productivity levels in all activities	Employment cost per unit of production Proportion of support function costs

Table 3: Examples of HR objectives and associated measures

1.3 Human resource objectives for business organisation

Setting HR objectives

There are many potential HR objectives. Armstrong and Taylor (2017) suggest that the objectives of HR should be to:

- support the organisation in achieving its objectives by developing and implementing HR strategies that are integrated within business strategy;

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- contribute to the development of a high-performance culture;
- ensure that the organisation has the talented, skilled and engaged people it needs;
- create a positive employment relationship between management and employers;
- encourage the application of an ethical approach to people management.

NEED TO KNOW

The precise HR objectives vary from business to business, depending on each organisation's unique circumstances.

When setting objectives, the HR function must interpret trends, patterns and performance data in the organisation, as well as trends and developments in the external environment. For example, performance appraisal data might show that a significant number of employees in a department are underperforming or workforce data might show that an increasing number of employees are taking up flexible working options.

As we've explored, using analysis tools (such as PESTLE) can help to identify trends in the external environment. Nevertheless, external change can be hard to predict. Also, the HR function might use **benchmarking** activities – reviewing own processes and practices, and then assessing how they are addressed in another organisation – to inform its approach.

Long and short-term objectives

HR objectives can be split into two broad categories.

- **Strategic objectives** – comprehensive in scope and focusing on the long-term future. They are stated in broad terms and are measurable by such indicators as the value added. For example, "effectively market the organisation as a good employer".
- **Operational objectives** – narrower in scope and focus on the intermediate and short-term future. They are usually stated in specific terms, such as "10% reduction in turnover in one year". Operational objectives provide criteria for decision making, the standard against which to evaluate performance and act as a communication tool.

CASE STUDY

Setting objectives

Dee-Livered is medium-sized distribution company with 350 employees, including 130 drivers. The staff turnover rate of drivers is very high – 35% last year – and there's an unacceptable level of road accidents. No formal procedures for employee communications or consultation are in place and morale across the workforce is low. Despite this, the company is doing reasonably well – although it is felt by senior management team that it should do better – and there are plans to open a new distribution centre in another part of the country.

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OVER TO YOU

Activity 9: Case study analysis: Setting objectives

Formulate your top three objectives for the HR function for Dee-Livered.
1
2
3

Summary

In this chapter we looked at different types of organisations and how internal and external factors impact on business and HR objectives. We introduced the functions of HR and considered different ways in which HR can be delivered. This chapter highlighted the importance of aligning HR objectives with business objectives.

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Chapter 2

The Impact of Different Perspectives of Human Resource Management on the Organisation and Workforce

Introduction

HR is an important strategic function. However, as with all business disciplines there are many, and often competing viewpoints about the approaches to take. In this chapter we look at some of the key perspectives of human resource management (HRM) and consider their impact on the organisation and workforce.

Learning outcomes

On completing the chapter, you will be able to:

2 Explain how different perspectives of human resource management impact on the organisation and workforce

Assessment criteria

2 Explain how different perspectives of human resource management impact on the organisation and workforce

2.1 Differentiate between definitions of human resource management and personnel

2.2 Explain "hard" and "soft" approaches to human resource management

2.3 Summarise the role of key stakeholders in delivering a strategic approach to HR

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2.1 The difference between human resource management and personnel

What is human resource management (HRM)?

Armstrong and Taylor (2017:4) define **human resource management** (HRM) as:

> *"a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations."*

The concept of HRM arrived from the USA in the mid 1980s. Previously, the term "**personnel management**" had been used to describe activities such as staffing, payroll, contractual obligations and other administrative tasks.

HRM goes beyond the administrative tasks of personnel management. It's a much broader vision of how management would like employees to contribute to the success of the organisation which has developed in response to changing business environments as well as new theories about the management of people.

Deakin (2001) sums up the transition from personnel management to HRM:

> *"Like an improved soap powder with a biological ingredient, HRM, equipped with something called strategy, promised a new set of tools and measures to reward, motivate and organise employees in the re-engineered workplace."*

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Personnel management	HRM
Operates in relatively stable market conditions	Operates within competitive markets and a change agenda
Is a traditional approach to managing people, with a strong administrative purpose	Is a distinctive approach to managing people, with a strong strategic purpose
Fragmented and ad-hoc policies and practices	Integrated and co-ordinated policies and practices
Rigidity	Flexibility
Focus on performance measurement	Focus on adding value

Table 1: From personnel management to HRM – a summary

What is strategic HRM?

The idea of **strategic HRM** emerged in the early 1990s. Of course, a key feature of HRM is its strategic purpose, so how does strategic HRM differ?

Definitions vary, but a key feature of strategic HRM is the focus on longer-term issues. Strategic HRM focuses on long-term objectives, not just on current HR issues. It seeks to address and solve problems that affect people management programs in the long run.

CIPD (2016) define strategic HRM as:

> *"an approach to managing human resources that supports long-term business goals and outcomes with a strategic framework."*

OVER TO YOU

Activity 1: Researching global job sites

As a homework activity, research global job sites for HR-related job titles.

Compare the different job titles and use the information in the job description and person specification to compare the scope and nature of the jobs. Summarise any common themes below.

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The impact of organisation type on HRM

In Chapter 1 we explored the "best fit" and "best practice" approaches to HR, concluding that each organisation must develop an approach that supports the achievement of its unique business objectives. Organisation type influences HRM in several ways. Let's look at some examples.

- **SMEs** – relationships between employees and management tend to be less formal and trade union representation less likely. Therefore, the organisation may find it easier to adopt some of the principles of "soft" HRM. However, there may be no dedicated HR function, meaning that little, if any, attention is given HRM beyond dealing with administrative and payroll tasks. Very small, privately-owned start-up businesses may not prioritise in-house HR, instead using external HR consultants until the businesses' growth warrants a permanent HR resource.
- **Public sector** – the HR function is concerned with ensuring that the workforce has the necessary skills and attributes to deliver efficient and effective services to the public. As a result, the HR function is likely to place a strong focus on performance management and "hard" HRM approaches. However, the economic downtown has meant that many public-sector organisations are experiencing high levels of change and, as a result, the HR function may be looking at ways to enhance the satisfaction and motivation of employees. Legislation may mean that there are constraints on how HR can be delivered.
- **Voluntary sector** – the HR function must ensure that the organisation operates in a cost-effective way. For HR recruitment is likely to be a fundamental activity, with activities focused on attracting individuals with values that match those of the organisation. However, recruitment is often more complex because potential employees often need to go through appropriate vetting to work with children and vulnerable adults.
- **MNCs and global organisations** – the HR function must ensure smooth running and effective operation of the organisation across national borders. MNCs must decide whether they will adapt their HR policies and practices to the various national circumstances or standardise them. MNCs must consider carefully whether the benefits of a standardised approach are greater than the costs of not adapting to environmental circumstances.

Contemporary themes in HRM

! NEED TO KNOW

Over the last decade HRM thinking and practice have evolved in significant new directions as HR agendas have shifted to take account of development in the business environment.

As the world of work evolves and becomes more diverse, traditional models of working are giving way to more flexible forms of organisation and employment. Over the last decade organisations have increasingly become "flexible" by adapting the size, cost and composition of their workforce (Atkinson 1984). We'll consider this development in more detail in Chapter 4 by looking at flexible methods of working and flexible employment models.

Also, organisations must ensure that employees have the skills and capabilities to respond positively to advances in technology and shifts in customer preferences. The leading academic Peter Senge (2010:8) comments that:

> *"As the world becomes more interconnected, and business becomes more complex and dynamic … organizations that will truly excel in the future will be the organizations that discover how to tap people's commitment and capacity to learn at all levels in an organization."*

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This means not only providing training and development opportunities but also ensuring that key stakeholders, such as line managers, create the necessary conditions for effective learning to happen.

Taylor (2011) highlights that much more interest is now being taken in issues and approaches that were previously regarded by many organisations as secondary, such as work-life balance issues and HR ethics.

2.2 "Hard" and "soft" approaches to human resource management

"Hard" and "soft" HRM

Storey (1989) describes two broad approaches to HRM.

"Hard" model – treats employees simply as a resource of the business, like machinery and buildings. The focus is on **resources** – identifying the workforce needs of the business, then recruit and manage accordingly.

"Soft" model – employees are the most important resource in the business and a source of competitive advantage. The focus is on human aspects – the needs of employees in relation to roles, rewards, motivation and so on.

Let's compare the approaches:

Hard HRM	Soft HRM
Short term changes in employee numbers	Focus on workforce planning
Minimal communication from the top down	Strong and regular communication
Pay – enough to recruit and retain enough staff	Pay – competitive with performance related rewards, for example, bonus
Little empowerment or delegation	Employees are empowered and seek responsibility
Appraisal systems focus on making judgements (good or bad)	Appraisal systems focus on identifying and addressing training and other needs

Table 2: Hard and soft HRM – a comparison

So which approach is better? The answer is that it depends! The type of organisation is a strong influence on the approach taken. However, to achieve its business objectives, an organisation is likely to need to adopt HR policies and practices that engage with both the "hard" and "soft" elements of HRM.

! NEED TO KNOW

The focus of "hard" HRM is on resources. The focus of "soft" HRM is on human aspects.

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CASE STUDY

A "hard" or "soft" approach?

The Bolt Company is a small manufacturing firm with 50 employees. The HR manager has recently produced a booklet that outlines all the company's HR policies and procedures. A copy has been given to all employees, together with an invitation to the launch of a new employee forum. The purpose of the forum is to give employees an opportunity to discuss the future of the business with senior managers. The forum will be held every four months and the HR manager would like at least five employees to attend regularly.

OVER TO YOU

Activity 2: Case study analysis: 'Hard or soft' approach

Do you think that the HR manager of the Bolt Company in the case study above is taking a "hard" or "soft" approach to HRM? Use the space below to summarise your answer, including your reasons why.

HR delivery methods

In Chapter 1 we looked at two methods of HR delivery – the traditional model of HR delivery and the "three-box" model. In practice there are many ways in which HR can be delivered and the HR function may look very different from one organisation to another. Let's now look at some other delivery models.

- **Shared-service centres** – these are a single, often relatively large, units that deal with all the routine "transactional" services across the business. This usually includes recruitment administration, payroll, absence monitoring and advice on simpler employee relations issues. The job of shared services is to provide low-cost, effective administration.

- **Outsourcing** – this is the purchasing of HR services from a third-party supplier in order to access skills, knowledge, quality and cost reduction. Potential benefits of outsourcing include access to HR expertise that is not available internally and increased flexibility and speed of response to HR problems.
- **HR consultancy** – some organisations may decide to hire specialist HR consultants to provide advice on certain issues or develop specific strategies or policies, but not typically implement them. Because consultants work with many different clients, they can bring deeper levels of expertise than an organisation would hope to have in-house. Additionally, each organisation only has to purchase as much of the consultant's service as they require.

The resource-based view of strategic HR

The **resource-based view (RBV)** states that it is the range of resources – including human resources – within a business organisation that produces its unique character and creates competitive advantage (Armstrong and Taylor, 2017). Here, human resources include all the skills, knowledge and attributes of the employees.

The RBV emphasises that investment in employees – through activities such as training and development – increases their value to the organisation. Thus, the RBV tends to reflect the developmental principle of the soft model of HRM.

Importantly, the RBV also suggests that some HR objectives – such as those in relation to reward – should be strongly influenced by the need to attract and retain talented people.

! NEED TO KNOW

The resource-based view has had significant influence on thinking about HRM.

"Best practice" and "best fit" approaches to HR

In Chapter 1 we looked at the "best practice" and "best fit" approaches to HR. Let's remind ourselves of the approaches.

- **Best practice** – there's a set of best HR practices which always result in high levels of organisational performance.
- **Best fit** – HR practices should take account of the unique context of the organisation.

Both models offer organisations powerful tools for shaping HRM processes and there will not be any absolute judgments on which approach works best. However, it is generally accepted that 'best fit' is more important than best practice.

Ethical and responsible approaches to HR

According to Armstrong and Taylor (2017), the corporate goals of an organisation should encompass the rights and needs of employees, as well as those of the business. Within this, the HR function has a special responsibility for protecting and promoting core values on how employees should be managed and treated.

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NEED TO KNOW

HR has a primary responsibility for championing approaches that concern the dignity and rights of employees.

Of course, HR policies and practices must comply with the law. However, as Taylor and Woodhams (2014) remind us, legal compliance is a minimum standard. Ethical and responsible HR is a proactive approach that works towards fairness for all. Key aspects include:

- equality of opportunity;
- dignity at work;
- work-life balance;
- health and well-being.

Employees should be treated in ways that recognise their natural rights to be treated justly, equitably and with respect (Armstrong and Taylor, 2017).

CASE STUDY

An ethical dilemma

Elliot is a HR officer in a large technology company. A departmental manager asks him to raise the performance appraisal score of an employee from another department. Elliot is told by the departmental manager to simply change the score and "ask no questions".

OVER TO YOU

Activity 3: Case study: An ethical dilemma

What should Elliot do and why? Summarise your answer below.

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2.3 The role of key stakeholders in delivering a strategic approach to HR

Key stakeholders

All successful HR work is built on a foundation of good working relationships that foster trust and open communication. Let's look at some of the most important **stakeholders**.

Line managers

Line managers play a very important role, not only in the day-to-day management of people and operations, but also in the implementation of HR policies.

The role of the line manager, as well as delivering the department's objectives, is to:

- enable HR policies and practices;
- act upon advice or guidance from HR;
- control the work flow by directing and guiding the work of others.

The extent to which responsibility for core HR activities, such as recruitment and selection, is devolved to line managers largely depends on the model of HR delivery. Nevertheless, line managers make a significant difference to people management practices.

Importantly, research tells us that employees who feel positive about their relationship with their line manager are more likely to have higher levels of job satisfaction, commitment and loyalty – which in turn are linked to higher levels of organisational performance and achievement of business objectives (Hutchinson and Purcell, 2003).

! NEED TO KNOW

The role of the line manager is "to bring HR policies and practices to life".

Senior managers

Senior managers set the direction of the organisation. They are concerned with areas such as costs and efficiency, reputation, leadership development and supporting business objectives with appropriate HR objectives.

Employees

Organisations achieve their business objectives through the effective management of its people. Well-run organisations take account of employee opinions, concerns and values. Even if an organisation is only concerned with outcomes such as "profitability", getting employee views is still important – in the long-term employee dissatisfaction is likely to impact on profitability.

Other business functions

Other business functions play an important role in delivering a strategic approach to HR. Let's use the finance function as an example.

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Not only does the HR function need to ensure that there are enough employees available to do a company's work, but it also needs to ensure that the employees have the right skills, are placed in the right jobs, are paid competitively and receive the proper motivation and rewards. The finance function helps HR to do this. How? The most obvious way is by providing data. HR needs to know, for example, what the company can afford to pay its employees now and in the future. By working together, the functions can utilise the data they each hold to gain a better understanding of the current situation as well as determine the best way forward to meet business objectives.

Shareholders

Although the responsibility for running a private company is devolved to its board and directors, shareholders have an interest in how the company's workforce is managed. For example, a challenge for the HR function is ensuring that decisions about how employees are rewarded are consistent with shareholder interests. Shareholders might consider that a proposed pay increase is too high because it negatively impacts on their dividends. On the other hand, shareholders may consider that the proposed pay increase is too low because it impacts negatively on the company's reputation.

Trade unions

Trade unions with members employed by an organisation have a direct stake in its HR policies and practices. Unions will often be called upon to represent their members in the development of new or changed employee agreements, with the aim of getting the best possible deal for their members. The levels of trade union membership differ across organisations and industries. While trade union membership has declined in Europe and North America, it has been relatively stable or grown in other regions such as South Africa and China (The Federation of International Employers, 2017).

Other forms of collective representation, such as employee forums and work councils, are common in some industries.

OVER TO YOU

Activity 4: Trade union membership

Research trade union membership levels in your country. Are the numbers rising or falling? Are there differences across sectors and industries? Summarise your findings below.

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Governments

Governments play several roles. They:

- pass laws that form the legal framework for HR practice;
- implement laws by publishing guidelines and providing advice;
- act as economic managers and are concerned that wage costs don't result in inflationary pressures in the economy;
- are employers themselves.

The importance of managing relationships with stakeholders

Most stakeholders have a degree of power or influence which they can exert over HR and the organisation. For example, a senior manager may have the power of veto (the final authority to say no) over a proposed HR approach or initiative. Two different types of stakeholders may come together to exert their influence. For example, employees who are unhappy about working practices may join forces with the relevant trade union.

At a general level, different stakeholders have the same common purpose – the overall success of the organisation. However, at a more detailed level, they are likely to have different priorities about how to meet that goal as well as different views about the HR function itself. Understanding how to relate to diverse expectations helps the HR function to better manage relationships – to see where the tensions and conflicts may arise, and to adopt strategies to address, if not, resolve them.

Research by Hirsch and others (2008) suggests that by proactively managing relationships, the HR function is better able to work across the business to achieve more consistency of people management and to develop and deploy people more effectively for the benefit of the whole organisation.

Summary

In this chapter we defined and considered the evolution of HRM. We explored a variety of approaches that looked at the role of stakeholders in delivering a strategic approach to HR. This chapter highlighted the complexity of HRM and the significance of effectively managing relationships.

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Activity 5: Activity sheet for an organisation

Working with another student, if possible, consider an organisation with which you are both familiar.

Using the activity sheet below:

1 Make a list of the organisation's internal and external stakeholders.

2 List each stakeholder's interest in the HR function.

3 List each stakeholder's expectations of the HR function.

4 List what each stakeholder could potentially contribute to delivering a strategic approach to HR.

5 Rank the stakeholders in order of their importance in delivering a strategic approach to HR.

Stakeholder	Interests: What is their interest in the HR function?	Expectations: What do they expect from their relationship with the HR function?	Potential: What contribution could they make to delivering a strategic approach to HR?	Ranking: Rank the stakeholders in order of importance

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Chapter 3

The Role and Function of Human Resources within the Key Areas of Resourcing, Reward and Performance

Introduction

You have studied the important strategic role that HR has to play. But HR isn't just about strategy. It is about how to take these initiatives and corporate goals, and apply them in a practical way to ensure all staff operate to the very best of their ability, and are motivated to do so. In this chapter we look at the key roles that HR perform to ensure maximum performance from its staff, from making sure the right staff are recruited in the first place, to managing high performance and under-performance.

Learning outcomes

On completing the chapter, you will be able to:

3 Summarise the role and function of human resources within the key areas of resourcing, reward and performance

Assessment criteria

3 Summarise the role and function of human resources within the key areas of resourcing, reward and performance

3.1 Outline different methods of recruitment and selection

3.2 Recommend the most effective techniques for retaining talent within the organisation

3.3 Outline key performance management activities and initiatives (including High Performance Working)

3.4 Recommend creative and effective policies for reward management

3.5 Analyse the relationship between resourcing, performance management and rewarding talent, and how this contributes to the achievement of business objectives

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3.1 Different methods of recruitment and selection

What is recruitment and selection?

Recruitment is the process of finding and appointing the people the organisation needs. **Selection** is part of that process and consists of a number of different methods to identify the best people for the job.

This part of HR's role is important for the organisation itself and for line managers. Selecting the wrong person for a post could impact on productivity, if they do not have the right knowledge, skills or experience to do the job. If they do not fit within the team this could cause problems for team morale and possibly, in extreme cases, lead to existing members of staff leaving the organisation as a result.

The recruitment and selection process

The recruitment and selection process has nine stages.

1. Decide on the duties of the vacant post (This document is called a **job description**).
2. Decide on the knowledge, skills and experience required for a person to do this role (This document is called a **person specification**).
3. Advertise the post.
4. Sift applications to produce a shortlist (a number of potential people who have the required skills, knowledge and experience).
5. Notify those people not shortlisted.
6. Interviews and selection tests (such as a skills test).
7. Obtain references.
8. Offer employment to the successful candidate and issue contract.
9. Notify unsuccessful candidates.

Where to advertise?

Once the vacancy is agreed – and a job description and person specification agreed for the role – the next decision is where to advertise the post. There are a number of different options that an

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organisation could utilise, depending on the money available to spend on the advertisement, the sort of vacancy being advertised, and so on.

Advertising method:	Description:
National newspapers	Useful for more senior posts, such as managers. Can be expensive.
Local newspapers	Better for lower-paid roles, where applicants are likely to live nearby.
Local shops	Again, effective for lower-paid roles.
Word of mouth	This is where an employee tells a friend of family-member about a vacancy.
Company websites	Here the company can advertise all vacancies in their own organisation.
Social media	For example: Facebook, Twitter. Can reach millions of people.

Table 1: Advertising methods

Great expectations: Recruiting and retaining the Millennial generation

Human Resource Management International Digest, Vol. 24 Issue 2 pp. 32 – 35
This document will be available from within your online student resources.

OVER TO YOU

Activity 1: Advertising a vacancy

If you were asked to advertise an office administrator vacancy, where would you advertise it?

What factors did you take into account to decide on the place(s) you would advertise the vacancy?

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Types of recruitment

Recruitment and selection can be either internal or external. **Internal recruitment** means that the post is only advertised within the company, so only current employees can apply for the post. **External recruitment** means that a vacancy is advertised inside and outside the company, so anyone can apply for the post. We also talk about formal and informal recruitment. **Formal recruitment** means that a company follows all normal procedures (for example, advertises in newspapers or online). **Informal recruitment** is less structured and will very often rely on word-of-mouth recruitment.

Type	Advantages	Disadvantages
Internal recruitment	You know the employee's skills and abilities, so this reduces the risk when you recruit someone you don't know. No advertising costs. The employee knows the organisation and will probably be very motivated to be successful in achieving a new role, and therefore their performance levels should be high.	Someone from outside the organisation may bring new ideas to improve its performance. It may automatically create another vacancy somewhere else in the organisation that will need to be filled.
External recruitment	Advertising outside the organisation may lead to a bigger choice of possible candidates. New employees may bring new ideas on products or ways of working.	It can be very expensive and time consuming, especially if you have advertised in newspapers. New employees will need to go through an initial training period to settle into the job, which may result in a temporary reduction in performance or productivity.
Formal recruitment	You are following proper procedures which are designed to select the best person for the job. You can ensure you comply with legal procedures around recruitment.	It can take a long time to fill a vacancy, which means that the rest of the team are having to cover that work too. This puts added stress on the other team members and can also lead to reduced productivity.
Informal recruitment	Very often this means recruiting a friend or family member of an existing employee. They may therefore know a lot about the company before they start. You will have the recommendation of the current employee that the new person will be suitable. Can be a way to recruit someone very quickly.	The employee may be biased in their opinion and may recommend a friend or family member who is not right for the role.

Table 2: Recruitment methods – advantages and disadvantages

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Research by Greenidge and others (2012) indicates that many business organisation in small developing countries, like Barbados, use informal recruitment methods regardless of the size of the company based on their low-cost business strategy. Also, the adoption of informal techniques show the flexibility needed to secure the appropriate job fit for their organisations as they strive to achieve competitiveness.

Recruitment avenues

An **employment agency** is a business that finds jobs for people seeking work, or finds potential employees for employers with vacancies to fill. Employers notify their vacancies to the agency, and they select the names of people who have registered with them and are looking to find a job. The agency will be able to check to make sure that each person they send through to the employer has the required skills and experience. The employer can then shortlist from this list of names and go through their normal selection processes. While this makes recruitment much easier for employers, it should be remembered that the agency will charge for this service, so it can work out to be quite expensive.

Graduate recruitment is a specialised form of recruitment that focuses on the recruitment of people who are about to leave university or other higher education establishments, having completed their degrees. These graduates will certainly have the knowledge required for a role, through their degree, although might not have business experience, unless they have been working alongside their studies.

Graduate programmes are often used to select and develop people to become that organisation's senior managers later in their careers.

Of course, an employer does not just want to target graduates in the higher education environment. **Educational liaison** is when an employer builds links with any education establishment – from schools for the under 10s all the way up to higher education. This can involve the school or college hosting talks by employers, or the students going to an employer to learn about a particular industry. This acts as good publicity for the employer as they are working with their local community, as well as forming links with prospective employees of the future.

Finally, there is role of a **headhunter.** This person is not employed by an organisation but is contracted for a period of time to work on behalf of an organisation to find an excellent person for a vacancy. It can be very expensive to use a headhunter so they tend to only be utilised for very senior management or highly specialist vacancies.

! NEED TO KNOW

There are nine stages to the recruitment and selection process. There are also different forms of recruitment such as external and internal, formal and informal, graduate recruitment, education liaison and headhunters.

Different selection methods

As you have seen, there are many ways to gather interest for your vacancy, which should hopefully mean you have a number of applicants for your post. So now the question must be – how can we find the right person for our job from all these applications? And this is where selection methods can help.

Selection is concerned with identifying the best people for the job, using a number of different techniques. These include:

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Shortlisting

Shortlisting is the first step in the selection process. Here applications are matched to the requirements outlined in the person specification to reduce the number of applicants to a pool of people who could all, potentially, do the job role.

Employers will often use a grading system – such as a score of 1–10, where 10 means that a person fully meets and exceeds the requirements for knowledge, skills and experience, and 1 means that there is very little match to the specification.

This process will reduce numbers (for example, to five or six people), and these will be the people invited to interview and/or selection tests. The employer will then contact those other applicants who were not shortlisted to inform them of the outcome.

Interviews

Interviews are a very popular selection method – whether just with the HR Manager or line manager and the candidate/prospective employee, or with a number of different managers.

According to the CIPD (2016), for the employer, the interview is an opportunity to:

- discuss candidates' experience and previous achievements, and their suitability to fit into the team;
- discuss details such as start dates and terms and conditions;
- give the candidate a positive impression of the organisation as a good employer.

For the candidate, the interview is an opportunity to:

- understand the job role in more detail;
- ask questions about the organisation;
- decide if they like the organisation.

However, the interview does have its critics. It could be argued that it is great for candidates who are very articulate (but who might not be very good at the job) and is not so great for people who may be shy or get nervous, but who can do the job perfectly. It is often a good idea, therefore, to use selection tests alongside interviews (see below).

Selection testing

Psychometric tests allow employers to assess individual differences in a slightly more scientific way than selection interviewing. They are sometimes administered online or at an **assessment centre**, particularly when assessing high volumes of applicants and, according to Armstrong and Taylor (2017) could include the following types:

- intelligence – measure general intelligence of a candidate;
- personality – assess the personality of candidates in order to make predictions about their likely behaviour in a role;
- aptitude/attainment – assess abilities or skills and ability to perform tasks.

A different form of selection test might be a roleplay where candidates are asked to act how they would respond in a particular situation. For example, for an HR Manager roleplay, the candidate might have to act out a disciplinary investigation or interview, to show their skills in dealing with these situations.

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References

A person applying for a job normally has to give the names of two people – one of whom is usually their current line manager – to provide witness testimony to the new employer about the ability of the person.

There are two types of employment reference:

- professional reference – usually from the candidate's current employer, or a previous employer or manager
- character (or personal) reference – this typically comes from an independent person, often in a respected position, who knows the candidate well

Any offer of employment is normally subject to satisfactory references.

While some types of selection methods are more popular in some countries, research suggests that that the differences are not that large because there is a certain level of consistency in people's perceptions of the fairness of different selection methods across the globe (Steiner and Gilliland, 2001).

OVER TO YOU

Activity 2: Selection methods

In Activity 1, you were asked to consider how you would advertise for the post of office administrator. Let us now imagine that you have done this, and 40 people have applied for the position. What selection methods would you use, and why, to reduce that number down to the one person you want for the role?

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OVER TO YOU

Activity 3: Recruitment and selection legislation

As a homework activity, explore the legislation that applies to the recruitment and selection process in your country. For instance, this might be around equal opportunities and no discrimination (e.g. refusing to appoint someone who has a different religion or ethnic background from the rest of the employees on the team). Make a list of the laws that you think are relevant to anyone recruiting and bring them to your next lesson.

Selection is concerned with identifying the best people for the job using a number of different techniques, such as shortlisting, interviews, testing and references.

Recruitment difficulties

Finally, let us take a pessimistic view for a moment. What can HR do if there are no applicants for a post? Here are a number of suggestions.

- **Job description** – Are people not applying because the job sounds unattractive? HR could discuss with the line manager to see if the job duties contained in the job description could be reshaped or rewritten to make the job more appealing.
- **Person specification** – Are the requirements contained within the person specification realistic to the role? Are there likely to be sufficient people in the local area with those skills, knowledge and experience?
- **Advertisement** – Have you used every possible option in terms of where you have advertised your post? Could you do anything to make the website entry, social media notice or advertisement more attractive or noticeable?
- **Terms and conditions** – Are the salary, benefits and other terms and conditions fair for the post you are advertising? Are your competitors offering something better for similar roles?

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3.2 The most effective techniques for retaining talent within the organisation

Measurement and costs of staff turnover

Staff turnover is the rate at which people leave an organisation. It is calculated as:

$$\frac{\text{Number of leavers in a specified period (usually a year)}}{\text{Average number of employees employed during that same period of time}} \times 100$$

The higher the answer to this calculation, the more staff are leaving the organisation.

OVER TO YOU

Activity 4: Calculating turnover

A local factory employs 250 people. In 2014, 25 people leave the company; in 2015, 40 people leave the company. The turnover rates for those two years, therefore, are:

2015: (25 ÷ 250) x 100 = 10% **2016:** (40 ÷ 250) x 100 = 16%

Question: What will the turnover rate be, in 2016, if 55 people left? Show your workings.

According to Armstrong (2017) it can be very expensive for organisations when staff leave an organisation in a number of different ways, such as:

- cost of having **to recruit for the vacancy that the person who leaves creates** (such as advertising and administration costs)
- cost of having **to train the new people appointed** when they first start the job
- **loss of output for the company** – a person leaving an organisation is likely to be less motivated while working their notice, and so their productivity is likely to reduce
- **loss of output after the person leaves**, while a new person is being recruited
- **loss of output while the new person gets started** in their role – it will always take someone, whatever their role, some time to get used to the new job and to speed up in terms of their productivity.

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Labour turnover is calculated as:

$$\frac{\text{Number of leavers in a specified period (usually a year)}}{\text{Average number of employees employed during that same period of time}} \times 100$$

Reasons why employees might leave an organisation

There can be many reasons why an employee leaves an organisation. These include:

- a higher salary;
- better career opportunities;
- more chance for training in the new company;
- more job security;
- better working conditions (or health and safety conditions);
- poor working relationship with manager or team colleagues;
- more chance for training in the new company.

So what can an employer do to improve retention in their organisation? While some labour turnover or **workforce mobility** can be considered a good thing – to bring new people into the company, with new skills and ideas – no employer wants to see many people leaving, especially if they are leaving to join a competitor. Many employers use **employee surveys** or **exit interviews** to ascertain why employees leave their organisation. This helps an employer to recognise any trends or problems that could be overcome.

Employers can take many steps to improve **staff retention**. The Chartered Institute of Personnel and Development (CIPD) produce an annual **resourcing** and **talent planning** survey. In the 2015 Survey, they suggest that the following are the top six ways that employers utilise to reduce labour turnover:

Method	Likely impact
Improve pay	Obviously, this has the advantage of giving the employee more money so they do not leave, but could have consequences. But, what might his or her colleagues think about that? Would they too demand more money from the company so that they do not leave? This could become quite costly for the company.
Increase training and development opportunities	Increasing people's skills may increase their motivation and their desire to stay with your organisation. They could then feel that the organisation cares about their career development, or become less bored with the job they are currently doing. They may also feel that they could now apply for promotion posts within the company.
Improve the people skills of line managers	Sometimes line managers can become too focused on the task and forget communicating positively with their staff. Increased training for managers could improve their communication and interpersonal skills, which could improve their people management skills and make working lives better for their staff.

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Method	Likely impact
Improve selection techniques	Recruiting the right person for a job is very important. Imagine the selection methods used have not been carried out properly and the organisation has ended up appointing someone to a job that they are not capable of carrying out. This could mean the organisation perhaps having to spend money to train that person, or that the person realises that they cannot do the job and resigns.
Improve induction processes	Induction is the process of making new employees feel welcome, and giving them the basic information needed to help them settle down and feel happy working for this new employer. If there is no induction, or a poor induction, the new employee will feel unwelcome and regret joining, and may quickly leave.
Improve employee involvement	Employee involvement means that employees are given the opportunity to state their views on something, or put forward their own ideas. It can make employees feel valued if they think that management are listening to them and their ideas.

Table 3: Ways to reduce turnover

OVER TO YOU

Activity 5: Reducing labour turnover

Working with another student, if possible, identify any additional approaches that employers could use to reduce labour turnover – for example, more flexible working.

Think of an organisation with which you are both familiar and make a list of things that could be done to keep labour turnover low.

Labour turnover can be very costly to an organisation. There are a number of strategies an employer can take to reduce it.

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3.3 Key performance management activities and initiatives

What is performance management?

Performance management can be defined in different ways. Armstrong (2017:391) defines it as:

> *"The continuous process of improving performance by setting individual and team goals, which are aligned to the strategic goals of an organisation."*

Performance management involves planning performance and tasks to allow an employee or a team to achieve goals, and then reviewing progress against these goals. It is supportive, making sure that employees have the right skills and knowledge to be able to achieve their goals, but also involves policies to address under-performance through disciplinary or capability procedures.

Armstrong and Taylor (2017) suggest five key questions to consider when managing performance in an organisation.

1. What do we mean by performance? How would we measure it?
2. Can we identify good or poor performance? In other words, can we tell who is a good performer and who is not?
3. Can we establish the cause of good or poor performance?
4. How can we motivate people to perform well?
5. Can we do all this fairly and consistently?

It will not be a surprise given all this, that organisations use performance appraisal, training and disciplinary processes to assist with performance management.

Performance appraisal (also known as **performance review**) is a process for individual employees and their line managers to discuss the employee's performance, training and development needs, and also any support the employee needs in their role from the line manager. It is usually used to assess recent performance, via feedback and to set objectives for the future.

The **disciplinary process** is a mechanism for organisations to deal with misconduct or wilful under-performance (for example, when an employee avoids work whenever possible). Where under-performance is due to a lack of skills, organisations would not discipline someone, but would introduce training and development measures to support the employee and help give them the required skills.

What are the main stages of the performance management cycle?

The performance management process is often referred to as a "cycle" because, as we have seen, it is continuous, and breaks down into a number of stages. There are many versions of the cycle, all saying similar things in different ways. This is a good example:

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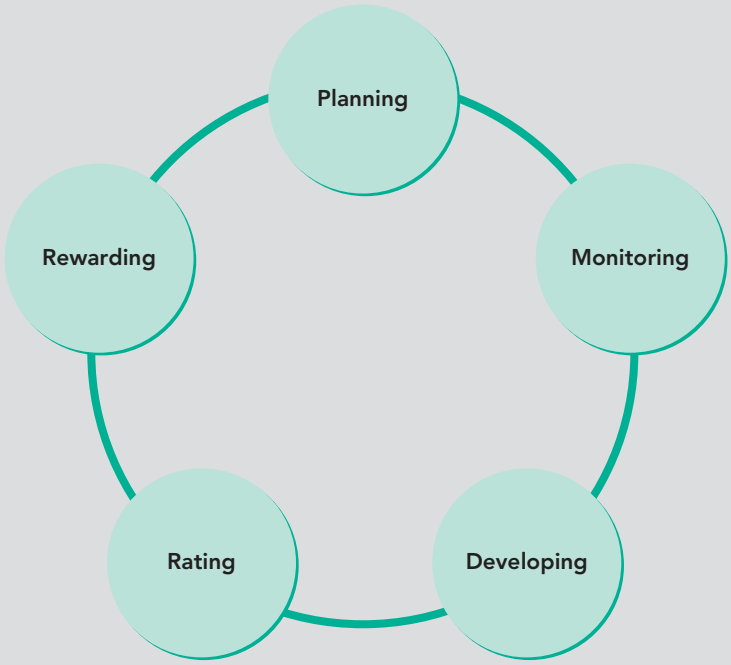

Figure 1: The performance management cycle

Source: www.opm.gov/policy-data-oversight/performance-management/performance-management-cycle/

Step 1: Planning (including managing expectations)

This is where work can be planned in advance and objectives can be set. This planning would require consideration of organisational and team objectives, the specific job role of the employee and their current skills and competencies to do the job role. It is important to make sure that the employee's objectives are realistic and achievable.

It is at this stage that expectations can be set and managed. This might mean the manager explaining an employee's job role and how their responsibilities link to organisation and team or department objectives. This would include specific targets to be completed by the employee, as well as the expectations about behaviour (such as working well with team colleagues, or acting with courtesy at all times).

Step 2: Monitoring

This is where the employee's progress is reviewed at regular intervals to ensure they are on target to achieve those targets agreed at Step 1. The employee is given feedback to assist this achievement on their progress thus far.

Step 3: Developing

This is enhancing the employee's ability to perform through training or coaching or other forms of learning.

Step 4: Rating

This provides a way to assess or grade performance, again to give feedback on performance.

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Step 5: Rewarding

In some organisations this rating is linked to an employee's pay, through performance-related pay or bonuses (see later sections on reward).

There is an additional aspect to consider in the performance management cycle: **managing expectations**.

Performance management is a cyclical process and is all about planning performance and tasks to allow an employee or a team to achieve goals, and then reviewing progress against these targets.

It's time to bring performance appraisal into the twenty-first century. The lessons from companies like Cisco, Google and Infosys

Human Resource Management International Digest, Vol. 23 Issue 7 pp. 23–26
This document will be available from within your online student resources.

OVER TO YOU

Activity 6: Measuring performance of staff

Think of an organisation with which you are familiar. How do they measure performance among its staff? What could they do to improve performance?

High performance working (HPW)

High performance working (HPW) was defined by Coombs and others (2006) as the sum of the processes, practices and policies put in place by employers to enable employees to perform to their full potential. In other words, the idea is that a combination of certain HR practices will lead to employees who are very motivated and committed, and therefore perform to their maximum ability. The benefits of this for the organisation could be improved customer service, higher profits and a growth in business.

Sung and Ashton (2005) suggest that the following processes and practices will lead to a HPW organisation:

Work practice	Description
High-involvement work practices	This includes any methods an organisation has to involve employees in decision-making. This might be through formal staff committees or more informal staff forums. It could also include **role autonomy** where managers reduce the amount of supervision they carry out over their employees and give them the chance to "self-manage". This can also be applied to teams where the team operates itself without the need for close management supervision.
HR practices	This could be well-developed and effective recruitment processes that are able to identify employees with high potential. It could also be through effective use of the performance appraisal system to develop employees to their full potential. It could be by re-designing a job to take away some duties that are wasting an employee's time, so he or she can then focus on more productive work. A final example could be learning and development programmes that train employees not just for the job they are doing now, but develop them for their future careers.
Reward and commitment practices	One example here is financial reward that relates high performance such as performance-related pay (see below for more on reward management). Another could be non-financial benefits and rewards such as: generous sick pay, health insurance or flexible working hours – all these could make the employees feel valued, and therefore more committed to the organisation and keen to perform well.

Table 4: High performance working practices

As you can see from the table above, the role of the manager is crucial in HPW. From setting challenging individual objectives that link closely to organisational strategic objectives, to organising the relevant training and development. Managers are critical to its success and need to trust the abilities and experience of their employees.

CASE STUDY

High performance working

Cherise works for a manufacturing company that aims to be creative and continually developing new products for the market. The company regards itself as being an HPW organisation and so stresses the importance of developing high levels of trust amongst its employees and between management and staff. This encourages people to share their good ideas for new products, to help the company expand. It also strongly encourages team working amongst its employees and provides a wide variety of training and development to continuously develop people's knowledge and skills. As a result, it is very successful in its sector.

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High performance working (HPW) is the combination of high quality HR processes and practices to enable employees to perform to their full potential.

3.4 Creative and effective policies for reward management

What is reward management?

Reward is the process of deciding how employees should be paid, or rewarded by other means, including financial or non-financial benefits or rewards. It is a key part of the strategy to help attract and then retain employees. According to Armstrong and Taylor (2017) reward management is the term used to describe the strategies, policies and procedures required to recognise the value and contribution of staff to the achievement of organisational objectives.

What are the aims of reward management?

The aims of reward management include the following.

- to help the organisation achieve its objectives by encouraging high performance
- to reward the skills and behaviours that the organisation wants to encourage
- to recognise valuable employees
- to attract and retain high-quality applicants
- to help to motivate employees

Key reward perspectives

A number of key perspectives help to shape the reward approach adopted by an organisation.

Stakeholder	What are they looking for in reward?
Employer	The employer aims, in its reward management, to keep salary costs as low as possible, but not so low that they are demotivating to current staff and stop new employees joining the organisation. The employer also needs to keep an eye on the competition. The more they pay in terms of salaries, the less overall profit they will make. This is why pay is sometimes linked to increased performance, through performance-related pay or bonuses (see later notes).
Employees	Employees want to be paid well, especially if the organisation is making high profits. But there is another element to this – they want to be paid fairly (see section on fairness below).
Employee representative groups (including trade unions)	The role of representative groups, such as trade unions, is to look after their members (for example, employees). They will want to negotiate with employers to ensure the best possible pay rises for their members – making sure it is fair compared to other employers in the same industry or sector. They will also support individual members of staff, who think they are not being paid fairly, to take their case to their line manager or HR manager.

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Stakeholder	What are they looking for in reward?
Managers	Line managers are often involved (along with the HR team) in setting the salary for a newly-appointed member of staff. If the organisation operates a performance-related pay (PRP) scheme, they will also be responsible for assessing the employee's achievement of the targets set, which will decide how much extra PRP the employee receives. This can be quite stressful for both the line manager and the employee – especially if they disagree over the level of performance, and therefore the extra pay to be awarded.
Shareholders	Shareholders have bought shares in a private sector organisation and want to see a return on their investment – in other words, earn money on that investment by receiving a percentage of the company's profits each year. They have the same dilemma as the employer – on one side, they want salary costs to be as low as possible so that the profits are as high as possible. But on the other, they don't want salaries to be so low that they demotivate employees, reducing performance and therefore profit.
Government	The national government are interested in pay levels as this will directly relate to the economy of a country. If pay is consistently too high, it can cause high levels of inflation in the economy, which no government likes to see.

Table 5: Key reward perspectives

Rewards policy and practice: key elements to know

When setting pay levels, there are many factors that an organisation has to take into account.

- What is the current **financial situation** of the employer?
- Are there lots of people in the **labour market** who could be appointed to a position (where the salary could be lower) or **are the skills you need quite rare** (where the salary would have to be higher)?
- **What level of skills, knowledge, experience and qualifications are required for the post** (the more that is needed, the higher the salary is likely to be)?
- Are the **national and local economy in a good state**? Is inflation high or low (if it is high then people will want higher salaries)?
- **What are your competitors paying for a similar role** in their organisation?

Key reward techniques

Let's now consider some of the key techniques used within reward.

Grade and pay structures

Not everyone will be paid the same, and the salary they receive will be related to their job role and their position in the organisation's structure. **Grade and pay structures** provide the framework for this to happen, from a reward perspective. They enable the organisation to determine where jobs should be placed in a hierarchy, define pay levels and the scope for progression. Roles at each level of the hierarchy will be allocated a salary range (for example, four salary points). Each year a

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person moves from one point to the next and when they reach the top of the range they stay at that point, unless they are promoted to a higher post.

Job evaluation

In simple terms, **job evaluation** is a process for measuring what a job is worth to an organisation, which then helps set the pay for that job. It takes into account the duties and responsibilities of the job as well as the skills/knowledge/qualifications/level of experience that a person needs to do this job. Each aspect is given a score against set criteria, which is then added up and equated to a salary point.

Job evaluation also helps to compare different jobs against each other. For instance, in a factory, how would you decide the salary of a factory worker compared to an HR officer in that factory? Who should be paid more?

Market rates

Market rate analysis is a method of calculating the salary of a post, not by using a "scientific" method such as job evaluation, but by looking at what other organisations in your sector (or your competitors if the employer is operating in the private sector) are paying for similar posts. That information could come from the job advertisements of your competitors, published salary surveys, or information from employment agencies.

Market rate analysis isn't a particularly reliable method to calculate a salary, but can be useful if the employer cannot find people to fill vacancies.

Performance-related pay

A way of paying people related to the achievement of set targets or results. For example a factory worker receives a basic salary each month, however, he or she might also have the chance to work an extra 10% of their salary if they achieve a target agreed with the manager. The idea is that it motivates the employee to work hard (to earn extra money) and the employer gains by getting higher productivity from its staff that will hopefully lead to higher profits.

CASE STUDY

The best way to pay?

Robert works for a garage selling cars. He receives a set salary each month but it isn't very generous and is barely enough for him and his family to survive. However, if he sells more than 12 cars per month he receives a bonus of 15% of his month salary as a lump sum additional payment. If he sells more than 20 cars, that bonus rises to 25%.

OVER TO YOU

Activity 7: Case study analysis: The best way to pay?

Thinking about this case study, what are the advantages and disadvantages of this reward system for Robert, and for his employer? Do you think that there is a better way to pay him? Explain your answer.

Reward is the process of deciding how employees should be paid, or rewarded by other means, such as financial or non-financial benefits or rewards. It is a key part of the strategy to help attract and then retain employees.

Types of reward

Benefits

Many employers offer extra benefits to their employees in addition to the salary paid, or on top of what they are legally required to offer. For example, if the law says that an employee is allowed six months' absence once her baby is born as maternity leave, an employer might offer, as part of its benefits, that a woman can be entitled to nine months' maternity leave.

Common examples of the benefits offered by employers include:

- pension schemes
- profit sharing
- employee share options
- commission or bonus
- company loans
- staff discounts
- healthcare
- flexible working
- extended parental leave

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- career breaks
- relocation fees.

There are several reasons why the employer might want to introduce these extra benefits which are, after all, an extra cost for them. Reasons might be:

- to contribute to the overall total reward package (see below) to make the company more attractive to potential employees;
- to provide an employee with financial assistance if they become ill, or when they retire;
- to meet the organisation's goal of being seen to be a caring employer;
- to increase commitment and motivation amongst employees.

OVER TO YOU

Activity 8: Compare and contrast benefits

As a homework activity, identify three employers in your local area. Carry out research to investigate the benefits each organisation offers, using the list above to guide you. Compare and contrast to see which, in your opinion, has the best reward package. Explain your answer.

Extrinsic and intrinsic reward

Extrinsic rewards are specific things the employer can offer to motivate and/or reward staff. These are usually directly related to job performance of employees:

Pay	A company can designate a generous payment for employees as a reward for the hard work and commitment to achieving their organisational goals. A fair salary is often considered to be motivational and is a major factor that affects job satisfaction. However, the idea behind extrinsic and intrinsic reward is that people are not just motivated by money.
Performance related pay	This is a way to pay people according to their performance. **Performance related pay** links salary progression to an assessment of individual performance, measured against pre-agreed targets.

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Bonus or commission	This is a method of sharing company profit and recognising the contribution of an employee. This might be a bonus for meeting high targets in a manufacturing organisation, or commission through selling a car (for example, with the sales person receiving 10% of the value of the car sold).
Benefits	(as discussed above)
Workplace pensions	Employees and employers make contributions to a pension fund whilst the person is working for that employer, which gains interest over the years. The employee then receives a regular payment from this fund once they retire.
Improved working conditions	An employee spends a lot of time at the workplace and the employer should try to ensure that they work in pleasant environment. This might be good quality furniture, modern computers, comfortable temperatures, protective clothing for employees who work outside, and so on.
Promotion	Employees who are very hard-working and achieve a great deal are very valuable to an organisation. It might be able to offer some of these employees the chance for promotion to higher level posts, with higher level duties and an increase in pay and status.
Profit sharing	Some organisations choose to share the profits they make with their employees – after all it could be argued that the performance and contribution of the employees will have played a very large part in achieving those profits in the first place.
Praise from your manager	This makes you feel valued and appreciated by your manager.

Table 6: Examples of extrinsic rewards

Intrinsic rewards do not come from the employer, they come from the feelings and self-motivation of the employee. We are all different as human beings so our intrinsic motivation and reward will also be different. Some examples of intrinsic rewards might be as follows.

- **Sense of achievement** – The pride you feel when you have achieved a difficult task, or worked very hard on a particular project.
- **Feeling proud of the job you do because you know it makes a difference** – Not many nurses, for example, would expect performance-related bonuses for caring for sick people and helping them to recover. They feel proud of the difference they can make to people's lives and this plays an important role in motivating them in the future.

Different countries vary in the methods and approaches used for rewarding employees as no one system fits all. According to Lawler (2000), rewards capable of attracting and retaining top talent and motivating for performance starts with the understanding of the reward preferences of individuals and how they are likely to vary across borders.

Total rewards

Total rewards are the combination of financial and non-financial rewards made available to employees.

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Figure 2: Total rewards

In this diagram:

- financial rewards = salary + any performance-related pay + financial benefits;
- non-financial rewards = recognition + opportunities to develop skills + quality of working life.

Some organisations (who have a strategy around total reward) give their employees an annual **total reward statement**. This is specific to the employee and illustrates to them all of the pay and benefits that they receive from the employer.

Significance of fairness, consistency and transparency in reward

There are three important concepts that an organisation must consider when designing and implementing its reward approach.

- **Fairness –** we often talk about employees wanting "A fair day's pay for a fair day's work". Fairness is very important in reward – employees want to feel that what they are paid is fair for the work they have done and also want to make sure the pay is fair compared to their colleagues doing similar or equivalent work. If pay does not feel fair to an employee it is very demotivating and there is a strong possibility that they will leave, thus increasing the organisation's labour turnover.
- **Consistency** in a reward context means that behaviour and assessment do not change greatly between employees, or over time. For example, if one employee receives a bonus for achieving an accountancy qualification, another employee completing the same qualification would also expect a bonus. Also, if there is always a pay rise on 1 April each year, employees will expect the same every year. If this is not possible then communication has to be very clear as to why that is, so employees understand. It will link to fairness also – if no-one has a pay rise at all that year, employees will feel fairly treated. If some do and some don't, it will not feel fair.
- **Transparency** links to the point made above about explaining and communicating how reward is calculated, or why certain decisions about reward have been made. This is where the word "transparency" comes in – if employees feel you are being open with them in your reward communications, they are more likely to think they have been treated fairly.

3.5 The relationship between resourcing, performance management and rewarding talent

The value of effective recruitment and induction

Pilbeam and Corbridge (2015) sum up the importance of this key HR function noting that:

> *"The recruitment and selection of employees is fundamental to the functioning of an organisation, and there are compelling reasons for getting it right. Inappropriate selection decisions reduce organisational effectiveness, invalidate reward and development strategies, are frequently unfair on the individual recruit and can be distressing for managers who have to deal with unsuitable employees."*

If the wrong person is appointed – and by "wrong" we mean someone who doesn't have the required skills or doesn't fit within the team – it can have a serious impact on employee and line manager morale, organisational performance (which then, in turn, impacts on reward strategies) and potentially the reputation the organisation has with its customers. However, if the right person is appointed, it can help develop the skills and behaviours within your employees and lead to enhanced levels of performance. This is why recruitment is a key part of high performance working, as we discussed earlier in this chapter.

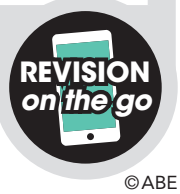
The same applies to **induction**, which Armstrong and Taylor (2017) describe as the process of introducing an employee to an organisation, giving them the basic information required to help them feel welcome and happy, and be able to do the job they were employed to do. Induction helps to show the new employee the right way to behave, to fit with the culture of the organisation, and sets performance expectations (such as, the duties and responsibilities for the new job). If the "right" person has been appointed, but is not made to feel welcome in the organisation (or not supported in their work while they get settled in their job role), they will very quickly resign and the recruitment process has to start all over again.

The relationship between reward, employee performance and positive organisational outcomes

How can reward and employee performance link together for the good of the organisation? Some suggestions are in the table below:

Organisational outcome desired	How do employee performance strategies help?	How do reward strategies help?
To be better than its competitors (to achieve competitive advantage) by continuously coming up with new products (innovation).	To recruit and retain high quality employees with creative skills and experience.	To have a scheme that gives people reward for coming up with new product ideas.
To achieve competitive advantage through having high quality products.	Use sophisticated selection procedures to recruit people who will deliver quality and high levels of customer service.	Link rewards to quality performance and the achievement of high levels of customer service.
Achieve competitive advantage through producing the cheapest products.	Training employees in production techniques will generate measurable improvements.	Introduce a performance-related pay scheme that is directly linked to output targets.

Table 7: Examples of the link between reward, employee performance and positive organisational outcomes



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The links between HPW, sustainable organisational performance and competitive advantage

Earlier, we considered the method of performance management called high performance working (HPW). As we reach the end of this chapter, let's take some time to look at a key research report around organisational high performance and how that can give an organisation an advantage over its competitors.

Sung and Ashton carried out their extensive research on the subject of HPW, the results of which were published in 2005. Some of their key conclusions were as follows.

- HPW is linked to organisational performance. They identified 35 possible HR practices that could lead to HP and said that the more of these an organisation adopts, the more they are likely to have greater employee involvement, be more effective in delivering good training provision, motivate staff and provide career opportunities.
- In order to achieve better support for staff and enhance organisational competitiveness, the use of the reward and commitment practices appear to be better than employee involvement practices.
- In an HPW organisation it is more important to focus on training that is linked to performance requirements rather than just producing quantity (which may not meet quality standards and would therefore end up been rejected and wasted). So in a HPW organisation, training strategy is about creating a work environment in which employees can learn all the time as part of their normal work to develop performance and innovation.
- Organisations committed to HPW practices tend to be the leading organisations in their sector who come up with the best ways of working that their competitors try to follow.

OVER TO YOU

Activity 9: Analysis: Sung and Ashton

What do you think about Sung and Ashton's conclusions in the previous section? Do you agree with what they say?

Is there an organisation in your country that you think is a high performance working organisation? If so, what makes you think this?

Summary

In this chapter we have considered how HR operates in practice, and how that links to HR strategies. We have looked at key functions such as recruitment and selection, performance management and reward. The chapter illustrated the complexity of the work that HR carries out for the organisation and how much of a difference it can make to its success.

Chapter 4

Different Employment Models and the Essential Features of the Contract of Employment

Introduction

The technological, economic and social conditions that shape workplaces and workforces are changing rapidly and profoundly. For a business organisation to survive and grow, work must be organised more flexibly and effectively than before. In this chapter we look at different employment models and explore their impact on the management of people and the HR function.

Learning outcomes

On completing the chapter, you will be able to:

4 Define different employment models and the essential features of the contract of employment

Assessment criteria

4 Define different employment models and the essential features of the contract of employment

4.1 Discuss the strengths and limitations of different employment models

4.2 Recommend the best use of the organisation's people to meet budget and business delivery challenges

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4.1 The strengths and limitations of different employment models

The traditional employment model

Burgess and Connell (2004) describe the main features of the traditional or standard employment model as:

- full-time work sufficient to generate a minimum income;
- employee status attaching rights and obligations through an explicit or implied employment contract;
- expectation of ongoing and predictable employment;
- assigned and regulated workplace;
- formal agreements covering work, working conditions and pay;
- single engagement with one employer.

Globally, fewer than one in four workers are now employed in conditions corresponding to the traditional employment model (ILO, 2015a).

Flexible working methods

Flexible working methods are a type of working arrangement that are non-traditional and give a degree of flexibility on how long, where, when and at what times employees work. Methods include the following.

- **Temporary working** – can be for a defined period (days, weeks or months) or for the completion of a specific project or task. It includes many other forms of flexible working, such as seasonal and casual work. In Europe and Latin America, temporary working is dominated by formal fixed-term contracts, while casual working – without any formal guarantees – dominates in many parts of Africa and Asia (ILO, 2015b). Temporary working is more common in some industries, such as agriculture and construction.
- **Part-time working** – is if the normal hours of work are less than the scheduled full-time hours in an organisation. Many countries have specific legal thresholds that define part-time work in relation to full-time work. Part-time working is prominent in northern Europe, reflecting explicit government policy to promote **work-life balance**. Significantly, in nearly every country in the world, women are more likely to be found in part-time work than men (ILO, 2015b).

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- **Agency working** – is where a temporary work agency supplies workers to work temporarily for a company. The agency worker works under the supervision and direction of the company but only has a contract with the temporary work agency. In some countries temporary agency work is referred to "labour despatch" (such as China and Japan), "labour brokerage" (South Africa) and "labour hire" (Namibia). Temporary agency work has grown rapidly over the last two decades but still represents only a small fraction of the labour force. However, this differs across countries and industries, for example, in Zambia 48% of the labour force in the mining industry was employed by contractor and labour broker companies in 2009, mostly on short-term contracts (ILO, 2015b).

Pitfalls and prospects among "temp" workers: Changing conditions create challenges for workers and management

Human Resource Management International Digest, Vol. 25 Issue 1 pp. 7–9
This document will be available from within your online student resources.

- **Job-sharing** – is a form of part-time working where two (or sometimes more) people share the responsibility for a full-time job. They share the pay and benefits in proportion to the hours each works. Job sharers may work split days, split weeks or alternate weeks.
- **Annualised hours** – mean that the employee works a certain number of hours over the year but has some flexibility about when they work. Sometimes the employee must work "core hours" each week with the remaining hours worked flexibly, or there may be periods of intense working followed by periods of rest (such as the two weeks on, two weeks off pattern found in the oil industry).
- **Compressed hours** – allow an employee to work longer hours on some days so that they achieve their required weekly hours sooner. Common compressed working schedules include full-time hours worked in four and a half days in a week, or nine days out of ten in a fortnight.
- **Zero-hours contracts** – gives an individual no guarantee of a minimum number of working hours, so they are called upon as and when required and paid just for the hours worked. In some zero-hours contracts the individual must accept work if offered.

CASE STUDY

Zero-hours contracts

The Luxury Hotel has 25 staff on zero-hours working arrangements out of a workforce of 96. The hotel is especially busy during the summer months, but also runs large events such as conferences and weddings throughout the year. The hotel has just advertised a number of zero-hours contracts.

Amelia is a student who lives near to the Luxury Hotel. She has experience of working in the service industry. During term-time Amelia attends college most weekdays.

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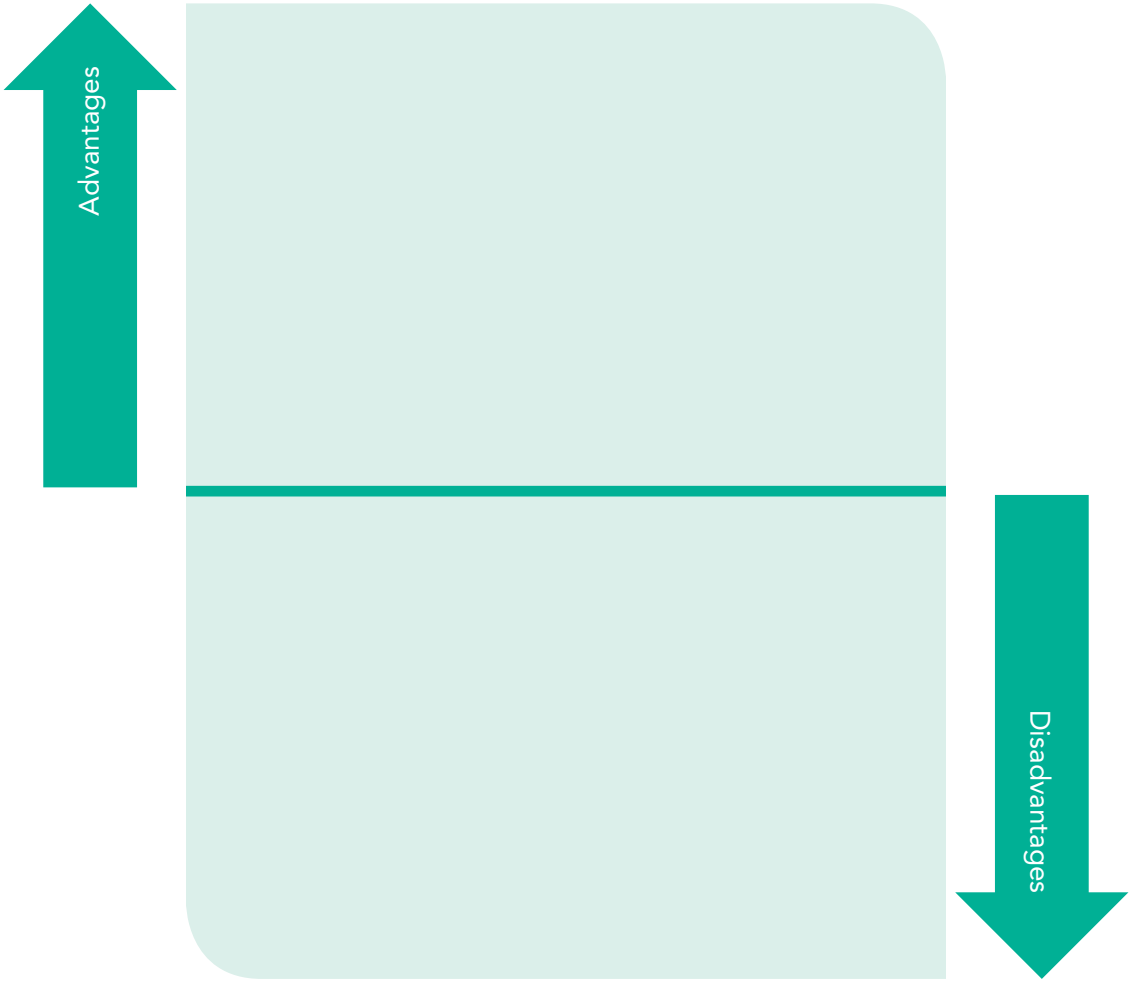
OVER TO YOU

Activity 1: Case study analysis: Zero-hours contracts

What are the advantages and disadvantages of giving Amelia a zero-hours contract, both for Amelia and the Luxury Hotel? Make two lists in the table below.



- **Homeworking** – is a long-established feature of certain parts of the manufacturing industry although now it is usual for many different types of organisations. Estimates suggest that as many as 100 million people – mostly women – work in their own homes (GLI, 2012).
- **Teleworking** (or telecommuting) – is using technology to allow employees to work all, or part of, their working week at a location remote from the employer's workplace. This might include some time working from home or "on the road".

The International Labour Organization (2015a) estimates that 75% of workers are "employed on temporary or short-term contracts, in informal jobs often without any contract, under own-account arrangements or in unpaid family jobs".

OVER TO YOU

Activity 2: Work–life balance

Working with your fellow students, if possible, consider your own circumstances and those of others in the group.

How much would your own home commitments affect the patterns of work you feel able to do?

What differences emerge within your student group?

What kind of work wouldn't be suitable for some people's home commitments, and what might organisations be able to do to make it more suitable?

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The driving forces for non-traditional and flexible employment models

As the world of work evolves and becomes more diverse, traditional models of working are shifting to more flexible forms of organisation and employment. Technology, globalisation, changing workforce demographics and new expectations about work are all driving new ways of working. Let's consider some of these factors in more detail:

- **the need to be competitive** – by the better use of resources, including people
- **the need to be adaptive or agile** – through being able to respond quickly to the need for change in highly turbulent business conditions
- **the impacts of new technologies** – which have changed the products demanded, the nature of competitors and the ways of working
- **the development of new organisational structures** – by turning to more organic organisational structures that are tailored to specific situations
- **the demand for better work-life balance** – meeting employee expectations about having a measure of control over when, where and how they work (this has grown in importance in recent years).

Flexible employment models

Different types of flexibility can be used by organisations to enable them to meet business objectives. Blyton (1996) identifies four basic types of flexibility.

Type	Description
Numerical	The ability to make rapid adjustments to the number and the composition of the workforce. Typically, this type of flexibility is used in seasonal industries (such as agriculture) where additional temporary workers are needed at specific points in the year.
Temporal	The ability to adjust the working hours or schedules of people working for the organisation by using, for example, annualised hours or part-time working to meet business demands.
Functional	The ability to transfer employees to different tasks within the organisation to where they are most needed on a day-to-day basis.
Financial	Wage levels are not decided collectively so that employment costs reflect the supply and demand of labour.

Table 1: Types of organisational flexibility

Over 30 years ago, John Atkinson and Charles Handy anticipated the way in which work would develop and how certain forms of organisation would become dominant. The models each developed continue to hold relevance for today's business organisations.

Atkinson's (1984) **"flexible firm"** model divides the workforce into two elements.

- A "core" workforce of functionally flexible employees who are essential to the success of the company and are needed year-round.
- A "periphery" workforce, which contains various sub-groups, including:

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- employees who possess skills needed by the company but that are not company-specific (for example, general ICT skills). The company offers limited scope for movement to the core and few career prospects. This group provides both functional and numerical flexibility.
- workers employed under "non-standard" contractual arrangements, such as temporary and zero-hours contracts. This group provides both temporal and numerical flexibility.
- individuals not directly employed by the company, such as agency workers and freelancers.

The model has not been without criticism. For instance, the concept of core and peripheral workers has been interpreted by organisations in different ways. Attempts to equate the core with skilled, flexible workers and the periphery with unskilled, inflexible workers have been criticised as too simplistic.

OVER TO YOU

Activity 3: Flexible working

Working with another student, if possible, consider an organisation with which you are both familiar.

Which of the different forms of flexibility are used by the organisation?

What are the advantages and disadvantages of the different forms of flexibility for the organisation and the employees?

Summarise your findings below.

Handy's **"shamrock organisation"** describes a type of organisational structure with three parts,or leaves.

1. the professional core workers, usually full-time salaried staff
2. the flexible labour force who are deployed when required, including part-time and temporary workers who are often low skilled
3. the contractual fringe providing specialist services more economically, for example, contractors and freelancers.

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More recently, a fourth leaf has been added to the model, which is consumers who do some of the work of the organisation. For example, consumers ordering products online from retail organisations.

There are four basic types of flexibility: numerical, temporal, functional and financial.

In practice, organisations are likely to use a combination of these approaches.

The impact of flexibility for the management of people and the HR function

Flexibility has wide-reaching impact on both the management of people and the HR function. Organisations need to pay special attention to the following.

- **Staffing levels** – there should be sufficient flexibility to enable the organisation to make the best use of people and adapt swiftly to changing circumstances. For example, operational flexibility can be improved by extending the range of skills held by employees (multiskilling) through training and development. The HR function must take a structured and strategic approach to creating a flexible workforce.
- **Supervision** – the goal in designing flexible work arrangements is to ensure that work gets done in the most effective way, from the most effective location. Line managers need to ensure that "out of sight" doesn't mean "out of mind". Processes need to be in place to make sure that all employees are effectively supervised by, for example, ensuring that all staff are included in briefings and team activities. Informal processes may need to become more formal, for example, comments and ideas made over lunch break may need to be emailed to off-site employees. Care should be taken that all employees get access to training and promotion opportunities.
- **Contract of employment** – various types of contract may be used to provide greater flexibility. The requirement for a written contract is found in many national laws and may be coupled with the obligation to include certain specific information. However, holding a written contract may not necessarily mean that the employment relationship is more stable. Flexible working arrangements can be formal or informal. Some organisations may amend the employment contract when new working arrangements are put in place with some form of flexible working (such as working from home), which may be offered informally, for example in agreement with an employee's line manager.

The implementation of flexible working methods may need to be accompanied by a review of HR policies which have usually been designed around full-time employees.

6.2 The best use of the organisation's people to meet budget and business delivery challenges

The contribution of workforce and talent planning activities to organisational success

According to the CIPD (2016), **workforce planning** is defined as:

> *"a process to ensure the right number of people with the right skills are employed in the right place at the right time to deliver an organisation's short- and long-term objectives"*

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To achieve that goal, a number of different HR-related activities need to happen in a co-ordinated way, such as:

- succession planning;
- flexible working;
- recruitment and retention planning;
- labour demand and skills forecasting;
- job design;
- learning and development strategies – to include multi-skilling and career planning.

There are four stages to the workforce planning process.

Figure 1: The workforce planning process

In practice, this means the following.

- **Organisational objectives** – what is the organisation wanting to achieve in the next year and several years in advance as specified in its objectives?
- **Workforce required** – how many staff will be needed to meet those objectives? What knowledge and/or skills and/or experience will those staff need to have?
- **Current workforce** – look at your current staff. Do they have the knowledge and/or skills and/or experience the organisation needs those staff to have? Are there any gaps between what you want in your workforce and what you currently have?
- **Plans to meet the skills gap** – what action does HR need to do to fill these gaps? These could be:
  - redundancies – if you no longer need all the staff you have;
  - recruitment – if you need more;
  - training – if your staff need additional skills to meet the new organisational objectives in the future.

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CASE STUDY

Looking after the community

As part of its corporate objectives to improve its service to the community, a hospital has recently built a new ward to treat patients with heart disease. Dora is the HR Manager for this hospital and it is her job to make sure the hospital has the 40 nurses it needs for this new ward. From the workforce plan she anticipates that 15 of these nurses will come from nurses employed in other wards of the hospital. She therefore needs to implement a training and development plan to ensure any internally recruited nurses have the right skills to work with patients with heart disease.

For the other 25 nurses, Dora had to recruit externally. She advertised the vacancies on the radio, online on her hospital website, and on a national jobs website for healthcare staff. The hospital received over 50 applications and were able to appoint the 25 nurses they needed.

Ensuring the supply skills for now and the future

Succession planning

Succession planning is the process used in organisations to identify staff who have the potential to be developed into future leaders or senior managers. It can also identify staff who could be trained to do specialist or technical roles in the organisation. This development would include training activities as well as gaining experience of working in a number of different roles.

Not all of the future managers will come from succession planning – it is important to have some appointed externally, as we saw when looking at types of recruitment (in Chapter 3). External appointments will bring new ideas to the organisation; internal appointments will bring practical experience from working in the organisation.

To be able to carry out succession planning effectively, an organisation needs to use **talent management** techniques. Talent management looks at the current performance, the future potential, and future learning and development needs of those staff that you have identified as part of your succession plan for the future.

The difficult part of succession planning is – how do you identify people who have the potential to be senior managers or specialists of the future? You can use the judgement of your current managers and their opinions of who they think will be great managers and leaders of the company in the future. However, this isn't a very scientific method and it is likely that managers will not be able to agree between themselves.

Alternatively, you can use **competencies –** these are a combination of abilities, knowledge and skills that enable a person to act effectively in a job or situation. For succession planning, the organisation needs to decide which competencies would be needed for a senior manager, and then think how they could use testing (such as online personality or ability tests) to identify who might have the ability to develop those competencies.

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OVER TO YOU

Activity 4: Managerial competencies

What competencies do you think a manager would need? Divide your answer into knowledge competencies and skills competencies.

Once the relevant people are identified, to develop this talent for the future, the following methods can be used:

Project work	Staff are asked to run specific projects in an organisation (such as developing a new product) to practise their leadership and organisational skills.
Additional qualifications	This might be putting relevant staff on courses at local schools or colleges to achieve management qualifications.
Secondment	This is a temporary transfer to a different role to broaden experience. A person might be employed in the finance department, but then work for six months in marketing and then six months in HR, to give them experience in different parts of the organisation. Sometimes employees do a secondment with a different organisation to further broaden their experience.
Mentoring	A person appointed a **mentor** is likely to be a senior manager in the organisation. This mentor provides informal guidance and advice to the person to help them grow the competencies and experience required to be a senior manager.
Job shadowing	This is a form of work experience where a person learns about a job by spending days following a competent worker doing that job. For instance, if someone has been identified as a future HR director, they might spend a week alongside the current HR director to see how they do the job, and experience what the job is really like.

Table 2: Ways to develop talent

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Talent pools

Talent pools are another way to make sure you have the skills you need in your organisation, when you need them. They help ensure you always have a group (or pool) of employees to step in quickly to fill a job vacancy on a temporary or permanent basis.

So where are the best places to start looking for the people who will be in your talent pool? Some examples could be:

Previous applicants	Previously interviewed candidates – who were not selected due to minor preferences for another candidate would be a good place to start. Or, you may have found when you shortlisted during the recruitment process you had some people who weren't selected for interview or were not quite suited to the role they applied for, but it was a very close decision not to shortlist them. These people might be interested if a similar vacancy arises in the future.
Work experience schemes/internships	Work experience schemes give students their first taste of the business world and can identify possible people who may help your company in the future.
Online networking	LinkedIn, Facebook and the hundreds of other online social networking websites make it easy to see what people are doing, and see if some talent is hiding there that you could use for your company in the future.

Table 3: Ways to build a talent pool

Summary

In this chapter we have looked at different employment models within organisations, and the ways employers can ensure that they have the right people with the right skills and experience – at the time when they need them – to ensure the success of the organisation in meeting its business objectives.

You have now completed your study into a range of HR strategies, objectives, policies and procedures. You have also studied the great number of influences that shape and impact upon the HR function in any organisation. So how should we sum up the role of HR? Surely, what these chapters have shown is just how important and valuable the HR function is. If an HR function is effective, it can make a difference to the lives of employees and their managers – and as a result lead to the success, growth and increased profits of an organisation.

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Glossary

Assessment centre A set of selection procedures designed to recruit the best candidate or candidates to fill a job vacancy. It usually takes place over a day or two.

Balance scorecard A performance management tool that measures organisational performance across four perspectives: financial, customers, internal business processes, and learning and growth.

Benchmarking The comparison between one organisation and another of an internal process, system or method in terms of its efficiency, effectiveness and/or cost.

Best fit An approach to HR which emphasises the importance of ensuring that HR strategies are appropriate to the circumstances of the organisation, including its culture, operational processes and external environment.

Best practice An approach to HR based on the assumption that there is a set of best HRM practices and that adopting them will inevitably lead to superior organisational performance.

Competencies The combination of abilities, knowledge and skills that enable a person to act effectively in a job or situation.

Contract of employment A legally binding agreement made between an employer and employee detailing specific facts about a specific job, the written and implied terms of which are enforceable in the courts.

Demographic structure Demographics is the study of a population based on factors such as age, race and sex, among others. The demographic structure of a country is the percentage of the population fitting each of these factors.

Disciplinary process The process used by organisations to deal with misconduct or wilful under-performance.

Employee survey A method of obtaining candid opinion of employees by giving them an opportunity to anonymously answer queries raised in a questionnaire.

Employment Agency A business that finds jobs for people seeking work, or finds potential employees for employers with vacancies to fill.

Exit interview A formal or informal interview conducted with an outgoing staff member in order to promote goodwill and ascertain why the employee is leaving.

External recruitment A vacancy is advertised inside and outside the company, so anyone can apply.

Extrinsic reward A reward expected to follow the completion of work, such as pay.

Flexible working A way of working that gives employees flexibility on how long, where and when they work.

Formal recruitment The organisation follows all normal recruitment procedures.

Global company A company that trades with other countries, selling the same products using the same brand image. Unlike MNCs, global companies do not have official headquarters and they are composed of separate organisations which are part of one global company.

Grade and pay structure A collection of pay grades, levels or bands linking related jobs within a hierarchy or series that provides a framework for the implementation of reward strategies and policies within an organisation.

Graduate recruitment A specialised form of recruitment that focuses on the recruitment of people who are about to leave university or other higher education establishments.

"Hard" model of HRM An approach to human resource management that treats employees simply as a resource of the business, recruiting and managing them accordingly.

Headhunter A person contracted by an organisation to find an excellent person for a vacancy.

High performance working (HPW) Superior, sustained high performance achieved by employees in an organisation, linked to a bundle of HR practices.

Human resource management (HRM) A strategic, integrated and coherent approach to the employment, development and well-being of the people working in organisations.

Induction The process of introducing an employee to an organisation, giving them the basic information required to help them feel welcome and happy, and be able to do the job they were employed to do.

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Informal recruitment A less structured approach to recruitment, often relying on word-of-mouth recruitment.

Internal recruitment A vacancy is only advertised within the organisation, so only current employees can apply.

Intrinsic reward Reward that comes from and is inherent in the work itself, such as a sense of accomplishment.

Job description A document that summarises the duties of a position and states the essential responsibilities of the job.

Job evaluation A systematic and formal process for defining the relative worth or size of jobs within an organisation in order to establish internal relativities.

Key performance indicator (KPI) A measurable value that demonstrates how effectively a company is achieving key business objectives.

Labour market The pool of potential workers available to an organisation – they might be local, national or global.

Market rate analysis A method of calculating the salary of a post by looking at what other organisations are paying for similar posts.

Mentor Someone who teaches or gives help and advice to a less experienced and often younger person.

Multi-national corporations An organisation that operates in several countries at the same time.

Organisational culture The values, norms, beliefs, attitudes and assumptions that shape how people think and behave in an organisation.

Outsourcing A practice used by different companies to reduce costs by transferring portions of work to outside suppliers rather than completing it internally.

Performance appraisal Also known as performance review. The process used to assess recent performance, via feedback, and to set objectives for the future.

Performance management The operation of strategies, policies and processes required to ensure that employees' performance contributes to business objectives. It brings together many of elements of good people management practice, including learning and development, and measurement of performance.

Performance related pay (PRP) A common way of managing pay by linking salary progression to an assessment of individual performance, usually measured against pre-agreed objectives.

Performance review Also known as performance appraisal. The process used to assess recent performance, via feedback, and to set objectives for the future.

Personnel management The process of helping the organisation to achieve its objectives in the most effective way by ensuring conditions of employment that attract, retain, motivate and obtain the commitment of employees.

Person specification A document that describes the qualifications, skills, experience, knowledge and other attributes which a person must have to perform well in a named role.

PESTLE analysis An audit of an organisation's external influences – Political, Economic, Sociological, Technological, Legal and Environmental – with the purpose of using the information to guide strategic decision-making.

Recruitment Methods by which potentially suitable employees are sought, located and eventually introduced to the organisation.

Resource-based view (RBV) It is the range of resources – including human resources – within a business organisation that produces its unique character and creates competitive advantage.

Resourcing The process of identifying and attracting key people with the capability to create competitive advantage for an organisation.

Retaining talent Refers to an organisation keeping the employees it has already hired.

Reward management The operation of strategies, policies and processes required to ensure that the contribution of people to an organisation is appropriately recognised by both financial and non-financial means.

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Role autonomy The ability for employees to control their work situation. It might involve a choice in the selection of projects, roles or clients.

Selection Methods by which the most suitable individual for a job vacancy is chosen from the pool of individuals who have applied.

Service level agreement (SLA) A contract between a service provider (for example, HR) and the end user (for example, line managers and employees) that defines the level of service expected from the service provider.

Skills gap The difference in the skills required on the job and the actual skills possessed by the employees.

Staff retention A company's ability to maintain current employees over a substantial time period.

Staff turnover The proportion of employees who leave the organisation over any specified period of time, expressed as a percentage of the total number of staff employed.

Stakeholders Individuals, groups or organisations that are affected by the activity of the business.

Strategic human resource management (strategic HRM) A means of aligning the management of human resources with the strategy of the business.

Succession planning A process to identify staff who have the potential to be developed into future leaders or senior managers.

"Soft" model of HRM An approach to human resource management that treats employees as the most important resource in the business and a source of competitive advantage. The focus is placed on the needs of employees – their roles, rewards, motivation, and so on.

Talent management A process to attract, identify, develop, engage, retain and deploy individuals who are considered particularly valuable to an organisation.

Talent planning The operation of strategies, policies and processes designed to use an organisation's existing workforce capabilities and potential to meet current and future business needs.

Talent pool A group (or pool) of employees to step in quickly to fill a job vacancy, on a temporary or permanent basis.

"Three-box" model A model for organising the human resource function that divides the function into three segments – HR business partners, HR centres of excellence and HR shared services.

Trade union An organisation formed by employees in an industry, trade or occupation to represent them in efforts to improve wages and conditions for their members.

Training and development Activities to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge.

Vertical integration The merging together of two companies from the same industry who are at different stages of production.

Workforce mobility The movement of the workers of an organisation which maybe geographical or occupational.

Workforce planning The operation of strategies, policies and processes to get the right people, with the right skills, in the right place, at the right time, with the right contract and at the right cost.

Work-life balance People having a measure of control over when, where and how they work. It is achieved when an individual's right to a fulfilled life inside and outside paid work is accepted and respected as the norm, to the mutual benefit of the individual, business and society.

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