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• human resource certification preparation

# PHRi™ • SPHRI™ EXAM PREPARATION 2018 Edition

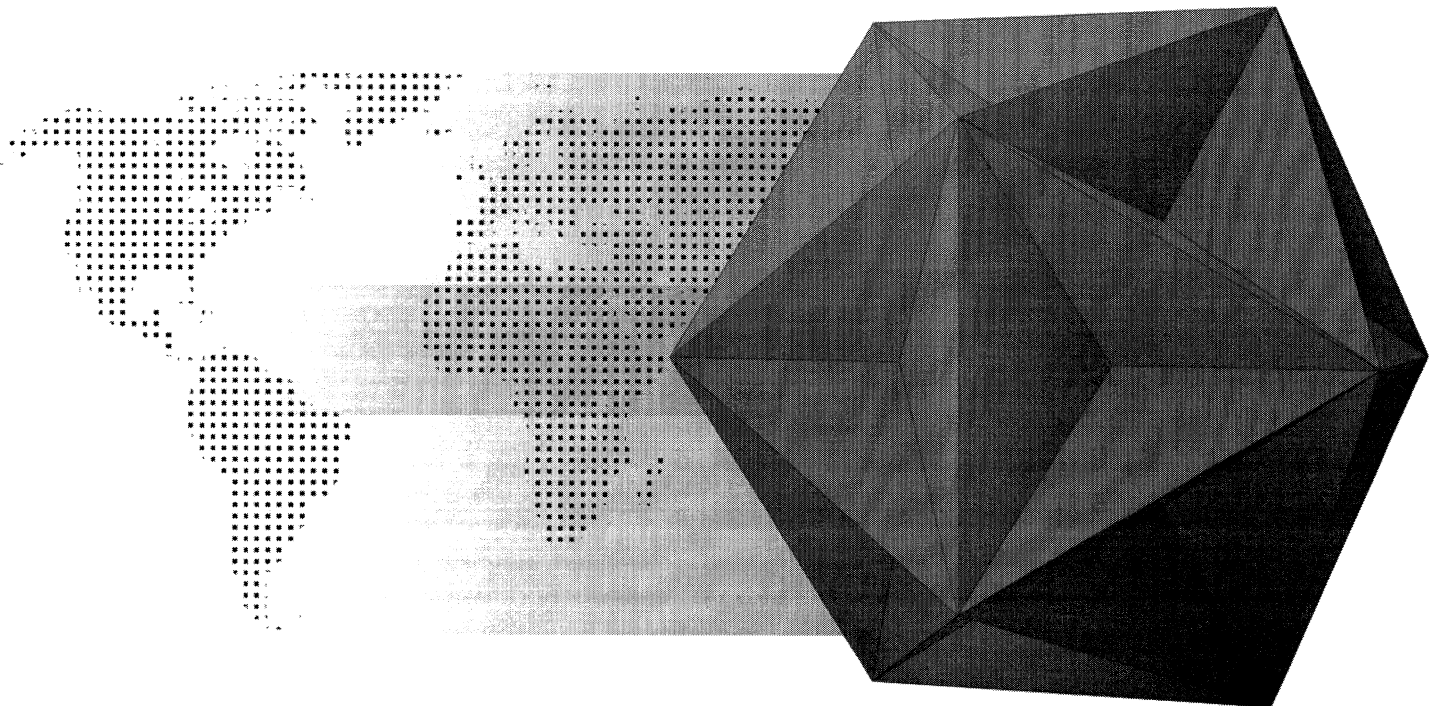
## UNIT 5 :: EMPLOYEE RELATIONS AND INVOLVEMENT

**PHRi 05** Employee Relations and Risk Management

**SPHRI 02** Talent Development and Management

**SPHRI 03** HR Service Delivery

**SPHRI 04** Measurement and Analysis



**HUMAN RESOURCE CERTIFICATION PREPARATION PROGRAM**

Human Resource Certification Preparation Program: SPHRi™ and PHRi™ Exam Preparation  
2018 Edition

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# PREFACE

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Our mission is to increase the standards of professionalism in the field of human resource management by helping HR managers learn the HR body of knowledge. HR managers perform a vital role in improving the quality of work life and increasing organizational effectiveness. Our desire is to have HR managers perform as true professionals by learning and applying the HR body of knowledge. We believe the human resource certification program plays a valuable role in increasing the level of professionalism. HR managers who consider themselves professionals should become certified to demonstrate their commitment to their profession.

## Notice

The purpose of the *Human Resource Certification Preparation Program* is to help you prepare to take the human resource certification exam. These materials will help you learn the major concepts in the HR body of knowledge. Please be aware, however, of the following:

1. The *Human Resource Certification Preparation Program* does not teach to the test. Although these materials cover all of the major HR topics in each functional area, there is no course and no training resource available anywhere that is guaranteed to cover all of the content tested on the HR certification exam.
2. No training program, including the *Human Resource Certification Preparation Program*, is a substitute for practical experience in human resources. The HR certification exam covers “generalist” knowledge in the field of human resource management. Your success on the exam will depend in large part on your ability to apply HR concepts to practical situations.
3. Because the human resource management field is constantly changing, the HR certification exam must change as well. While we have made an effort to cover the major human resource management topics, there will likely be topics in the exam that are not covered in the *Human Resource Certification Preparation Program*. On the other hand, not all of the material covered in this program will be included in the exam. We have made every attempt to insure that the material in this program is correct and current. However, be aware that errors can occur and laws and practices may change.
4. These materials are intended for use as an aid to preparation for the HR certification exam. Studying these materials does not guarantee, however, that you will pass the exam. This program is not to be considered legal or professional advice.

## International HR Certification Exams

The human resource certification exams are administered by the HR Certification Institute® (HRCI®), which is the credentialing organization for the human resource profession. HRCI has been certifying human resource professionals for more than 40 years. This set of study materials is designed to help individuals preparing for two international exams: the SPHRi and the PHRi.

### SPHRi™ Exam

The SPHRi certification exam consists of 130 multiple-choice questions drawn from four functional areas. The number of questions from each area is determined by the percentage weight assigned to it. The functional areas have the following weights:

Business Leadership	31%
Talent Development and Management	27%
HR Service Delivery	24%
Measurement and Analysis	18%

In addition to passing the certification exam, applicants for the SPHRi must demonstrate knowledge of their local HR laws. The following is a list provided by HRCI of some of the ways this requirement may be fulfilled:

- having a national or local certification (such as PHR, SPHR, GPHR, CHRP, etc.) that includes knowledge of employment laws
- having a bachelor's degree (or global equivalent) or higher in human resources
- completing a university- or college-level course in employment law
- completing a formal training class or certificate program in employment law sponsored by a university/college, HR association or other approved training provider

### PHRi™ Exam

The PHRi certification exam consists of 170 multiple-choice questions drawn from six functional areas. The number of questions from each area is determined by the percentage weight assigned to it. The functional areas have the following weights:

Talent Acquisition	19%
HR Administration and Shared Services	19%
Management and Development	19%
Compensation, Benefits, and Work Experience	17%
Employee Relations and Risk Management	16%
HR Information Management	10%

HRCI's content outlines for the SPHRi and PHRi exams are included at the end of the book.

## **About the Authors**

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## **Acknowledgement**

HRCP, L.C. expresses gratitude to the many individuals who have used our materials to prepare for the certification exams and to the various instructors who have adopted our materials for their review courses; many have provided invaluable feedback.



# UNIT 5: EMPLOYEE RELATIONS AND INVOLVEMENT

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## UNIT 5: EMPLOYEE RELATIONS AND INVOLVEMENT

The term “employee relations” refers to the working relationship between the employer and employees, and encompasses the rights of each party, how decisions are made, and how problems are resolved. In union companies this function is also called labor relations or industrial relations.

Disagreements and conflicts are certain to arise in the normal course of a working association. Unless a peaceful process exists for handling these problems, they can result in violent and disruptive conflict.

Two parallel processes, grievance and discipline, provide a fair and equitable working relationship for employers and employees. Grievance systems protect employees from unfair and capricious actions and provide for due process in the handling of employee complaints. Discipline systems protect employers from problem employees and provide a process for helping employees who are willing to be helped. Both processes, grievance and discipline, are needed in every organization, regardless of the presence or absence of a labor union.

### 5.1 GRIEVANCE SYSTEMS

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Every organization ought to have both a grievance procedure and a discipline procedure. Discipline procedures are needed to correct unacceptable behavior and to protect the company. Grievance procedures are needed to protect employees from inconsistent and unfair treatment. Both procedures are valuable in both union and nonunion companies. Some managers, especially those in nonunion companies, think grievance or discipline procedures are unnecessary, and they rely on the skills of their supervisors to handle employee complaints and to correct problem behavior. However, many supervisors do not have adequate interpersonal skills to resolve employees’ complaints. Furthermore, if a supervisor is the cause of the unfair treatment (such as sexual harassment), the employee cannot take the problem back to the supervisor and expect a fair hearing. In such a situation, a higher official is needed so that the employee can appeal the case.

Grievance procedures provide a systematic process for hearing and evaluating the complaints of employees and tend to be more highly developed in union companies than in nonunion companies because they are specified in the labor agreement. These procedures protect the rights of employees and eliminate the need for strikes or slowdowns every time a disagreement occurs about the labor contract. Disagreements are almost inevitable regardless of how well the agreement was written. Even well-written labor agreements leave some issues open to interpretation since the negotiators cannot anticipate all future conflicts.

Formal grievance procedures increase upward communication in organizations and make top management decisions more sensitive to employee feelings. As grievances are expressed, top management becomes aware of the problems and frustrations of employees. Just knowing that there is a formal grievance system usually makes employees feel better because

they know others have listened and have tried to understand. Therefore, every organization—union or nonunion—ought to establish a procedure for responding to employee complaints.

### 5.1.1 Union Grievance Procedures

#### Grievable Items

A grievance is a work-related complaint or formal dispute that is brought to the attention of management. Union companies sometimes define grievances very narrowly as specific disputes concerning the labor agreement. This definition is restrictive and ignores many relevant criticisms that ought to be considered, even though they are not covered by the agreement. At the other extreme, grievances are sometimes defined very broadly in nonunion companies to encompass any discontent or sense of injustice, even criticisms that are never expressed by employees. This definition is not very useful because complaints have to be expressed before management can be expected to respond to them. Even so, managers need to be sensitive to unexpressed complaints that are evidenced by sullenness, moodiness, criticism, insubordination, tardiness, or declining work performance.

Some examples of grievances include:

1. A senior employee submitted a grievance claiming that a younger employee with less seniority was promoted to fill a job vacancy in violation of the promotion and transfer provisions of the labor agreement. Management argued that the agreement had not been violated since the younger employee was more qualified for the job. The senior employee persuaded his union steward to talk with the operations manager about the issue. As a result of the discussion, the union steward told the senior employee that the labor agreement had not been violated and that the union would not submit this case for further grievance. The senior employee accepted the explanation and withdrew his grievance.
2. Two employees were discharged for fighting during an off-duty poker game. They submitted grievances claiming that their off-duty misconduct should not come under the jurisdiction of the employer. An arbitrator agreed with them.
3. Some employees who were required to work a 40-hour week, plus a Saturday holiday, claimed that they should receive triple-time wages (three times their normal wage rate) for the additional day. They based their contention on the terms of the labor agreement that provided time and one-half for overtime and an “additional” time and one-half for holidays. An arbitration board agreed with their interpretation of the labor agreement.<sup>1</sup>

#### Causes of Grievances

Most of the behavioral science literature suggests that grievances are caused by seething discontent and unfair management practices. This is partially true. The number of grievances is usually much higher when morale is low or when employees feel frustrated and discontented. Changes in the number of grievances have sometimes been used to measure the effectiveness of management decisions and human resource policies.

Although the number of grievances tends to increase when job satisfaction declines, dissatisfaction with the job is not the only source of grievances. Grievances may arise because of any of the following:

- unclear contractual language that creates differing interpretations of the labor agreement
- a violation by management of the labor agreement
- a violation of the law
- a violation of normal work procedures or other precedents
- perceived unfair treatment of employees by the supervisor
- promotion of a more qualified junior employee over an employee with more seniority<sup>2</sup>

Even though grievances are related to dissatisfaction with the job, they are not related to any particular kind of job. Grievances do not appear to be more prevalent in one kind of work than in another. All jobs can produce grievances if the employees are not well-suited for the jobs, if the employees are treated unfairly, or if the employees are expected to do something they believe is wrong.

Certain styles of supervision can increase the grievance rate. The number of grievances frequently mounts when supervisors behave dictatorially, when they refuse to listen empathetically to employee complaints, when they confront employees with take-it-or-leave-it attitudes, when they are unfair or inconsistent in disciplinary actions, when they give inadequate or unclear instructions, or when they fail to keep employees informed. On the other hand, employees are much less likely to submit grievances if they feel that supervisors are genuine, are concerned about the employees' best interests, are trying to be fair, and are trying to follow the labor agreement. A study of leadership styles demonstrated that grievance rates are inversely related to measures of consideration. The results of the study indicated that supervisors with high consideration scores, which indicate that supervisors display trust, respect, and warmth toward group members, tend to have low grievance rates.<sup>3</sup> Most employees will tolerate a certain amount of injustice without complaining if they think their supervisor cares and is trying to be fair.

### **Steps in the Grievance Process**

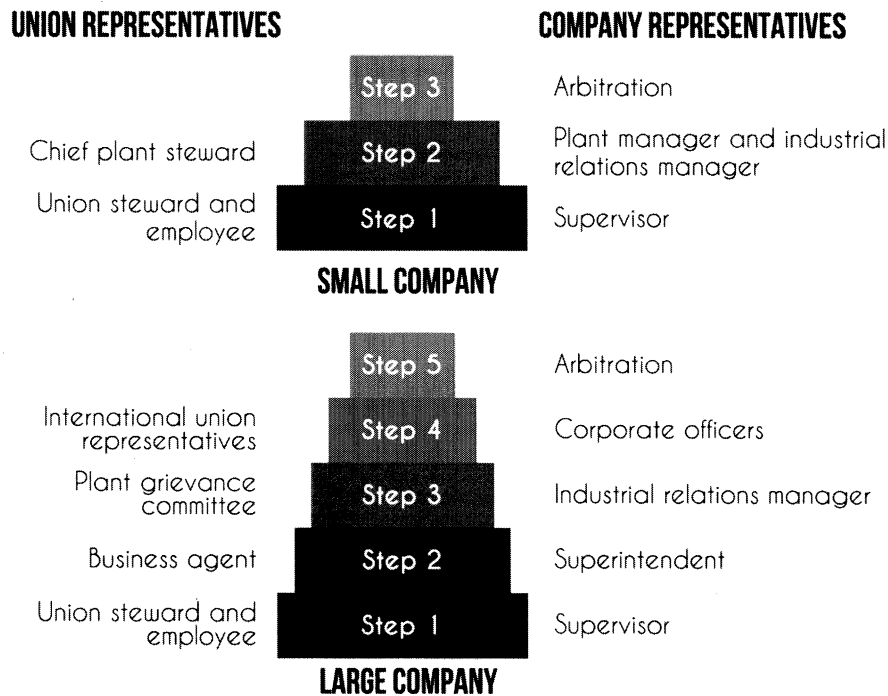
The essence of the grievance procedure is to provide a means by which employees can express complaints without jeopardizing their jobs and by which they can obtain a fair hearing through progressively higher levels of management. Each year thousands of grievances are filed. Without a peaceful process for resolving them, the economic costs of lost output due to strikes or lockouts would be substantial, and industrial relations would be chaotic.

Most unionized companies follow the same general procedure for handling grievances, although specific details may vary from company to company. In larger organizations the process generally contains more steps than in small organizations, as shown in Exhibit 1. The full grievance procedure consists of these five steps:

Step 1. The first step in most labor agreements calls for the complaint to be submitted to the supervisor. Some agreements require a complaint to be submitted in writing on a prepared

form. Other agreements allow employees to express complaints verbally. Employees usually can request the presence of the union steward to support them. The union steward may even take the lead in presenting a grievance. However, the first meeting may involve only an aggrieved employee and a supervisor in an informal exchange. A vast number of workers' complaints are settled satisfactorily by a simple discussion.

### Exhibit 1: Grievance Process for Large and Small Companies



Step 2. If an employee is not satisfied with the actions of the supervisor, the grievance can be appealed to step 2. At this point the grievance is almost always written. The employee is represented by the chief plant steward or business agent, and the employer is represented by the superintendent or industrial relations office. In smaller companies, this step is usually bypassed.

Step 3. If the union is not satisfied with the decision of the superintendent or industrial relations office, the grievance can be appealed to step 3. Here, the plant manager or director of industrial relations represents the employer, and the union is represented by the plant grievance committee. In smaller organizations, these groups, as the highest ranking officers for both management and union, represent the second step in the grievance procedure. Grievances that are not settled at this step may go directly to arbitration.

Step 4. Large corporations may have a fourth step in the grievance process where top corporate officers meet with representatives of the international union to resolve unsettled grievances. The number of grievances that reach this level represents a very small percentage of the total. Only those issues that have a broad and general interest to the union and corporation are usually considered at this level.

Step 5. The final step in the grievance process is binding arbitration by an outside third party acceptable to both management and the union. Both parties agree beforehand to abide by the arbitrator's decision.

### **5.1.2 Grievance Procedures in Nonunion Organizations**

Unlike the well-defined grievance programs in union companies, those in nonunion companies, when they exist, tend to be informal processes. However, a growing number of managers in nonunion companies want to provide better human rights and freedoms for employees. Grievance procedures in non-union companies, which are often referred to as **complaint systems**, include grievance committees, ombudsman offices, grievance appeal procedure, fact-finding committees, and open door policies.

#### **Grievance Committee**

Some nonunion organizations have established a grievance procedure that allows individuals to submit their grievances to a grievance committee. The members of the committee may be appointed by top management or elected by the employees. Such committees hear the evidence and issue a judgement. In some companies, the grievance committee hears the evidence and makes a recommendation to the president, rather than making a binding decision on its own.<sup>4</sup>

#### **Ombudsman**

The term **ombudsman** originally referred to a politically neutral and independent person who represented ordinary citizens in their disputes with government officials. The concept first originated in Sweden and Finland in 1809. In recent years, numerous organizations have appointed one of their employees to be an ombudsman. Such an individual is charged with investigating and settling employee complaints. Xerox Corporation has an ombudsman system to help resolve employee complaints. The ombudsman reports to the president, who is the only person with the authority to reverse the ombudsman's decision.<sup>5</sup> The use of an ombudsman appears to be gaining popularity both in business and nonbusiness organizations. Many colleges have adopted the ombudsman system to handle student complaints.

#### **Grievance Appeal Procedure**

Some companies allow employees to submit grievances to successively higher levels in the organization, as illustrated by Exhibit 2. In some cases, the aggrieved employee is represented by an attorney, a peer, or a member of the human resources office. The hearing is normally conducted by a neutral company executive who hears the evidence and makes a judgment.<sup>6</sup> This procedure is similar to the appeal process in a union agreement, but with two exceptions. First, it is usually an informal appeal system that can be stopped anytime at management's discretion, without a guarantee that the appeal will reach the top officers. Second, ultimate appeal is usually made to top management and does not go to arbitration. Allowing a grievance to go to binding arbitration would make this procedure more fair, but most employees do not have the skills necessary to prepare their own cases nor the resources to pay their portion of an arbitrator's fees, and most companies do not want to relinquish control to an outside party.

## Exhibit 2: Complaint Process for a Retail Store

### PROBLEM-SOLVING PROCEDURE

**Objective:** The purpose of this problem-solving procedure is to provide a formal process for solving problems and for protecting the rights of employees.

**Step 1:** Supervisors are responsible for hearing and resolving work-related problems. The problem should be fully discussed with your immediate supervisor. However, in unusual cases or because of personal conditions between you and your supervisor, you may want to discuss the problem directly with the Employee Relations Office.

**Step 2:** If your supervisor does not resolve the problem to your satisfaction, it can be appealed to your functional manager. This manager will explore all the facts of the case and render a decision.

**Step 3:** If you are still dissatisfied with the resolution of your problem, it can be discussed with the plant manager. The employee relations manager will make the appointment for you. After the discussion, the plant manager's decision at this level will be considered final.

The following time limits have been established:

**Step 1** - five working days

**Step 2** - two to five working days

**Step 3** - three to five working days

### Open-Door Policy

The most popular procedure for responding to employee complaints is the open-door policy. Approximately two-thirds of nonunion organizations have explicit open-door policies.<sup>7</sup> Such a policy usually means that all employees, regardless of their positions, have the right to discuss a complaint with top corporate officers without being forced to go through a chain of command. After an investigation of a reasonable complaint has been completed by an executive, the aggrieved employee is informed about the outcome.

Although an open-door policy provides an avenue for employees to express their complaints, it does not always function effectively. The social distance between production workers and the company president is usually exaggerated when viewed from the bottom of the hierarchy, and it can destroy an employee's willingness to share a problem. The open-door policy needs to exist throughout the organization so that complaints can be taken to lower levels of management as well as to higher levels. Many complaints concern day-to-day issues that are far removed from top officers. An open-door policy that requires taking all complaints to the company president for resolution is ineffective and undesirable.

### Fact-Finding Method

Approximately half of all organizations have a grievance procedure that provides for some form of fact finding or investigation of employee complaints. The investigation is normally conducted by a human resource executive or by an assistant to either the president or a vice president; a report is then submitted to top management.

Fact finders are usually authorized to examine problems without conducting formal hearings. Informal investigations give fact finders access to information that a complaining party might be reluctant to share in a formal hearing, such as instances of sexual harassment.

Fact finders are usually expected to prepare a recommendation such as discipline, transfer, compensation for the victim, or training. The advantages of fact finding are that problems can be addressed quickly and privately.<sup>8</sup>

### 5.1.3 Effective Grievance Procedures

#### Protection Against Retaliation

To have an effective grievance procedure employees must believe the following:

1. Their complaints can be presented without a lot of hassle, embarrassment, or paperwork.
2. Their complaints will be evaluated by a fair and impartial third party.
3. They will not be fired or mistreated for submitting their complaints and pressing them to a resolution.

This protection against being fired or mistreated is necessary for the success of both union and nonunion grievance procedures. Union employees usually have greater protection than nonunion employees because their labor agreement is written, and it can be enforced by collective action. But any employee, union or nonunion, can become the object of persecution by managers who want to force the employee to resign. Actions spurred by the vindictive feelings of executives toward subordinates who have submitted grievances are sometimes cruel. An employee who has exposed the wrongdoings of corporate officers may become the object of a campaign of abuse and harassment including false accusations, embarrassing work assignments, and low performance evaluations. The fear of being fired or mistreated for submitting a grievance is a real fear, especially in a nonunion company. Fears of retaliation must be countered before a complaint procedure will function effectively.<sup>9</sup>

When employees in nonunion companies have complaints, they are encouraged to speak up. Many executives claim that their organizations have adequate grievance protection because employees who have complaints are encouraged to say what they think with the assurance that they will be heard. The problem with speaking up, however, is not just a fear of being mistreated but a fear of being fired. **Whistle blowers**—employees who observe an illegal or immoral action and make the information public—are usually fired or treated so badly that they resign. More than 50 percent of whistle blowers lose their jobs and most of them do not get their jobs back.<sup>10</sup>

#### Timely Responses

Most grievance procedures specify time limits for each stage of grievance processing. An agreement may stipulate, for example, that a grievance must be filed within a certain number of days after an alleged violation takes place. The organization is required to respond within a certain number of days at each stage of the procedure. The union also has a time limit for appealing a decision to the next stage if it is not satisfied. Failing to respond within a specified time limit may result in forfeiture of the grievance by the union or in granting the grievance by the company.

Rigid time limits are not encouraged because they tend to increase the probability that employees will pursue expensive civil litigation if they miss a deadline. Extensions of time limits are usually granted upon request for legitimate reasons. Many agreements provide an

interval of three to five working days' between steps of the grievance procedure; others provide a somewhat longer interval. The purpose of such time limits is to force both the company and the union to address grievances immediately. If grievances are resolved promptly, friction and discontent are reduced.

**Fair consideration**

To resolve a grievance, both management and union representatives must be willing to discuss the issue rationally and objectively. Both sides must desire to resolve the dispute and to seek a satisfactory solution. A grievance should not be treated as a form of competition in which each side keeps track of its win-loss record. Instead, each side should seek to resolve conflicts and to remove inequities.

Most grievances are resolved at the first step of the process by competent supervisors who are willing to listen and act fairly. To reduce the number of grievances that are appealed, supervisors are encouraged to follow these recommendations:

- Treat all complaints seriously.
- Investigate and handle each case as though it may eventually result in arbitration.
- Talk with an employee as soon as possible about his or her grievance and give the employee a full hearing.
- Correct the problem if the company is wrong.
- Examine the labor agreement carefully, and obtain clarification from the human resource office if necessary.
- Collect evidence and determine if there were any witnesses.
- Remain calm.
- Carefully examine all the evidence before making a decision.
- Avoid lengthy delays. When all the information is in, make a decision and communicate it.<sup>11</sup>

Sometimes a supervisor is not in a good position to resolve a grievance because it concerns a company policy. Such a dispute may have to be appealed to the second, third, or even fourth step of the grievance procedure before the appropriate people who can change or interpret the policy become involved.

A labor union is frequently placed in the awkward position of having to process a grievance that it does not support. National labor law may require the union to represent all employees in the bargaining unit, even if they are not members of the union. However, a union may understandably feel reluctant to press the grievance of a nonmember because it may involve a costly and time-consuming process. Union leaders also may dislike having to process the grievances of some of their own union members because they do not agree with their complaints. Some employees are chronic complainers who create headaches for both management and unions with their endless strings of grievances.

Since a union has a duty to provide fair and equal representation in the handling of grievances, it can be sued by employees for arbitrary, discriminatory, or unfair conduct. The labor organization is required to accept a complaint for unbiased investigation before declining to process it. But the Supreme Court has ruled that a union does not have to process all grievances, regardless of merit.<sup>12</sup>

Union leaders may try to persuade a member to drop a frivolous complaint, or they may present the grievance to management in a half-hearted fashion. If an employee feels that he or she has not been represented fairly, the employee may file a complaint with the government agency that oversees union activity. This situation explains why labor agreements often contain so many legal technicalities – they are partially intended to protect union leaders from the members.

### **5.1.4 Arbitration**

Arbitration is the process of having a labor dispute resolved by an impartial third party who examines information from both sides and renders a judgement. The parties agree beforehand to accept the decision of an impartial judge called an arbitrator.

Compulsory arbitration is designed to prevent unresolved problems from continually disrupting a company. The arbitration procedure is usually outlined in the labor agreement and describes the issues that may be arbitrated, the selection of an arbitrator, the arbitration procedure, and limitations on the authority of the arbitrator.

The final step in resolving grievances or overcoming a bargaining impasse is binding arbitration. Here, both parties agree to refer the dispute to a judge, called an arbitrator, and to accept the arbitrator's decision. Binding arbitration has been used to reach agreement between professional baseball players and managers; however, this process has been sharply criticized for producing exorbitant salaries. Arbitration is used more frequently for settling grievances than for settling contract disputes. Most employers and union leaders are not willing to let an arbitrator bind them to a contract. They prefer to continue bargaining on contract issues.

#### **Selecting an Arbitrator**

Once the parties decide to have a dispute settled by arbitration, the first step is to select an arbitrator or board of arbitration. Occasionally, a **tripartite arbitration board**, consisting of representatives from management and union plus an impartial chairperson, is appointed.<sup>13</sup> Some companies and unions have an arbitrator that they call on regularly. Others compile a list of people acceptable to both sides and rotate through the list. The choice of an arbitrator may become a serious labor dispute in itself. Sometimes the previous award decisions of prospective arbitrators are carefully scrutinized to determine whether they have made more awards in favor of management or the union. However, since each case is different, this exercise is generally not very useful.

An arbitrator is not bound by precedents. His or her job is to render the best judgment possible about the meaning of a particular labor agreement with respect to the specific case. The fact that one arbitrator decides a case in one way does not necessarily mean that another arbitrator will do likewise in a similar case. However, arbitrators usually review the rulings handed down by one another, and as a result, a set of general principles has slowly accumulated.

### **Preparing for Arbitration**

After an arbitrator has been chosen, an arbitration hearing is held. A statement called the **submission agreement** is usually prepared; this statement formally outlines the issues for arbitration and grants final authority to the arbitrator to settle the issue.

The hearing may be as formal as a civil court hearing and involve written testimony, signed statements and affidavits, the swearing in of witnesses, cross examination, and a recorded transcript of the proceedings. Or the hearing might be very informal, with just an opening statement by each side and then questioning by the arbitrator. To save time, most testimony by witnesses is obtained in advance and presented to the arbitrator. Normally, hearings do not last more than one day.

Most arbitrators stipulate that the burden of proof is on the party that initiates the complaint. If the union alleges violation of the agreement, it must provide evidence of what happened and describe how the agreement was violated. If an employee was disciplined or discharged, the company must provide evidence showing that the action was legitimate.

After all of the evidence has been presented, the hearing is adjourned. The arbitrator reviews the evidence, examines the labor agreement, and usually looks at previous arbitration awards in similar cases before reaching a decision. Within 30 days, the arbitration award is usually announced to both parties along with a written review of the case. The written review is important because it contains a rationale for the decision and helps each side understand the decision.

### **Problems with Arbitration**

Most representatives of management and labor are generally satisfied with the arbitration process, especially if the arbitrator is objective and actively controls the hearing.<sup>14</sup> Grievance arbitration contributes to the peaceful resolution of labor disputes. Nevertheless, it has its problems. Grievance arbitration is generally criticized for three reasons: it costs too much, it takes too long, and it has become too formal.

### **Alternative Dispute Resolution**

The enormous time and expense associated with litigation has prompted employers to pursue arbitration and other methods for resolving disagreements. These methods, known generally as **alternative dispute resolution**, include negotiation, mediation, binding arbitration, and even rent-a-judge services. When two parties are unable to peacefully negotiate an acceptable solution, the next step is to ask for the services of a mediator. The mediator examines both sides of the dispute and tries to help both parties understand the other and find an acceptable compromise. If mediation fails, the parties can agree to submit the issue to binding arbitration and promise to live by the arbitrator's decision.<sup>15</sup>

To overcome delays in arbitration, several companies have developed systems designed to expedite grievance cases as efficiently as possible. Employees in one steel company, for example, can obtain an arbitration hearing within ten days of filing an appeal. An arbitrator selected from a panel of arbitrators hears the case, which is presented by local plant and union representatives and involves no written transcripts or briefs. Since the award is made within 40 hours of the hearing, costs are greatly reduced by this method. Moreover, such a

speedy hearing appears to promote better employee relations and seems to lose little in legal thoroughness.<sup>16</sup>

Some companies use peer or management juries to resolve employee complaints and report good results.<sup>17</sup> One of the greatest benefits of peer juries is that the members are well versed in the company culture and how the company operates. Peer review panels are especially useful when making judgment calls in cases assessing whether company policies were followed properly. Another benefit is that employees generally find that the resolutions rendered by a group of their peers are credible and acceptable. Peer reviews also allow employee disputes to be resolved internally rather than in courts or other tribunals. This model appears to be cost effective even though there are added costs associated with establishing a peer review system and training its members. The time the employees spend resolving cases is time away from work. The greatest concern for most managers, however, is the fear of losing control over the complaint system. The fact that this process diffuses a company's decision-making authority by giving employees power to render decisions in workplace disputes is perceived by some as an important threat while others see it as a significant benefit.

### **Items for Arbitration**

Although many grievances originate from discourteous or unfair treatment, most of the grievances that reach arbitration involve disputes about the specific application or interpretation of a labor agreement. Some of the issues most frequently referred to arbitration include the following:

- discharge and disciplinary actions
- seniority and its application
- leaves of absence
- promotions and transfers
- vacations and vacation pay
- holidays and holiday pay
- health and welfare benefits
- management rights
- union rights
- strikes and lockouts
- union security
- wages and hours<sup>18</sup>

## Test Your Knowledge

The following test-your-knowledge questions are open-ended items designed to help you assess your understanding of the concepts discussed in the preceding section. A vital part of your preparation for the human resource certification exam is taking the online multiple-choice practice exams provided as a part of this program at [www.hrcp.com](http://www.hrcp.com). Log into your account and click on My HRCP to access the practice exams.

1. Can you list the most common causes of grievances?
2. Can you explain a typical grievance procedure in a unionized company?
3. Can you describe the options for handling grievances in nonunion organizations?
4. Can you explain the process of arbitration?
5. Can you define and give examples of alternative dispute resolution?

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## 5.2 EMPLOYEE DISCIPLINE SYSTEMS

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Discipline has many definitions. Most people equate discipline with punishment, such as spanking a child or discharging an employee. However, discipline is not synonymous with punishment. A discipline procedure may consist of several different consequences, including training, corrective action, evaluation, punishment, and ultimate termination. The overall objective of disciplinary action is to remedy a problem and to help employees achieve success in their work. It is to the advantage of both an organization and its employees that a smoothly functioning state of order be maintained. To maintain a state of order, an organization must have an accepted standard of appropriate conduct, a fair procedure for evaluating behavior, and a sequence of progressively more severe penalties for rule violators.

Discipline procedures provide a systematic process for handling problem employees. Employee discipline is one of the most challenging responsibilities of supervisors and human resource managers. The reasons for unacceptable behavior are complex and difficult to diagnose. The goal of a good discipline system is to help employees perform better, but, if they fail to respond, a procedure is needed for firing them as a last resort. A good discipline system can make terminations stick without fear that the fired employees will be reinstated.

A highly recommended procedure for administering punishment is called the “hot stove” rule. A hot stove with its radiating heat provides a warning that it should not be touched. Those who ignore the warning and touch it, like employees who violate a rule, are assured of being burned. The punishment, in this case the burn, is immediate and directly associated with violating the rule. Like the hot stove that immediately burns anyone who touches it, an established rule for employees to follow should be consistently enforced and should apply to all employees. The pain of a hot stove is administered in a rigid and impersonal way to everyone who touches it.<sup>19</sup>

Most arbitrators do not accept the rigidity of the hot stove rule because they think personal motives and mitigating circumstances ought to be considered. A good disciplinary system must balance the dual objectives of protecting the rights of employees and preserving the interests of the organization. It must be flexible enough to provide problem employees with sufficient time and opportunities to correct their behavior if they have the proper inclination, and it must be rigorous enough to discharge unresponsive problem employees who have been warned about the consequences of their actions.

### 5.2.1 Punishment

Punishment is intended to reduce undesirable behavior; however, some forms of punishment are more effective than others. The benefit of using punishment to improve the behavior of problem employees depends on the type of punishment, how it is used, and how often it occurs.

#### **Types of punishment**

Some managers have moral objections to the use of punishment and argue that there is no justification for the use of punishment in organizational settings. Others believe that there are times when punishment is the most effective way to change behavior. Three different kinds

of punishment occur in organizations: natural consequences, logical consequences, and contrived consequences.

*Natural consequences* occur when behavior violates the laws of nature or society, such as being injured because you followed unsafe work procedures, or being excluded from a lunchroom clique because you have body odor. Virtually every form of misbehavior creates some form of undesirable natural consequence, although some consequences are difficult to recognize immediately.

*Logical consequences* refer to punishment that contains a logical relationship to the violated rule. An example of a logical consequence is requiring employees to wait for an assigned secretary to make copies for them because they misuse the copy machine or fail to record the number of copies when they use it themselves.

*Contrived consequences* refer to punishment for wrongdoing where the punishment is unrelated to the misbehavior. Fining a football player \$100 for missing practice and revoking an employee's use of a company privilege for a late report are examples of contrived punishments.

Natural consequences are generally much more effective than logical or contrived consequences because they create less resistance and they teach important work values, as expressed by the proverb: there are natural consequences associated with using natural consequences. No one has to initiate action to create natural consequences, nor can anyone really prevent them from occurring. For similar reasons, logical consequences can also be used quite effectively because they are tied to the misbehavior. Contrived consequences are generally the least effective; but they also can serve an essential purpose because they are convenient or there are other limitations or time constraints.

Punishment does not need to be experienced personally in order to change behavior. Just as we learn vicariously from observing others what will be rewarding, we also learn through vicarious punishment what we should avoid. We tend to avoid doing things for which others are punished. Studies of punishment have shown that individuals who have observed others being punished change their behavior almost as much as those who were actually punished.<sup>20</sup>

### **Criticisms of Punishment**

Although punishment may be very effective in changing behavior, there are negative consequences associated with it that ought to be understood. Learning theorists claim that punishment is not the most effective method of changing behavior for a combination of theoretical and practical reasons.<sup>21</sup>

1. Punishment is effective only when the threat of punishment is present. If the only reason employees do not engage in horseplay is because the supervisor is there to discipline them, the horseplay is likely to begin as soon as the supervisor leaves.
2. Punishment indicates what is wrong but not what is right. One wrong response might be replaced with another wrong response. When employees are criticized for coming late to meetings, they might choose to avoid the meeting all together the next time they are behind schedule. When individuals are criticized for

attempting to resolve interpersonal conflicts, they may decide to quit talking, and the interpersonal conflict continues to smolder.

3. Punishment may eliminate both good and bad behavior if both behaviors are tied together. For example, trying to help a co worker might be seen as “getting in the way” and result in punishment. Employees may feel as if their helpfulness was punished.
4. Punishment may cause frustrated behavior because the individual's thinking becomes fixed on past errors rather than on searching for a correct solution. For example, a new employee may be so humiliated in a public meeting after incorrectly giving the name of his new department that he makes the same mistake again because the humiliation prevents him from thinking of anything else.
5. Punishment creates a negative feeling toward the punishing agent, such as a supervisor, and interferes with relationships regarding other issues. When supervisors are highly critical and constantly harass subordinates, they tend to create such a negative feeling that even friendly comments and legitimate requests are ignored.
6. Punishment is sometimes a reward since any form of attention is better than being ignored. Grade school teachers are often surprised to find that rowdy students seem to enjoy being disciplined, because it tends to raise their status in the eyes of their peers. Entertainers criticize the sensational tabloid articles that are written about them, but most of them admit that the attention they generate is better than being ignored.

In addition to these practical criticisms there are also ethical considerations regarding the use of punishment that ought to be considered. By definition, punishment is unpleasant and it can be both physically and emotionally damaging to people. People who are criticized feel sad and demoralized and repeated condemnation is damaging to one's self esteem. If the same results can be obtained by using selective reinforcement to change behavior, it would be better to use rewards even if it took a little more time.

### **Conditions for the Effective Use of Punishment**

In spite of the criticisms against the use of punishment, however, there are appropriate times when punishment should be used, and there is considerable evidence that punishment can be an effective tool if the conditions are right. Seven conditions have been proposed for the effective use of punishment.<sup>22</sup>

1. Punishment is more effective when it occurs immediately after the mistake. The longer the delay, the more likely that it will be perceived as arbitrary, unfair, and unrelated to the undesired behavior.
2. Punishment should be unpleasant, but not severe. If it is too mild, it will be ignored; but if it is too severe, those who are punished will think too much about

the pain and not enough about how they must change their behavior to avoid it in the future.

3. Punishment should focus on a specific act, not on a person or on general behavior patterns. Punishment should not be a means of revenge or a way of venting frustrations. Instead, it should be tied to a specific act that can be described.
4. Punishment should be consistent across persons and across time. The decision to punish should not depend upon who misbehaved, how they get along with the manager, or whether things are running smoothly. However, personal reactions to punishment ought to be considered since a simple comment may be sufficient to impact some people while others require more intense treatment.
5. Punishment should be administered in a way that informs people what they did wrong and also how they must change. Simply knowing that what they did was wrong without knowing how to change can be very frustrating. Punishment should be combined with helpful instruction and coaching.
6. Punishment is most effective when it occurs in the context of a caring and nurturing relationship. Since punishment naturally creates a negative feeling toward the punishing agent, it is essential that on other occasions a warm and supportive relationship be developed to withstand the strain of punishment. When the relationship between a person and the punishing agent is already strained or distant, the punishment tends to be perceived as a personal attack that creates a feeling of hatred rather than an indication of a wrongdoing that needs to be changed.
7. Punishment should not be followed by undeserved rewards. Although greater efforts should be made after punishment to reestablish an interpersonal relationship, these efforts should not include showering the person with undeserved rewards, because it encourages them to misbehave again.

There are many reasons why punishment cannot be administered as quickly or as intensely in organizations as reinforcement theory would recommend. Many undesirable behaviors such as leaving the work station, sleeping on the job, fighting, stealing, and damaging equipment cannot be punished as immediately or as severely as the hot-stove rule recommends. Furthermore, most managers prefer to delay punishment until an appropriate time in order to avoid publicly humiliating an employee. Since punishment is often delayed, it is important for the person administering punishment to explain the importance of the rules and provide what is called *cognitive structuring*. Evidence has shown that clear, reasonable explanations for punishment significantly increase the effectiveness of punishment and produce desirable behavior.<sup>23</sup> Reasonable explanations help individuals understand why their behavior was wrong and how their behavior needs to change in the future.

### 5.2.2 Approaches to Discipline

Employee discipline can be handled in many different ways. At one extreme, a supervisor seeing a mistake may scream at the offender in front of other workers and issue snap decisions aimed at punishing the offender and deterring others from wrongdoing. At the other extreme, a supervisor seeing a mistake may respond in a calm and considerate manner with the intent of improving future performance, not punishing past performance.

Supervisors have developed their own characteristic ways of responding to disciplinary problems. Supervisors tend to model the disciplinary styles of other people who have been influential in their lives. Disciplinary styles also are influenced by the company's formal discipline procedures and dominant style of management. If the organization has a formal discipline system with a sequence of penalties, supervisors usually follow the sequence in a calm and rational manner. If the dominant style of management shows a concern for the personal growth and development of employees, supervisors are inclined to help employees solve problems and improve their performances.

#### Negative Approach

The negative approach to discipline, sometimes called punitive or autocratic discipline, is summarized in Exhibit 3. The purpose of punitive discipline is to punish employees for mistakes, and it is usually severe to remind others of the consequences of wrongdoing. To produce the desired effect, the punishment is usually administered publicly, such as a verbal reprimand in the presence of other employees or firing on the spot. When the mistake is discussed, there may be an emotional outburst. The supervisor may become angry and make irrational decisions. Even though employees may be suspended or discharged only infrequently, they live in constant fear that it could happen at any time.

#### Exhibit 3: Comparison Between Positive and Negative Approaches to Discipline

	<b>NEGATIVE APPROACH</b>	<b>POSITIVE APPROACH</b>
<b>Motive for discipline:</b>	retribution - punishment for errors	to correct behavior and eliminate further errors
<b>Emotional tone of the meeting:</b>	expression of anger, loss of temper, irrational punishment or threats	calm explanation of the error and why it is unacceptable
<b>Desired result of discipline:</b>	to severely punish or terminate the offender, to serve as an example and create fear in others, to serve as a deterrent to others	to rehabilitate problem employees and turn them into productive employees
<b>Probable consequences:</b>	employee will achieve only the minimum acceptable performance	those who respond will become good employees; those who do not respond will be terminated

The basic problem with punitive discipline is that it motivates employees to achieve only the minimum acceptable performance. Employees who are motivated by fear are not oriented toward becoming outstanding performers. Instead, they are motivated to avoid failure and to produce only the minimum amount of work necessary to avoid punishment. Another

problem with punitive discipline is that severe punishment does not necessarily deter troublemakers. For example, people who break laws usually are thinking about their immediate wants rather than the long-term consequences of their actions. Likewise, employees who repeatedly make errors usually do not think about the consequences of their acts. Severe punishment and threats of being terminated are not usually very effective methods of discipline for such employees.

Public punishment can be effective, however, even when it is relatively harsh, as long as the punishment is perceived as just. Fair punishment that fits the seriousness of the misbehavior is called **retributive justice**. Timely punishment can change the behavior of the person being punished, and vicarious punishment also can have an especially strong influence on third-party observers. Experiments examining the effects of varying levels of severity have found that even harsh punishment can have a positive impact on work-related emotions, attitudes, and other behaviors of both subjects and observers when it is perceived as fair and just.<sup>24</sup>

### **Positive Approach**

The positive approach to discipline, sometimes called constructive discipline or corrective action, is summarized in Exhibit 3. The purposes of constructive discipline are to eliminate future problems and to create effective employees. Employees' mistakes are used to help them learn how to change. The disciplinary discussion is a calm consideration of the problem—what caused it, why it needs to be corrected, and how it can be corrected. The discussion focuses on the problem and how it can be solved rather than on who is to blame and why.

A necessary prerequisite for the positive approach to discipline is a clear understanding of the rules and expectations. The rules do not need to be an exhaustive list of detailed regulations. In fact, an informal list of general guidelines requiring individual interpretation is sometimes most useful because it creates greater acceptance and commitment among employees than formal rules. Regardless of the structure of the rules, employees need to know what behavior is expected of them and what behavior is unacceptable. The performance standards must be fair and reasonable, and the rules must be administered fairly.<sup>25</sup>

The positive approach to discipline does not mean that a supervisor should ignore errors or casually disregard problems. It does not mean lax discipline. When an employee arrives late for work, drinks on the job, willfully damages company property, or commits any other wrongs, supervisors need to act. According to the constructive approach to discipline, the supervisor's actions should be directed toward the rehabilitation of the employee and the elimination of the problem. The supervisor may need to be very firm, and repeated wrongdoing may have to result in suspension and discharge. But the intent is to help the employee correct problem behavior and become an outstanding performer.<sup>26</sup>

The positive approach to discipline is closely tied to the development of personal responsibility. When employees are given specific performance expectations, when their performances are evaluated, and when problems are addressed in a constructive environment, the employees tend to develop a strong sense of personal responsibility. These conditions also contribute to the development of self-discipline and a strong work ethic.<sup>27</sup>

### 5.2.3 Progressive Discipline

The disciplinary process should follow a sequence of increasingly severe penalties for wrongdoing. The final step in the disciplinary process is discharge. This process is called **progressive discipline** because the disciplinary actions become increasingly severe. The following five steps illustrate progressive discipline:

1. *Verbal warning:* The first step in the disciplinary process is a simple comment by a supervisor to warn employees that certain acts are not acceptable. The purpose of the warning is to ensure that employees know what is expected of them and that what they are doing is wrong. Nothing is usually recorded, although the supervisor may refer to these discussions in performance appraisals. A verbal warning is frequently used for minor offenses such as infrequent tardiness, discourtesy to customers, horseplay, and obscene language.
2. *Verbal reprimand:* The second step is a verbal reprimand in which the supervisor informs the employee that the situation is not acceptable and that improvement is required. The reprimand should be given in private and should not be an emotional harangue. The supervisor should avoid sarcasm, not use belittling comments, and not try to humiliate the employee. Instead, the focus of the reprimand should be a firm explanation of the rules and expectations. The supervisor should make certain that the employee understands the problem and knows how to correct it. Since the purpose of the reprimand is to correct the problem, the employee should leave the discussion feeling encouraged and committed to improve. The supervisor should make a written note of the conversation in case further discipline becomes necessary.
3. *Written reprimand:* The third step in the discipline process is a written reprimand, which is a written description of the problem and the disciplinary actions accompanying it. This step is more formal than the first two steps, and the way it should be handled is carefully detailed in some labor agreements. The supervisor discusses the problem with the employee once more, reviewing the previous discussions and outlining the history of the problem. This time, however, the supervisor prepares a written record that summarizes what has been said and decided. A course of action should be established for the employee to correct the problem, and the written reprimand should set a target date for the completion of that action. The supervisor should sign the reprimand and ask the employee to sign it as an indication that the employee has read and understood it. If the employee refuses to sign the reprimand, the supervisor should sign it and note that the employee received a copy but refused to sign it. Copies of the reprimand are usually given to the employee, to the union steward, and to the human resource office, and a copy is placed in the supervisor's files. Although threats were not appropriate in the first two steps, they are at this step. The employee should be warned about the consequences if he or she does not change.
4. *Suspension:* If an employee fails to respond to the written reprimand and persists in wrongdoing, the next step is a suspension. A suspended employee is not allowed to work for a period of time and his or her compensation may be reduced accordingly. Some companies suspend employees with pay in what is called a "day of

contemplation.” This one-time decision-making leave forces them to decide whether they are willing to change and become outstanding employees or if they should pursue another career.<sup>28</sup> The purpose of the suspension is to demonstrate the seriousness of the offense and to reinforce the idea that appropriate behavior is a prerequisite for maintaining a job. The length of the suspension should be considered in light of the seriousness and type of offense. An indefinite suspension leaves the date for returning to work open and is normally used on second or third suspensions. Under certain circumstances second and third suspensions are considered appropriate when an employee is making progress and has a repentant attitude; however, repeated suspensions for violations are not considered very useful. Before an employee is suspended, the employee should know exactly why he or she is being disciplined. The conditions for the employee’s return to work need to be carefully explained. Sometimes it is useful to have the employee determine the length of the suspension by telling the employee that the suspension is in effect so many days and to not return unless he or she is committed to improvement. Careful records describing the reasons for suspension need to be maintained in the event that the disciplinary action results in a grievance or goes to civil court as a discrimination charge.

5. *Discharge*: Employees who persist in wrongdoing and who fail to respond to previous disciplinary actions should be terminated. Discharge represents the final step in the disciplinary process. Some managers make the mistake of being too prone to fire employees; they respond as if discharge were the only solution to disciplinary problems. Employees should never be fired on the spot, although they may be ordered to leave the premises for flagrant violations. The final discharge should not be issued until all facts have been gathered and carefully considered and emotions are under control. Other managers make the mistake of waiting too long to terminate a problem employee. Sometimes discharge may be the best solution for both the employee and the company. Sometimes discharge forces an employee to face reality and to find a new job, and the employee frequently responds better in the new environment. At least one study has shown that discharged managers were better off after being terminated because they liked their new jobs better, their salaries were better, and they felt more successful.<sup>29</sup>

### 5.2.4 Workplace Investigations

Before taking disciplinary action, employers need to make certain that they know what happened and the relevant circumstances surrounding it. Discipline that is taken in haste may result in charges of constructive discharge and create great embarrassment to the company and its employees. All charges of serious misconduct, such as sexual harassment, bullying, and insubordination, need to be taken seriously and investigated carefully, even if the complaint comes from third-party sources. The following guidelines are part of an effective investigation.

- The investigation should be initiated promptly, within a day or two of the complaint, and concluded quickly, within a week or two. Inconsistencies in the statements or a lack of witnesses should not cause an investigation to be postponed or delayed.

- An internal investigator should be selected and appointed to conduct the investigation. This person could be a member of the HR staff or another person not connected with the alleged offender. The ideal investigator would be an in-house attorney or the company's outside counsel to preserve the attorney-client privilege should the case be litigated.
- All complaints should be in writing. If the complaining party chooses not to write it, it should be written by another person and signed by the complainant.
- The investigator should interview the complainant and the offender, plus any people identified by these individuals who may have information to help substantiate or refute the allegations. An investigator lacking eye witnesses should ask the victims if they confided in anyone at work or if anyone saw them upset after an incident. These employees, customers and clients are also witnesses. Electronic communications especially emails and social media can also provide evidence.
- The entire process should be documented, including interviews, evidence, and any actions that are taken.
- Investigators should do everything possible to protect the privacy of the parties involved. However, promises of confidentiality should be avoided. Management should explain that information will be shared on a need-to-know basis. Also, it is important to communicate that there will be no retaliation for registering a complaint or for participating in an investigation.
- The personnel files of both the offender and the complainant should be reviewed to check for patterns of behavior.
- After all information has been reviewed, a decision should be made and announced to the respective parties.
- If there is evidence of misbehavior, appropriate disciplinary action should be taken, such as a verbal or written warning, suspension, demotion, reduction in wages or incentives, and possibly termination.
- The complainant should be advised that appropriate disciplinary action has been taken and any retaliatory actions should be reported.
- Periodic follow-up visits should be made to ensure that repeated acts of misbehavior are not occurring.

### **5.2.5 Administrative Justice: Due Process and Just Cause**

A system of administrative justice has evolved over time that is generally accepted in most organizations and formally adopted by collective agreement in many union contracts. The two basic concepts supporting administrative justice are due process and just cause.

The concept of **due process** means that disciplinary actions must follow an accepted procedure that protects an employee from arbitrary, capricious, and unfair treatment. Due process normally involves providing individuals with written statements of the charges against them as well as the reasons for the penalties. The charged employees must have full opportunity to defend themselves – to utilize the formal grievance procedure, if one exists, or to have an impartial hearing if a formal grievance procedure does not exist. The employer is normally expected to bear the burden of proof to show both the evidence of wrongdoing and the need for discipline.<sup>30</sup>

A basic principle surrounding all disciplinary actions is that management should have just cause for imposing a discipline. The concept of **just cause** means that disciplinary action should only be taken for good and sufficient reason. Trivial issues and minor infractions, especially when no harm is done, should not be punished. This standard is written into most labor agreements or read into them by arbitrators.<sup>31</sup> Most agreements merely state that employees have the right to submit grievances if they feel the punishment is unjust. Even in the absence of a labor agreement, the conditions defining just cause should be used to judge whether management acted fairly in enforcing company rules.

Administrative justice in the workplace, through due process procedures and for reasons of just cause, has steadily advanced. Employees enjoy greater protection of their individual rights now than in earlier years. In fact, many managers fear that the advances in administrative justice have been made at the expense of organizational efficiency. Some argue that an excessive concern for individual rights threatens the smooth functioning and possibly even the survival of many organizations.<sup>32</sup>

The following principles describe some of the most important elements of an effective disciplinary system.

### **Definite Policy and Procedure**

Disciplinary procedures should follow a prescribed course of action rather than vary from day to day and from supervisor to supervisor. Consistency of action should be maintained throughout the organization. A well-designed and consistently applied disciplinary system is in the best interests of both management and the union. The disciplinary system should be carefully designed either by management alone or by a joint effort of management and union representatives.

### **Supervisory Responsibility**

Supervisors are usually responsible for initiating disciplinary action. Most organizations rely on supervisors to evaluate subordinates and take the first action when problems arise. Supervisors generally have the authority to issue verbal warnings and verbal reprimands on their own. However, if a written reprimand is called for, a supervisor usually prepares the reprimand in consultation with the next level of management. If there is a labor agreement, the supervisor also should consult with the human resource office to make certain that the written reprimand is consistent with the procedures described in the agreement.

### **Communication of Rules**

Employees must know and understand rules before they can be held accountable for them. Typically, employees are informed about company rules through an employee handbook and

new-employee orientation programs. For the first offense, an employee should be given the benefit of the doubt and should be adequately warned about the consequences of his or her conduct but not punished. An exception may be made for misconduct so serious that the employee can be expected to know it is a punishable offense, such as drinking on the job, stealing from the company, or willfully destroying company property.

**Burden of Proof**

A basic principle underlying the law in many countries is that an individual is presumed innocent until proven guilty. This principle has been generally adopted in industrial relations; an employer must prove an employee's guilt before administering discipline. A common mistake made by an employer is to discipline an employee on the first hint of wrongdoing and then to collect information supporting the action. The appropriate procedure is to investigate the problem before making a decision to discipline. Where immediate action may be required, such as in the case of fraud or willful destruction of company property, the best course is to suspend the suspected employee with the understanding that he or she will be restored to the job and paid for time lost if an investigation proves the employee is innocent. However, the evidence does not have to be conclusive or "beyond a reasonable doubt," except where the alleged misconduct is of such a criminal or reprehensible nature as to stigmatize the employee and to seriously impair his or her chances of future employment.

**Consistent Treatment**

Rules and penalties must be applied evenhandedly and without discrimination. In a situation where one employee was disciplined for an offense while another who committed the same offense escaped punishment, an arbitrator very likely would overturn or at least reduce the punishment. Such a situation could also lead to a case of retaliation if the employee claims the discipline was based upon his or her protected status or previous complaints. Uneven application of discipline not only destroys the effectiveness of a disciplinary system, it can also create feelings among employees that favoritism and discrimination exist. For example, if management has been lax about enforcing rules and then suddenly decides to crack down, most employees will charge that they are being treated unfairly. Renewed efforts to enforce rules should be preceded by warnings from management. Otherwise, disciplined employees will complain about discrimination, and arbitrators will probably overturn disciplinary actions.

**Consideration of the Circumstances**

Violations of company rules and other offenses should not be considered in isolation. The circumstances of each case should always be considered as well as the facts describing the offense. The appropriateness of disciplinary action and an arbitrator's willingness to uphold it are often determined by the surrounding circumstances. In fights between employees, for example, the employee who provoked the fight has sometimes received a harsher penalty than the employee who threw the first punch.

It has been suggested that a uniform scale of penalties for each offense would make discipline more consistent. Some labor agreements even specify the penalties that result from each offense. Published scales of penalties appear to eliminate the possibility that personal feelings and favoritism will affect disciplinary action, and they also remove some of the uncertainty about the consequences of an error. However, these apparent benefits of uniform penalties

seem to disappear in actual practice. Uniform penalties generally are not perceived as fair or impartial because employees think the circumstances of each case should be considered, such as the reasons for an offense, the offending employee's previous record, and the employee's willingness to change.

Arbitrators generally overturn or reduce disciplinary actions when it can be shown that an employee was provoked by coworkers or a supervisor. Arbitrators and managers agree that an employee with a long history of good performance should not be disciplined as severely as a frequent offender. And most people believe that an employee who is remorseful about an error and willing to improve should be treated more leniently than an employee who is belligerent and defiant.

### **Reasonable Rules and Penalties**

Even though a company is free to make whatever rules it wants, the rules should be reasonable. Most people are willing to accept company regulations as legitimate if the regulations are reasonably related to efficient and safe operations and are consistent with the conventions of society. The penalties also should be reasonable. Extremely harsh penalties for minor offenses are not perceived as fair by employees. Arbitrators are not inclined to uphold rules or penalties that are overly restrictive, unnecessary, and unreasonable. Rules and penalties that seem unreasonable create a negative attitude about discipline and foster an uncooperative attitude among employees.

### **Statute of Limitations**

Some people believe that written reprimands should not remain in an employee's file permanently because they may destroy the individual's opportunity to advance. Some companies remove written reprimands from an employee's file after the employee has had a three- to five-year period of good performance. Other companies do not remove written notices but counter them with descriptions of the employee's progress following the reprimands. Regardless of how written reprimands are handled, they should be placed in an employee's personal file with an understanding that there is a statute of limitations regarding the length of time they can remain there untouched.

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## **Test Your Knowledge**

The following test-your-knowledge questions are open-ended items designed to help you assess your understanding of the concepts discussed in the preceding section. A vital part of your preparation for the human resource certification exam is taking the online multiple-choice practice exams provided as a part of this program at [www.hrcp.com](http://www.hrcp.com). Log into your account and click on My HRCP to access the practice exams.

1. Can you describe progressive discipline?
2. Can you define due process and just cause?

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## 5.3 WORKFORCE BEHAVIOR PROBLEMS

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Disciplinary problems can be caused by a number of reasons that are not equally serious. Understanding the causes of problems is essential because the causes suggest significantly different implications for managerial action. It makes a big difference, for example, to know whether a machine was damaged by willful destructiveness, simple carelessness, or an unwitting error caused by a lack of training. The cost of fixing the machine will not change, regardless of the cause, but the appropriate disciplinary action should be different depending on the cause. A careful diagnosis of the nature and cause of each wrongdoing should precede any disciplinary action.

### 5.3.1 Rule Violations

The first category of disciplinary problems consists of violations of company rules. Some companies have general rules that are informally communicated to employees, while others have specific rules that prohibit such things as possession of weapons, use of alcohol or narcotics, abusive or threatening language, insubordination, sleeping on the job, carelessness, smoking in unauthorized places, fighting, gambling, abuse of sick leave, habitual tardiness, and horseplay.

Nonunion employers are free to make and enforce whatever rules they want, providing the rules are consistent with other laws. Employers who bargain with a union, however, do not have as much liberty in making and enforcing company rules; they are required by law to bargain with the union in good faith regarding wages, hours, and other terms and conditions of employment, which includes work rules. Unless the agreement says otherwise, the company has the right to make new rules without consulting the union. However, union members who think that the rules are unfair or that they have been falsely accused of breaking a rule can seek redress through arbitration. As previously mentioned, arbitrators are not bound by precedent, but a fairly consistent set of guidelines has accumulated that describe what arbitrators are likely to uphold.<sup>33</sup>

#### **No-smoking Policies**

Smoking is increasingly being prohibited at work by both national laws and company policies. The reasons for these restrictions are quite reasonable when the costs of smoking are examined. Smoking is considered the largest single factor in controllable health-care costs and the easiest target for improvement. According to the Action on Smoking and Health, the average smoker costs companies more than \$12,000 USD a year in health-and disability-related costs and takes four 15-minute breaks a day.<sup>34</sup>

Many companies either prohibit it entirely or restrict it to enclosed areas that can be directly ventilated to the outside. Some no-smoking policies have been created and implemented by employee committees. Some countries, however, have smokers' rights laws that protect employees from discipline either because they smoke or because they use a lawful product, such as tobacco, outside of work. Consequently, HR managers need to know their company's policy and the laws regarding smoking in the area where they operate and consistently enforce them.<sup>35</sup>

**Insubordination**

An employee who refuses to follow a supervisor's instruction is guilty of insubordination. Arbitrators rarely reverse disciplinary actions for insubordination, provided that the instructions were clear, that the supervisor was the appropriately designated representative of management, and that the supervisor provided an explicit warning of the consequences of failure to comply with the instruction. However, employees are not required to follow orders that would endanger their health or safety.

**Abusive Language**

Abusive language usually is considered a legitimate basis for disciplinary action. Arbitrators generally uphold disciplinary actions involving verbal abuse of supervisors, especially if such language was used to embarrass, ridicule, or degrade a supervisor and if other employees were present to hear it. All profane and obscene language will not necessarily lead to dismissal, however. Disciplinary discharges are usually overturned or reduced if the obscene language was a customary part of "shop talk," if it was not directed as a personal attack against the supervisor, or if the employee was provoked by the supervisor.

**Bullying**

According to a study by the Workplace Bullying Institute, 27 percent of workers say they have been bullied at work. Companies should have clear policies prohibiting bullying. The following list of unacceptable behaviors has been proposed for inclusion in an anti-bullying policy:<sup>36</sup>

- constant and unfair criticism
- excessive teasing
- yelling, shouting, and screaming
- insults and behind-the-back put-downs
- hostile glares and other intimidating gestures
- malicious gossip
- monopolizing supplies and other resources
- aggressive emails or notes
- overt threats, aggression, or violence

An employee who is bullying a co-worker should be subject to disciplinary action. Organization leaders should be particularly vigilant where bullying behavior might also be considered illegal harassment and when bullying could escalate into more serious workplace violence.

**Horseplay**

Horseplay is a common occurrence in almost any work group. Since it usually adds an element of humor and social interaction, it is not necessarily bad unless it gets out of hand. In determining how to handle incidents of horseplay at work, a distinction must be made between joking that involves only a remote possibility of injury or disruption and acts that seriously disrupt the flow of work or involve a high risk of injury. Conduct of the latter type warrants a serious penalty even if disastrous consequences do not occur. A line has to be drawn by management and arbitrators between simply "kidding around" and dangerous or vicious acts.

### **Gambling**

Gambling of some type is prevalent in many companies, such as a football pool or lunch-hour poker game. Company rules sometimes prohibit all gambling because it infringes on company time and leads to occasional fights. If the company prohibits gambling at work, arbitrators generally uphold disciplinary actions, providing that good evidence exists. Discharge, however, is normally considered too severe a penalty for a first offense of gambling. But if the employees have been warned previously about gambling, and they are caught gambling again during work hours, discharge is an appropriate action. Discharge is also an appropriate measure when employees are involved in an organized gambling racket.

### **Fighting**

Fights with coworkers or supervisors usually result in some form of disciplinary action, even if fighting is not expressly prohibited in the company rules. Most managers and arbitrators assume that fighting on the job is generally unacceptable. In determining the appropriate discipline for fighting and aggressive behavior, many mitigating circumstances need to be considered. Arbitrators usually consider these factors:

- The employee's length of service and overall work record.
- Whether the misconduct was a single, thoughtless blow or a series of deliberate acts.
- Whether the blow was struck with a dangerous weapon, a clenched fist, or an open hand.
- The effect of the altercation on the safety and morale of other employees.
- The presence of mitigating circumstances such as provocation, discrimination, or management's failure to take corrective action.
- Whether the incident indicated that the employee has vicious tendencies, serious emotional instability, or propensities for such conduct.

### **5.3.2 Unsatisfactory Performance**

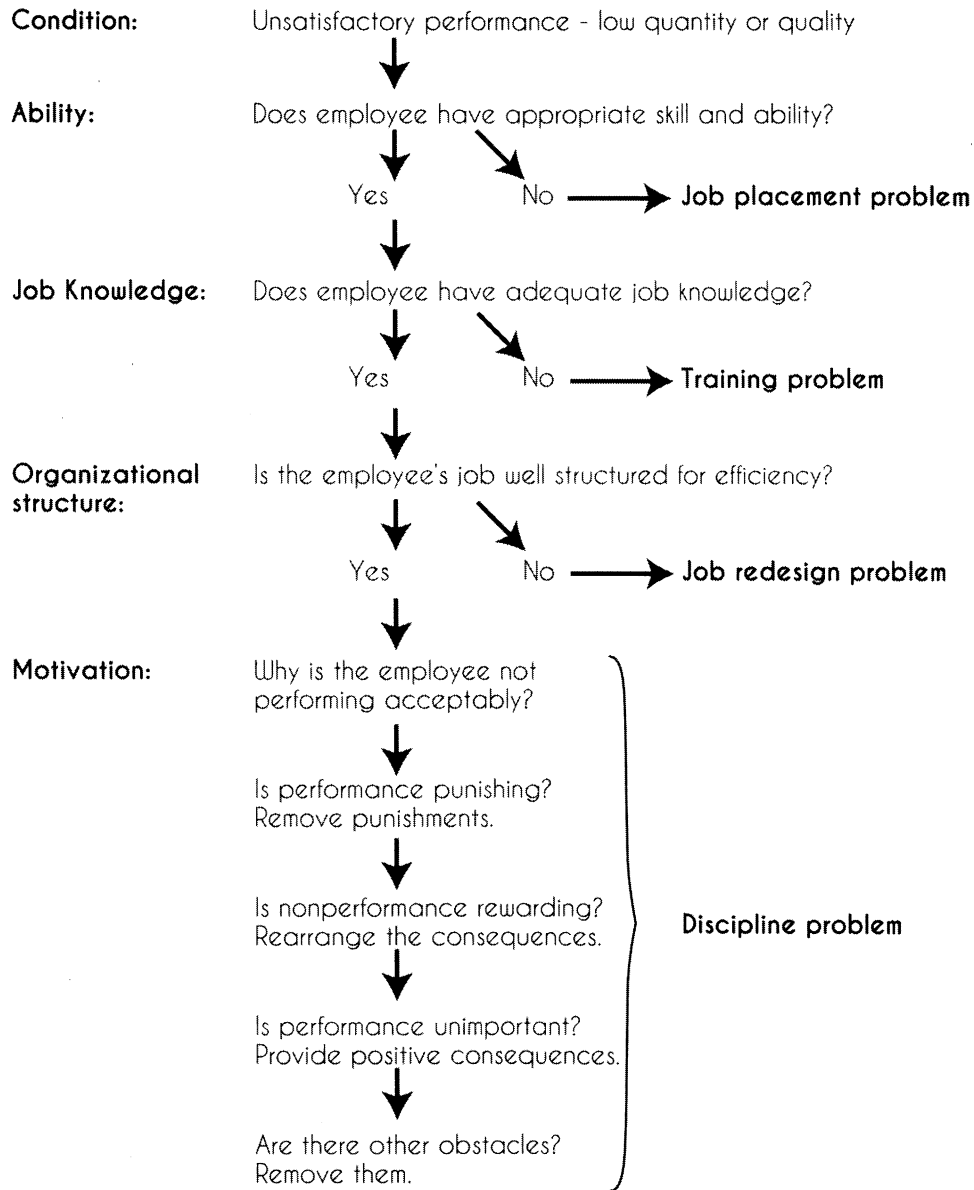
Some employees are extremely frustrating to supervise because they fail to do their assigned work. It may take them twice as long to do a job as their supervisor expected and perhaps three times as long as it should have taken. Even worse, their work has so many mistakes the entire job has to be redone. Employees who have just entered the workforce are the ones most frequently criticized for poor work habits. Some supervisors have estimated that about one-third of the new workers do not know how to work and do not want to learn. It is not unusual for the fastest employees to produce three to four times as much as the slowest employees.

A useful model for diagnosing the causes of unsatisfactory performance is presented in Exhibit 4. This model shows how unsatisfactory performance may be due to several causes that ought to be carefully assessed. If performance is low because employees do not have the appropriate skills and ability, the problem relates to job placement rather than discipline. If unsatisfactory performance is caused by inadequate job knowledge, the problem relates to training. And if unsatisfactory performance is caused by an inefficient organizational structure, the problem concerns job redesign and organizational structure.<sup>37</sup>

Unsatisfactory performance should only be viewed as a discipline problem when it is caused by inadequate motivation. Motivation problems are usually solved by rearranging the

reinforcement contingencies. Positive rewards should be used to reinforce high-quantity and high-quality performance. Progressively severe punishment, leading ultimately to discharge, should be provided for individuals who do not respond to the positive reinforcement.

**Exhibit 4: Diagnosing Unsatisfactory Performance**



When disciplinary actions for unsatisfactory performance go to arbitration, the decision of an arbitrator is greatly influenced by the cause of poor work. If the cause is due to carelessness and willful misconduct, an arbitrator usually will uphold the disciplinary action, providing that the employee had been adequately warned and given an opportunity to improve. But if

poor performance is due to incompetence or a lack of ability, an arbitrator is inclined to recommend transfer, demotion, or retraining as an alternative to discharge.

### 5.3.3 Illegal or Dishonest Acts

A serious disciplinary problem for all organizations concerns any form of illegal or dishonest behavior, such as theft, embezzlement, misuse of company facilities, or falsifying records. Statistics show that such dishonest acts have increased dramatically in recent years. White-collar crime is not always in the form of employees stealing from the company. Many white-collar crimes are committed by the top corporate officers on behalf of a company.<sup>38</sup>

A model explaining the causes of fraud suggests that the decision to commit fraud is determined by an interaction of three forces: situational pressures, opportunities to commit fraud, and personal integrity. Situational pressures refer to the immediate pressures that individuals experience in their environment, such as high personal debts and financial losses. Opportunities to commit fraud refer to those that individuals create for themselves, such as gaining control of critical financial operations, and those that are created by an organization, such as having poor internal accounting procedures or allowing related-party transactions. Personal integrity refers to the personal code of ethical behavior adopted by an employee. According to the model, companies can reduce illegal and dishonest acts by reducing the situational pressures, by making opportunities less convenient, and by increasing personal integrity.<sup>39</sup>

When employees are caught stealing, a company faces an uncomfortable dilemma. Prosecution usually consumes time and money and creates adverse publicity. But if theft continually goes unpunished, employees are more inclined to steal. Most companies prefer to quietly dismiss a dishonest employee rather than to prosecute the theft. This leaves the dishonest person free to find another job and to continue stealing. Many companies are surprised to discover when they begin to prosecute a crime that an accused employee has an extensive history of dishonest conduct that they had overlooked.

Even if an illegal act is not prosecuted, the employee committing the act is usually discharged. The official basis for the discharge is sometimes listed as a violation of a company rule rather than as criminal theft. Discharges for theft are almost always upheld by an arbitrator unless a company does not have sufficient evidence. Occasionally, an arbitrator will overturn falsification of a job application if the employee has a history of good job performance. But falsification of work records, time records, expense accounts, and medical records to obtain insurance benefits are usually automatic grounds for discharge if proof exists beyond a reasonable doubt.<sup>40</sup>

### 5.3.4 Absenteeism and Turnover

#### **Voluntary Versus Involuntary**

Absenteeism is missing working temporarily. Turnover occurs when employees leave permanently. Many factors besides poor morale influence absenteeism and turnover. Frustration and conflict are created by conditions away from work as well as conditions on the job. When absenteeism and turnover increase, managers need to determine whether the rise is caused by aggravating conditions at work. If so, the high costs of absenteeism and

turnover are a good justification for improving the workplace. Absenteeism and turnover are often used as indications of organizational effectiveness.

To properly diagnose these problems a distinction should be made between two types of absenteeism and turnover, voluntary and involuntary. **Voluntary absenteeism and turnover** occur when employees have a choice of working or not working and they intentionally decide to miss work or quit.<sup>41</sup> **Involuntary absenteeism and turnover** occur when employees miss work or are terminated for reasons beyond their control. Two examples of involuntary turnover are layoffs, when the organization terminates employees because they are no longer needed, and dismissals, when employees are terminated due to incompetence or unacceptable behavior. Some examples of involuntary absenteeism are health problems, the death or serious illness of a family member, transportation problems, and bad weather.

Absenteeism is sometimes divided into four categories to facilitate analyzing it more carefully. *Planned absences* are those that are scheduled and approved in advance, such as scheduled medical operations. While planned absences can be very costly, they are usually the least disruptive. *Unplanned or incidental absences* are usually due to illness and are not longer than one week; these are usually the most difficult to analyze. *Extended absences* last beyond one week and are often unplanned and generally due to a disability, injury, or illness. These leaves are often paid through short-term disability, workers' compensation, or accrued sick days. *Intermittent absences* are those that last a few minutes, hours, or days, and are caused by a previously certified medical condition. An employer may know in advance when intermittent absences will occur, such as a doctor appointment, or they may be unanticipated, such as a sudden reoccurrence of a disability.

Deciding when an absence is involuntary is not always clear. When is a problem beyond a person's control? Major surgery and serious illnesses may force employees to be absent, but some return to work much sooner than others. Some football players have appendectomies and return only a few days later to play a game. When their cars have mechanical problems, some employees miss several days of work, while others take public transportation, ride a bike, or walk several miles to get to work. For some employees, a heavy snowstorm means getting up an hour earlier to get to work on time; for others, it means sleeping in. Consequently, it is difficult to decide when an absence is truly involuntary or when the employee should have taken an aspirin and gone back to work. Most managers believe that job satisfaction and motivation can make a big difference in situations such as those described.

### Measuring Absenteeism

Developing a meaningful measure of absenteeism is difficult because of the problem of distinguishing between voluntary and involuntary absences. Another problem is that absenteeism figures can be seriously distorted by extended illnesses. The **job-absence rate** formula used by most companies is:

$$\text{job absence rate} = \frac{\text{number of worker-days lost through job absences during the month} \times 100}{(\text{average number of employees}) \times (\text{number of workdays})}$$

The absence rates vary substantially between companies of different size: larger companies tend to average about one percent higher absence rates than smaller companies. The absence rates also vary greatly among companies, regardless of size. Some companies, for example, report zero absences in some months, while others report absence rates greater than 10 percent.

Absenteeism is influenced by economic conditions; during difficult economic times, job absence rates tend to decline. Some have suggested that another useful measure would be an *absenteeism-frequency* measure. This measure would show the number of absences (regardless of duration) per month or per year. A long absence would only count as one absence, the same as a short absence. Absenteeism-frequency measures would help in identifying the causes of absenteeism.

The need for a careful analysis of absenteeism is illustrated by the results of a study concerning 610 employees of a General Motors division located in Scotland. Absenteeism records were examined for a six-year period. The average number of days that employees had been absent was three days per year, or 18 days over the six-year period. However, these averages did not tell the complete story, since there were wide variations in the amounts of individual absenteeism.

### **Reducing Absenteeism**

Companies use a variety of programs to reduce absenteeism because it is so costly and the reasons for it seem so manageable. Surveys indicate that on average only about 35 percent of absences are attributable to personal illnesses, while family issues account for about 24 percent, personal needs for 18 percent, stress for 12 percent, and an entitlement mentality accounts for about 11 percent.<sup>42</sup> Equally costly is the practice of coming to work when ill and being unable to work at full capacity, a practice called "presenteeism." It is generally believed that low morale is the most significant variable influencing absenteeism since companies with low morale have absenteeism rates that are about double the rates at companies with high morale.

Some of the most popular programs to reduce absenteeism include work-life programs that are designed to attract and retain employees by accommodating their needs and help them be as productive as possible. Employee assistance programs and employee wellness programs are available in about three fourths of companies to help employees solve their personal problems and improve their health. Alternative work schedules and leave for school functions allow parents to accommodate family responsibilities. Some companies offer emergency child care that connects the employee with a contractor that provides such help.

Most companies treat absenteeism as part of their normal discipline system and impose progressively severe penalties for missing work. Most companies also review attendance as part of the annual review program and excessive absenteeism impacts one's pay increase. About 80 percent of companies require employees who say they are sick to verify their illnesses. For example, Wal-Mart uses an automated telephone number that requires employees to report their absences to someone less inclined to be understanding and forgiving than their immediate supervisor.<sup>43</sup>

A more positive approach to reducing absenteeism is to offer employees a specified number of personal days or a paid leave bank. Here, employees can miss work for whatever reason they want without having to provide an explanation. This program is especially effective if it is accompanied by a buy back bank which allows an employee with unused leave days at the end of the year to receive full or partial reimbursement for those days. Another positive option is to allow employees to donate their unused earned days to employees with catastrophic illnesses.

### Measuring Turnover

Absenteeism and turnover are highly correlated. When absenteeism rates are high, turnover rates also are likely to be high. Apparently absenteeism and turnover are not alternative ways of expressing dissatisfaction; they are both caused by many of the same factors. As work motivation declines, employees may first start to miss a few days and then leave permanently.

The procedure for calculating turnover rates is:

$$\text{monthly turnover rates} = \frac{\text{number of separations during month} \times 100}{\text{average number of employees on payroll during month}}$$

The monthly turnover rates tend to range from about 0.7 to 1.5 percent, depending on economic conditions. Unlike absenteeism, turnover rates are inversely related to company size—smaller companies tend to have higher turnover rates than larger companies. The variation among companies is considerable: some companies report no turnover while others report monthly turnover rates that exceed 10 percent.<sup>44</sup>

### Reducing Turnover

Because turnover is so costly, organizations try to reduce it to acceptable levels, but maintaining a zero turnover rate is unrealistic and even undesirable. A certain amount of turnover is necessary and desirable as employees develop new skills and advance to higher levels of responsibility. Turnover rates are generally quite high in college communities because many employees are students or spouses of students. After obtaining their degrees, the graduates leave the communities for better-paying and more challenging jobs.

The two variables most significantly related to turnover are job dissatisfaction and economic conditions. The highest turnover levels are found in companies or divisions of companies where employees report the greatest dissatisfaction. Consequently, most explanations of turnover maintain that employees leave their jobs when alternative jobs that better satisfy their needs become available. Therefore, turnover levels are generally high in companies with poor working conditions, undesirable jobs, wage inequities, and restricted opportunities for advancement. To reduce abnormally high turnover levels, companies must improve the quality of the work environment. For example, a field experiment involving 350 clerical employees found that improved pay and promotion policies reduced the turnover level from more than 30 percent to 18 percent the first year and to 12 percent the next year.<sup>45</sup> Another study compared the attitudes of sales people who stayed with those who left. Those who left

rated the company lower as a good place to work and thought their futures were less secure than those who stayed.<sup>46</sup>

To reduce turnover caused by dissatisfaction, companies have created *stay surveys* to help them eliminate the conditions that cause employees to leave. When companies are concerned that employees will not feel comfortable sharing their feelings, stay surveys should be administered anonymously by the human resource department. The information is more useful, however, when it is obtained by supervisors from an in-depth interview with each employee. The following questions identify some of the important factors that influence whether employees decide to stay or leave.

1. Are you excited about the work you are doing? What circumstances would allow you to be more excited?
2. Have you been recognized recently in a way that made you feel genuinely appreciated? What more can be done to make you feel valued?
3. Do you feel that your work makes a meaningful contribution to your team, to the organization, and to society? Do your co-workers value what you do?
4. Do you have adequate access to organizational leaders and people who make decisions? Do they keep you informed?
5. Do you feel that your talents are fully utilized in your current job? What can be done to better utilize your skills and talents?
6. What frustrates you in your current position? Can these obstacles be removed?
7. What could be changed to make you more productive and innovative? Are there new things you want to learn?
8. Do you have a career path and how satisfied are you with your opportunities for advancement? Where would you like to be in the organization two years from now? Do you want to move into a leadership position?

Turnover rates are strongly influenced by economic conditions. When the economy is depressed and unemployment levels go up, turnover in most companies goes down. An analysis of fluctuations in average turnover and unemployment over a period of several years shows an inverse relationship. Apparently high unemployment levels reduce the perceived and real opportunities of changing to another job. Employees are reluctant to leave one job unless they know another job is available. Companies cannot control economic conditions or unemployment levels. Consequently, their turnover levels may fluctuate widely regardless of the actions they may take. These fluctuations make it difficult to assess the effectiveness of other changes designed to reduce turnover.

Another variable influencing turnover that is outside the control of an employer is family unity and support. Employees who have higher levels of work-family conflict are more likely to leave the company. People who come from unstable families have difficulty leaving their personal problems at home, and they are sometimes forced to change employment to accommodate family pressures. On the other hand, people who have extended family ties in the community—such as parents, children, and relatives—have better attendance records and less turnover.<sup>47</sup>

Employees are normally expected to handle personal problems on their own without letting them interfere with work performance. Most employees succeed in handling day-to-day problems without a drastic reduction in their productivity, but problems occasionally arise that may temporarily overwhelm employees and render them essentially worthless. Temporary difficulties due to family problems are not uncommon. Falling in love, getting married, having children, and getting a divorce are potentially unsettling experiences that may affect performance on the job. Since most managers realize that such events are understandably more important than work, they do not become overly concerned about an employee's personal problems unless the employee's inadequate performance continues for a long time. Many large organizations provide personal counseling services for their employees.

### 5.3.5 Drug and Alcohol Use

Some of the most serious personal problems for employees involve alcoholism and drug abuse. These problems are not temporary, and therefore, the worst response the employer can make is to be sympathetic, patient, and understanding. These problems are not solved by ignoring them or by assuming they will be corrected on their own.

The abuse of alcohol is a serious problem affecting employees at all levels in almost every company. Alcoholism increases the rates of absenteeism and tardiness, contributes significantly to accidents at work, and greatly reduces productivity. For many years, companies ignored problems of alcoholism. Corporate attitudes ranged from denial ("We don't have alcoholics on our payroll") to disregard ("If they really wanted to quit drinking, they could; it's their decision") to self-justification ("We're a business set up to make money, not to spend it nursing alcoholics"). Most organizations have been slow to respond to alcoholism problems because people generally do not like facing the problem.

Alcoholism is now viewed as a disease—a treatable disease. It is not a disease that will go away by itself; it requires treatment, usually a very confrontive form of treatment. The common signs of alcoholism are consistent tardiness—usually on Monday mornings; excessive absenteeism accompanied by excuses of minor illnesses; hangover symptoms such as headaches, thirst, shaking, and procrastination; deterioration in quality of work; and off-the-job problems such as debts and family discord. Usually, employees' jobs are the last pillars they cling to as their lives crumble around them due to problems with finances, families, and friends.

Employers have a legitimate and legal right to require competent job performance from alcoholics as well as non-alcoholics, although they are encouraged to offer rehabilitation assistance to those willing to accept help.

The most effective approach to alcoholism is a very confrontive attack on the problem. An employee should be approached as soon as a performance problem is indicated. The deterioration in the employee's work should be described, and the employee should be told that discharge will result if no improvement is shown. Since an employee normally will deny having a problem, some companies require a suspected alcoholic to obtain a medical report concerning his or her alcohol dependence.

Employers should remember that employees who are alcohol dependent may be held to the same performance and behavior standards as non-alcoholics.<sup>48</sup> Company policies can prohibit employees from using alcohol or being under the influence of alcohol in the workplace. Even off-duty conduct that reflects negatively on the company or limits the employee's ability to perform can be prohibited, as long as the standards apply to all employees equally.

When an alcoholism case goes to arbitration, the disciplinary action is usually upheld by the arbitrator. Discharge is considered an appropriate penalty when drinking results in frequent absenteeism, when it contributes to other misconduct, or when it leads to an inability to perform the work, especially when the employee shows no sign of seeking rehabilitation.

The problems created by drug abuse are similar to those created by alcoholism: high rates of absenteeism and tardiness, frequent accidents, and reduced productivity. An additional problem related to drug abuse is theft, since most drug users need help supporting their expensive habits. In addition to the direct consequences that drug abuse creates for companies, it presents an additional complication—it is illegal. Most companies have rules against drug abuse, which they aggressively enforce.

The statistics associated with drug use document how serious the problem is and why companies need to be involved in curtailing the use of illegal drugs. The financial costs to employers of drug-related illnesses, absences, health care premiums, lost productivity, and theft are enormous. Other significant costs of concern to employers include the safety hazards created by employees working under diminished capacity, the damage to the company's credibility and image, and the loss of credibility to the customers. Global trafficking in illegal drugs is estimated to be as much as \$400 billion USD, which is about three percent the value of all international trade. Worldwide, more money is spent on illegal drugs than is spent on food.<sup>49</sup> Numerous homicides are attributed to drug use and drug trafficking.

Employees who are caught selling illegal drugs are usually terminated. If employees are caught possessing or using illegal drugs, and it is the first time they have been caught, they may be asked to accept help to overcome the habit. If they accept help, most companies will work with them by providing counseling and professional assistance. But if they refuse help, they are usually terminated.<sup>50</sup>

When a disciplinary action for drug abuse goes to arbitration, it is usually upheld, providing that evidence exists to support the allegation. The evidence does not necessarily have to be "beyond a reasonable doubt," as in a criminal court, but a "preponderance of evidence" should support the action. Since discharge for drug abuse is a serious threat to a worker's future career, most arbitrators require competent evidence, as distinguished from mere suspicion, assumption, and conjecture. If the evidence is sufficient, a disciplinary action is normally upheld for the possession, use, or sale of illegal drugs while at work.

### 5.3.6 Off-Duty Conduct

What employees do off the job and away from the employer's premises is generally regarded as their own business, and the employer does not have the right to tell employees how to live or what they can do. Employers should proceed with caution in any attempt to regulate the

off-duty conduct of their employees. For example, while prohibiting an employee from working for a competitor during off-duty time would be a reasonable rule, interfering with other activities of the employee, such as dating a competitor, may be problematic or could even invade the employee's right to privacy.

A sensitive question is whether employees should be disciplined or terminated for off-the-job behavior. As a general rule, arbitrators uphold disciplinary actions for off-duty conduct if there is a link between the off-duty conduct and on-the-job activities. Disciplinary action is considered warranted when the off-duty conduct renders workers unable to satisfactorily perform their work, or when the behavior has a negative impact on the performance of coworkers or on management efficiency. Also relevant is the organization's reputation and the effects of adverse publicity. Many arbitrators apply higher standards for judging the propriety of the behavior of public employees, especially police, firefighters, and teachers.<sup>51</sup>

Illegal drug use and smoking are examples of activities that have been found to impair job performance and adversely affect the reputation of the organization. Consequently, some employers have regulated these activities both on and off the job. Employees have been disciplined for drug use away from work, even though they have argued that what they do on their own time and off the employer's premises is not the employer's concern. An arbitrator is likely to sustain discipline for drug-related conduct away from work if an employer can show that the employee's conduct created an adverse effect on the employer-employee relationship, adversely affected the employer's business, or created a legitimate fear for the safety of other employees or property.<sup>52</sup>

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### Test Your Knowledge

The following test-your-knowledge questions are open-ended items designed to help you assess your understanding of the concepts discussed in the preceding section. A vital part of your preparation for the human resource certification exam is taking the online multiple-choice practice exams provided as a part of this program at [www.hrcp.com](http://www.hrcp.com). Log into your account and click on My HRCP to access the practice exams.

1. Can you describe the process for diagnosing unsatisfactory performance?
2. Can you explain the difference between voluntary absenteeism and turnover and involuntary absenteeism and turnover?
3. Can you explain how employers should deal with drug and alcohol abuse?

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## 5.4 ORGANIZATIONAL EXIT

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Organizational exit is the process of terminating an employee's relationship with the organization. This process is sometimes referred to as **offboarding**. An employee's exit from an organization may be voluntary (the employee initiates the departure) or involuntary (the organization terminates the employment). In either case, the organization should have an established procedure for managing the employee's departure. This procedure may include the following:

- Design a plan to capture the employee's knowledge and expertise before the employee leaves.
- Finalize pay and any benefits due, such as cashed-out vacation or sick leave.
- Disable the employee's access to computer systems, and change passwords on shared accounts.
- Collect any company-owned digital devices and delete company information from personal devices.
- Arrange for the employee to retrieve any personal items from the employee's workspace.
- Collect any uniforms, company equipment, ID badges, security cards, keys, and company credit cards.
- Forward the employee's email to another employee, or delete the account.
- Conduct an exit interview.
- Provide any appropriate counseling (regarding outplacement services, continuing benefits, or retirement)
- Review with the employee any non-compete agreements.
- Update employee directories and re-route phone calls.

Many of these items can be automated using workflow software within the organization's HRIS.

### 5.4.1 Involuntary Termination

Involuntary terminations typically occur as a result of employment problems—such as poor performance, excessive absenteeism, insubordination, or theft. Employers must ensure that all involuntary terminations occur for job-related reasons and that termination decisions do not violate any contractual commitments with employees.

Before an employee is terminated, employers should have an established procedure whereby a designated person reviews the proposed termination to ensure that all issues have been considered. This review should include the following steps:

- Determine whether there are valid, job-related reasons for terminating the employee. Termination decisions are more easily defended when they are based on just cause.
- If the termination is due to a specific incident, determine whether it has been properly investigated and documented.

- Determine whether the employee was aware that his or her performance was unacceptable.
- Determine whether the termination action is consistent with prior treatment of other employees.
- Review the employee's overall work record and ensure that the employee has received all rights to which he or she is entitled under the company's policies. Explore alternatives to termination, such as transfer, demotion, or counseling.
- Ensure that the employee is not the victim of retaliation for exercising his or her civil rights, such as making a claim of sexual harassment.

An alternative method of terminating employees is to make the work environment sufficiently unpleasant that the employees will quit. Supervisors who want to get rid of unwanted employees sometimes try to make their lives at work so uncomfortable that they choose to leave. If they leave voluntarily, the supervisor is spared the unpleasant chore of discharging them.

Forcing people to quit is not a forthright approach to discipline. Supervisors use this method as an unethical way of getting rid of employees they do not like but have no legitimate basis for terminating through the established discipline system. This method may also be illegal. If it is motivated by factors related to age, race, religion, sex, national origin, or disability the employees can claim that they were the victims of illegal discrimination. After they quit they can bring a charge of constructive discharge against the company claiming that they were actually forced to quit.

Occasionally, however, inducing people to quit is a supervisor's only recourse for handling an unproductive employee. In education, for example, incompetent teachers may be protected by tenure policies and therefore cannot be terminated easily. Sometimes department heads have told incompetent teachers that if they do not improve and if they refuse to leave, their lives will become very unpleasant: they will be assigned to teach more classes; they will have to teach the classes with the largest enrollments; they will be given smaller offices; and they will not receive any more pay increases.

### **Termination Interviews**

Terminating an employee is a difficult challenge and something supervisors and human resource managers do not enjoy doing. The experience is even more painful for the person being terminated. This person will often react with disbelief, anger, and even violence—even when many previous warnings have been given and the person knows the reasons for the termination. Employers should do all they can to reduce the trauma of terminations. Being fired from a job is one of the most traumatic and stressful experiences of life. The following are some guidelines for terminations.

Step 1: Plan the termination interview carefully and be prepared for it. The meeting should be scheduled on a day early in the week and preferably not on a Friday or the day before a holiday vacation. Have employee agreements, releases, and announcements prepared in advance. Ask the employee to come to an interview, preferably in a neutral location and within the next hour. Do not notify the employee of the termination by phone or allow the dismissal to be communicated through the grapevine. A second person should also be present.

Step 2: When the employee reports for the interview, be direct and avoid talking about trivial matters. As soon as the employee enters the room and is seated comfortably, the termination decision should be announced.

Step 3: Describe the decision and the situation leading to it; but, do not attack the person's character or discuss personality flaws. Explain why the person's performance was inadequate or why the job is being eliminated. Performance problems should only be briefly described, however, since previous evaluations should have explained the need for improvement.

Step 4: Answer the employee's questions and help the person understand the reasons for termination. Listen attentively and continue the interview until the person appears to be talking freely and reasonably calmly about the dismissal.

Step 5: Explain the severance package, including severance pay, benefits continuation, access to office support people, how future recommendations will be handled, and the availability of counseling or out-placement assistance.

Step 6: Have the person sign any necessary releases and explain what to do next, such as retrieving personal belongings, contacting a counselor, using out-placement services, and obtaining the final paycheck.

It is normally suggested that termination interviews only last 15 minutes and that they should be formal, but kind and respectful of the dignity of the person.

### **Layoffs and Reductions-in-Force**

Layoffs, also called "redundancies," typically occur when employers need to eliminate positions in order to maintain profitability in the face of declining revenues or intense competition. Layoff decisions are typically based on seniority, performance, or skill needs. Most union contracts call for the least senior employees to be laid off first unless management can demonstrate that these individuals have special skills that are essential to the company.<sup>53</sup>

When making layoffs employers are generally free to base their decisions on the performance and skills of employees, unless these decisions would violate (a) the layoff provisions in a valid union contract, (b) the termination provisions in their employee handbook, or (c) any implied promises and verbal commitments that have been made to individual employees.

When basing layoff decisions on performance, the factors that determine who should be laid off should be as objective and job-related as possible. Factors considered as acceptable criteria include:

- performance or productivity as recorded in the personnel files
- attendance and tardiness records
- cooperation with co-workers and supervisors
- demonstrated ability to perform crucial operations
- education and experience
- elimination of the position or the availability of funding for the position

Employees should not be terminated because they are overqualified for the jobs that remain or because they are highly compensated.

The biggest challenge when making layoffs is telling employees they have lost their jobs and helping them handle this disappointment. Although managers often want HR to make these announcements, people should be laid off by their managers rather than strangers, preferably in a one-on-one conversation. The primary responsibilities of HR during layoffs include the following:

- *Prepare instructions for managers:* These instructions should include the logistics and timing of the discussions and possibly a brief script of what to say. If severance and outplacement are provided, details of the severance policy and contacts for outplacement should be included.
- *Prepare individual separation letters:* To minimize the perception that the layoff is a personal attack, the letter should begin with a brief explanation for the layoff or merger and the reasons for the reductions in the affected departments. It should identify the effective date of the separation of employment and other information relevant to each employee, such as the number of weeks of severance and how it will be paid, the accrued vacation payout information, and benefits coverage details.
- *Prepare written questions and answers:* Since people are usually too shocked to remember everything they are told, it is useful to have a written list of anticipated questions and answers to let them read later.
- *Prepare contact lists and phone numbers:* The names of people to contact and how to contact them should be provided in case they have questions regarding the layoff and the benefits available to them.
- *Prepare an exit checklist:* This checklist is intended to help the person conducting the layoff interview cover all essential information, such as collecting company property, keys, computers, credit cards, pagers, cell phones, and security access cards. They may also need to discuss outstanding expense reports, outstanding loans, benefits coverage, and unreported overtime.

HR should make certain that this event is handled fairly and competently with respect to severance payments, appropriate notices, and outplacement services. Employers often require employees being laid off to sign a **release of claims** agreement in return for a severance package. By signing this document, employees agree to waive any legal claims they may have against the employer. To minimize the theft of proprietary information, it is recommended that departing employees be shown copies of the confidentiality agreements they signed when they were employed. Companies that have done so report a 75 percent reduction in data theft.<sup>54</sup>

To help employees who have been laid off find a new job or adjust to retirement, employers often provide outplacement services. Outplacement services usually include career counseling, instructions on how to prepare a résumé, training on interviewing skills, and

contacts with job-search professionals. Some employers even help find job openings in the community and assist in scheduling job interviews.

Although downsizing is sometimes essential for the survival of a company, employers should examine the costs associated with involuntary layoffs and consider alternative solutions. The direct and indirect costs of downsizing an employee are roughly equivalent to the employee's annual salary. The direct costs may include severance pay, accrued vacation and sick pay, outplacement costs, pension and benefits payouts, administrative processing costs, the costs of increased voluntary terminations among those who remain and the cost of rehiring former employees. The indirect costs include productivity losses among survivors, potential lawsuits from terminated employees, loss of institutional memory, increases in unemployment tax rates, low morale, and risk-averse survivors who are less creative and innovative.

Unless the firm is facing a permanent economic downturn, it should consider alternatives to downsizing, such as cutting temporary staff, eliminating overtime, offering voluntary retirement, freezing salaries, cutting salaries, delaying raises, freezing hiring, reducing work hours, using temporary furloughs, canceling costly business trips and perquisites, reducing matching contributions to company-sponsored savings plans, eliminating bonuses, allowing work sharing, instituting mandatory holiday shutdowns, redeploying workers, rescinding hiring offers, delaying facility expansions, moving to smaller facilities or home offices, offering unpaid sabbaticals, and bringing outsourced work back in-house.

Managers are often surprised at how well these options are received by employees. In 2009, Honeywell offered its employees unpaid sabbaticals to avoid layoffs and was surprised at how many employees were excited to take advantage of them. When business resumed, Honeywell was able to recall them rather than hiring new workers. Studies that have tracked the performance of firms that downsize versus those that pursue alternative strategies found that the no-downsizers consistently outperformed the downsizers over time.<sup>55</sup>

### **5.4.2 Retirement**

Retirement is a voluntary separation initiated by an employee. Employees who retire from companies that have a pension plan typically begin receiving a pension. Some employers also provide a continuation of the regular health and accident benefit plans for retirees. Early retirement programs often provide a convenient way for an employer to achieve a satisfactory reduction in force (RIF). The advantages of an early retirement program are that it reduces the need to involuntarily terminate employees, reduces the employer's exposure to legal liability, and helps preserve employee morale.

**Test Your Knowledge**

The following test-your-knowledge questions are open-ended items designed to help you assess your understanding of the concepts discussed in the preceding section. A vital part of your preparation for the human resource certification exam is taking the online multiple-choice practice exams provided as a part of this program at [www.hrcp.com](http://www.hrcp.com). Log into your account and click on My HRCP to access the practice exams.

1. Can you list HR's primary responsibilities during a layoff?
2. Can you list the factors that determine who should be laid off when basing layoff decisions on performance?

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## 5.5 EMPLOYEE INVOLVEMENT STRATEGIES

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Employee involvement programs, also called quality of worklife programs (QWL), provide greater opportunities for employees to participate in the organization as managers or owners. These programs contribute importantly to the quality of life at work. The major component that all employee involvement programs have in common is that they seek to improve the quality of life by creating better jobs.

Almost all employee involvement programs share four common goals:

1. They attempt to create a democratic organization where everyone has a voice in deciding issues that influence their lives.
2. They try to share the financial rewards of the organization so that everyone benefits from greater cooperation, higher productivity, and increased profitability.
3. They seek to create greater job security by increasing organizational vitality and furthering employee rights.
4. They try to enhance individual development by establishing conditions that contribute to personal growth and adjustment.

### 5.5.1 Self-directed Work Teams

Self-directed work teams, also called autonomous work teams, consist of small groups of workers, usually fewer than 15 or 20 in number, who are responsible for performing a series of jobs. Each group is directed by its own informal leadership rather than through a layer of supervisors. Members of a team are free to rotate jobs as they choose. Someone may perform the same repetitive job day after day, while someone else may shift from one job to another or even build a complete unit alone. Some groups handle their own human resource functions, such as hiring new people, evaluating each other's performance, and determining each member's pay increase.<sup>56</sup>

The strategic advantage of self-directed work teams is that they are more responsive to change. General Motors relied entirely on work teams to design and produce the new Saturn car. Several companies have eliminated the traditional assembly line and have changed to a production system based on self-directed work teams. The two most widely known experiments in autonomous work teams are the Swedish car companies, Volvo and SAAB. Each company tried to outdo the other in its attempts to introduce a radical alternative to the traditional assembly line. Volvo, for example, built an entirely new assembly plant in Kalmar, Sweden, in which assembly lines were replaced with work stations for each autonomous group. Partially completed cars are moved from station to station on small electric carts.<sup>57</sup>

Other companies in both Europe and America have expanded the use of autonomous teams. General Mills allowed its work groups to become self-directed as part of its focus on high-performance work teams. Productivity at General Mills' cereal plant in Lodi, California, increased 40 percent above comparable plants after it installed self-directed work teams. Some companies (such as Proctor and Gamble) prefer to use the label of semi-autonomous work teams to emphasize the fact that the teams are still subject to the direction of management and must comply with human resource policies. Many companies have

reported favorable results using work teams. Their greatest benefit seems to occur in firms with highly complex and unstable environments that make frequent demands on the organization. Semi-autonomous teams have the advantage of being able to collect information from the environment and respond to it more rapidly than a traditional organizational structure.<sup>58</sup>

### 5.5.2 Quality Circles

The term **quality circle** comes primarily from Japan and describes the process used by many Japanese firms to involve employees in work-redesign experiments. A quality circle consists of a group of workers who meet periodically to discuss methods of increasing productivity. Participation in the group discussion is voluntary, and most employees choose to be involved. The group meets regularly, typically one hour each week, usually on company time. The discussions are led by a supervisor or a group facilitator. The meeting is designed to identify and diagnose problems, to explore alternative solutions, and to recommend the best solution. The members of the group are encouraged to discuss only the problems about which they can do something. Problems that are out of their control are referred elsewhere.

The reports on quality circles show three major benefits. First, the creative suggestions by employees usually produce greater productivity in terms of both quantity and quality. Second, quality circles improve communication within the group, between groups, and with upper levels of management. Third, quality circles enhance the level of morale and increase employees' commitment to their work and their satisfaction with the company. But, these benefits have not been universal. In America, quality circles have not succeeded like they have in Japan. Most American companies found that quality circles produced several useful suggestions at first, but then interest and ideas waned after a few months.

### 5.5.3 Job Design and Redesign

A valuable intervention for increasing organizational effectiveness and improving the quality of worklife is job redesign. Job satisfaction and satisfaction with life in general are influenced by the demands of a job and how consistent these demands are with the abilities and interests of the individual. Sometimes very simple job changes can make a big difference to the job holder.

The professional disciplines that study job redesign include industrial psychology, human factors engineering, and ergonomics. **Ergonomics**, sometimes called biotechnology, is that aspect of technology concerned with the application of biology and engineering factors to problems relating to the mutual adjustment of people and machines. Professionals in ergonomics are concerned with the adaptation of technology to the betterment of productive efficiency and human life.

The two major strategies of job redesign are job specialization (sometimes called job simplification) and job enrichment. These two strategies are almost exact opposites. Job specialization simplifies a job by reducing the number of elements performed by the worker. Job enrichment makes a job more complex by combining elements or by increasing the job holder's level of responsibility.

The job-specialization versus job-enrichment controversy has a long history. One of the major themes of the industrial revolution was task specialization: complex jobs were divided into separate tasks and assigned to separate individuals. Indeed, the history of the industrial revolution was the history of task specialization. Assembly-line manufacturing is often viewed as the epitome of highly specialized jobs.

Many good reasons have been proposed to explain why specialized tasks increase efficiency. Through specialization, a worker becomes more proficient in a narrow job and gives greater attention to the minute elements of the task. Training time is dramatically reduced since the worker only has to master a small segment of the job. Specialized tools and machines can be designed to significantly increase performance. Less time is wasted going from one activity to the next. Training is reduced since each employee needs to learn only one specialized task.

The problem with task specialization is that highly specialized jobs sometimes cause workers to feel alienated. They are expected to behave like machines. They do not see the final product, and they never have the satisfaction of pointing to a finished product and saying, "I made that myself." Job enrichment is designed to counter feelings of alienation and to produce greater motivation. Even though enriched jobs may be less efficient, proponents of job enrichment argue that increased motivation more than compensates for the loss of efficiency. Job enrichment has also been viewed as the solution to many other problems. Indeed, job enrichment has been proposed as the primary cure for such diverse forms of worker discontent as job dissatisfaction, labor grievances, careless work, alcoholism, and drug abuse.

Job enrichment is not the same as job enlargement. Job enlargement consists of making a job larger in scope by adding more of the same kinds of elements. An example of job enlargement would be to allow a sewing machine operator to sew both sleeves on a shirt rather than just one. Another example would be to allow an assembler to solder both the red wires and the black wires rather than just the black ones. Job enlargement primarily increases the length of the work cycle; that is, it takes a longer time to do each repetitive activity since the cycle contains more elements. Job enlargement may add a little variety to a job, but not much, since it usually involves just more of the same type of tasks.

Job enrichment on an assembly line would probably allow workers to determine their own pace (within limits), to serve as their own inspectors by giving them responsibility for quality control, to repair their own mistakes, to be responsible for their own machine setup and repair, and to select their own work procedures. The leading theory for examining jobs and deciding how to make them more enriched is called the **job characteristics model**. This model explains how job redesign programs change the nature of a job and the psychological reactions of the worker to produce better work outcomes. Basically, job enrichment consists of modifying the job to increase any of the following variables.

1. *Skill variety*: The degree to which a job allows workers to develop and use their skills and to avoid the monotony of performing the same task repeatedly.
2. *Task identity*: The degree to which a task consists of a whole or complete unit of work as opposed to a small, specialized, repetitive act.
3. *Task significance*: The degree to which a task has a significant impact on the organization, the community, or the lives of other people.

4. *Autonomy*: The degree to which workers are free of the direct influence of a supervisor and can exercise discretion in scheduling their work and deciding how it will be done.
5. *Feedback*: The degree to which workers obtain evaluative information about their performance in the normal course of doing their jobs.<sup>59</sup>

These five factors are called the core job dimensions in the job characteristics model of job enrichment. This model suggests that job enrichment programs should focus on improving these five core dimensions of a job as much as possible.<sup>60</sup> The psychological states produced by enriched jobs are meaningfulness, autonomy, and knowledge of results.

Skill variety, task identity, and task significance contribute to the meaningfulness of a job, but whether an activity is meaningful or meaningless also depends on an employee's personal values. Some people (for example, some school teachers) may think their jobs are meaningless even though they contain extensive variety, identity, and significance. Greater autonomy tends to develop a greater feeling of personal responsibility. Feedback provides knowledge of results. The best form of feedback usually comes from the job itself rather than from a supervisor. Letting workers know how well they produce is like letting chefs taste what they cook.

Numerous job-enrichment programs have been used to make work more interesting and motivating. Some of the most popular programs for improving the core job dimensions include:

1. Combining tasks to eliminate highly specialized jobs and to make larger work modules (called **horizontal loading**).
2. Forming natural work units (teams of workers) in which each person feels a part of the team and in which certain jobs can be rotated among team members.
3. Establishing client relationships so that workers know who uses the product or service they produce and how the client feels about their work.
4. Giving workers greater authority and discretion by allowing them to perform functions previously reserved for higher levels of management (called **vertical loading**).
5. Opening feedback channels so that information about the quality of performance goes directly to the employee performing the job.

One of the benefits of job enrichment is that it can create a more flexible workforce if employees are trained to perform several jobs. This practice of training workers to perform a variety of tasks, called **multiskilling** or **cross-training**, allows employers to adjust to unstable staffing needs by redeploying existing workers. This concept has been used by retail stores, auto assembly plants, and steel mills to improve speed and efficiency by dispensing with rigid work classifications. Wages and pay increases are often based on the number of jobs the workers learn to perform.<sup>61</sup>

#### 5.5.4 Employee Ownership/ESOPs

A "revolutionary" method for creating greater involvement and participation is for the employees to buy the company and operate it themselves. This form of peaceful takeover by

employees has occasionally been attempted in recent years to avoid plant closings or to prevent a leveraged buyout. These buyouts usually require extensive financial assistance because the employees cannot raise sufficient capital on their own. Financial assistance usually is obtained from a union, a local bank, and other community groups.<sup>62</sup>

Employee ownership today takes two major forms. One form, called an **Employee Stock Ownership Plan (ESOP)**, is for employees to own shares in the company, the same as if they were ordinary shareholders in a joint-stock company. The workers become owners by each buying shares of stock, and the money is used to buy the company. The employees hold the stock in the company, although they are free to trade their shares.<sup>63</sup>

Another form of employee ownership is where the employees own shares through a trust, called an **Employee Stock Ownership Trust (ESOT)**. Money is loaned to the trust by lending institutions, and the trust buys the company. Company profits are eventually used to pay the loans to the trust. The shares in the trust are then owned by the employees who are entitled to dispose of their stock at market value once it has been distributed to them. Unlike a profit-sharing or a pension trust, an ownership trust must invest "primarily" in the stock of the company.<sup>64</sup>

Increased profitability from employee ownership is typical. A review of 389 companies in which a large portion of the stock was directly owned by employees indicated that employee-owned companies generally have higher profit ratios. Employees seem to have greater motivation when they own the company for which they work.<sup>65</sup>

A problem with employee ownership through an ESOT, however, is that the employees do not have voting rights. (Voting privileges are only allowed in the first method, where employees own direct shares in the company.) Not being able to vote means that employees are less likely to have representatives on the board of directors or to be involved in making important administrative decisions. Ownership does not guarantee satisfaction and poor morale has been a problem at some worker-owned companies. Some worker-owners have gone out on strike against the company they own.

### 5.5.5 Employee Suggestion System

Most organizations have formal suggestion systems that encourage employees to submit ideas for improving efficiency or profitability. Some organizations even provide attractive monetary rewards for good ideas. The reward usually is based on the estimated cost savings of the idea, although an upper limit usually restricts how much a person may receive for an acceptable suggestion. For example, one company pays \$25 USD for every idea that is used and ten percent of the estimated cost savings during the first year up to \$1,000 USD.

In some companies, suggestion systems have generated many valuable ideas that have produced considerable savings. At Nippondenso Manufacturing USA, a \$45,000 USD investment in a suggestion system produced a savings of nearly \$1.7 million USD in one year, a 38 to 1 return on investment. In its first six years, American Airlines' IdeAAs in Action program produced a total savings of about \$250 million USD, and employee participation increased from 6 percent to 20 percent.<sup>66</sup>

Companies that have active suggestion systems almost universally report positive results: employees submit constructive ideas that increase product reliability, reduce production costs, improve the firm's competitiveness, and contribute to better communications. In spite of these positive results, however, suggestion systems are not as popular in the United States as in Japan. While U.S. workers seldom average more than two or three suggestions per worker per year, the average Japanese worker submits about 60 to 75 suggestions per year.<sup>67</sup> Japanese suggestion systems emphasize a large number of small ideas, broad employee participation, and team recognition for ideas.

Suggestion systems work especially well in small companies because employees are likely to get quick feedback and feel that their ideas receive serious consideration. Suggestions normally must be submitted in writing. A committee then evaluates them and prepares a written evaluation of each to show that it has been seriously considered. Some employees are highly motivated by suggestion plans and submit numerous creative ideas. The IdeasAmerica Association, which monitors suggestion systems, reports an annual savings of about \$2 billion USD from its 900 member companies. These companies receive about one million suggestions annually and about 32 percent are accepted.<sup>68</sup>

### 5.5.6 Participative Management

Participative management, also called employee involvement and participative decision making (PDM), allows employees to be more involved in managing the organization. This is accomplished by allowing subordinates to share in making managerial decisions, by keeping subordinates informed about the economic condition of the organization, by inviting employees to recommend innovative ideas and suggestions, by treating subordinates with consideration and respect, by supporting employees even when they make mistakes, and by providing training and development opportunities to help employees advance. If employee committees are allowed to make decisions pertaining to their work groups, they should be given full power and authority to implement them.

Participative management programs offer unions an opportunity for their members to contribute creative ideas for the improvement of the company. Some companies consider the ideas of workers essential to their competitive success, and they depend on them for product improvement. These creative ideas are often essential to the redesign of work and to customer satisfaction.

When union leaders are invited to participate in organizational improvement programs, they usually respond cooperatively. There is a possibility, however, that the success of these programs will weaken the influence of the union. Occasionally, therefore, unions have felt threatened by management's invitation because they are concerned about losing members. Unions want to preserve their status as the sole agent for improving working conditions through collective bargaining. The quality movement has prompted many organizations to implement some type of employee participation program to improve productivity, quality, or efficiency.

Participative management has generated an emotional debate among behavioral scientists. Some argue that there are moral reasons why employees should be permitted to participate in management decisions. Denying employees the opportunity to participate in making

decisions is interpreted as evidence that managers are exploitative, autocratic, and even suppressive. These advocates assume that everyone wants to participate in managing the organization, and they point to increased education as evidence for their assumption.

The arguments against participative management are that sometimes it doesn't work and that sometimes people don't want it. Participation does not always lead to better performance. Some experiments found that participative management reduced productivity and it was considered a failure. For many employees participation is not appropriate for their jobs. Even unions have occasionally refused to accept management's invitation to participate in making managerial decisions. The attitude of many union leaders is that it is management's responsibility to manage the company in a profitable way; the union members are only concerned about receiving a fair wage. Participative management also takes more time. The more people involved in making a decision, the longer it takes and the more difficult it is to reach a consensus decision. Furthermore, if they are involved, employees expect to be rewarded financially for their contribution. Occasionally, however, there are no rewards for them to share.

A review of the research on participative decision making finds that participation tends to increase subordinate satisfaction, but it is no more likely to increase productivity than authoritative decision making. The results from both laboratory and field studies agree that performance is unchanged. Although we want to believe participation enhances productivity because it is "good," the results fail to support it. There were as many studies showing participation leading to inferior performance as leading to superior performance but the large majority of studies found no difference.<sup>69</sup>

### 5.5.7 Process Control Versus Innovation

During the reconstruction of Japan after World War II, W. Edwards Deming, a management consultant from the United States, was invited to share his ideas about continuous quality improvement. He designed a four-day seminar for Japanese executives in 1950 and subsequently became a national hero to Japanese industry. To honor his contributions, Japanese industry created the Deming Prize in 1951. This annual prize, highly esteemed in Japan, recognizes the company that attains the highest level of quality for that year. Deming's ideas attracted little attention in America until an NBC documentary in 1980 featured the work of Deming and other colleagues in Japan.

Demonstrations of dramatic quality improvement in Japanese manufacturing attracted considerable interest and drew attention to the problems of poor quality in the United States. Deming taught that poor quality is 85 percent a management problem and 15 percent a worker problem. Management must plan for quality, and quality must be built into the product rather than inspected into it. In 1987, the United States started the Malcolm Baldrige National Quality Award to recognize U.S. companies that excel in quality achievement and management.

The most popular process improvement program in the United States is one that originated at Motorola in 1986, called Six Sigma. After it was embraced by General Electric in the 1990s, Six Sigma quickly spread to more than 80 percent of large companies.<sup>70</sup> Although it is often equated with cost-cutting, Six Sigma is a program designed to reduce the variability in all

business processes so that errors and defects are less than 3.4 defects per million, which is equivalent to the area under a normal distribution curve beyond six standard deviation units (sigmas) from the mean.

The way to increase predictability (and remove variability) in a process is through five steps that are known by the acronym DMAIC (pronounced de-MAY-ic), which stands for define, measure, analyze, improve, and control. These five steps are the essence of the Six Sigma approach to problem solving. Another element, called Design for Six Sigma, or DFSS, focuses on systematizing a new product development process so that something can achieve Six Sigma quality standards from the beginning.

People who are certified in the use of statistics and know how to collect and analyze data to create meaningful charts and tables are called “green belts.” They are trained by “black belts” who are certified at a higher level of competence and sophistication. Many companies have achieved significant cost savings and productivity improvements that they attribute to Six Sigma.

While Six Sigma programs have been praised for reducing costs, they have also been criticized for inhibiting innovation. When employees’ minds are focused on cutting costs and reducing variability, they are not free to focus on creative ideas and new products.

### 5.5.8 Alternative Work Schedules

#### **Flextime**

Flexible working hours, or **flextime**, is an attractive alternative to the standard workweek. For many years, professionals, managers, salespeople, and the self-employed have had considerable freedom in setting their own hours of work. Flextime extends this privilege to clerical, production, and other service workers. Flextime, as a formal innovation, was started in Germany in 1967 and spread rapidly to America. In 2014, 58 percent of employers provided an option for flextime, an increase of 13 percent from 2011.<sup>71</sup> Under flexible work hours, employees choose when they arrive at work and sometimes when they depart, subject to limits set by management. Most organizations have a core period in the middle of the day when all employees are expected to be at work, but allow flexible hours at both ends of the working day.

Flextime is not feasible for certain jobs. Jobs that require continuous coverage, such as those of receptionist and bus driver, make flextime inappropriate unless employees cover these jobs during their core hours and perform other discretionary activities during their flexible hours. Assembly-line jobs and other activities that require interdependence with other employees also are not appropriate for flextime. Some of the major advantages and disadvantages of flextime are presented in Exhibit 5.

Studies on the effects of flextime have produced generally favorable results. Almost all changes to flextime have created more favorable job attitudes. Employees say that flextime makes them feel more trusted, and they report higher levels of job satisfaction.

The effects of flextime on productivity are not as clear. Most studies have indicated that flextime either increases productivity or has no effect. However, these studies generally

relied on the perceptions of employees regarding their performance rather than on objective measures of productivity. Nevertheless, very few companies that have tried flextime have reported undesirable results.<sup>72</sup>

### Exhibit 5: Advantages and Disadvantages of Flextime

#### ADVANTAGES

1. Tardiness is virtually eliminated because employees are not tardy unless they miss the core hours.
2. Absenteeism is reduced, especially the on-day absences caused by employees deciding to miss work rather than to come to work late.
3. It is easier to schedule personal appointments and personal time.
4. Employees can schedule their work to match their biorhythm or internal clock. Some people work best early in the day, and others work better late in the day.
5. It reduces traffic congestion and creates less stress in getting to work on time.
6. It provides greater flexibility in handling uneven workloads.
7. It provides increased customer service because the company is open longer.

#### DISADVANTAGES

1. Communication problems increase because employees frequently need to communicate during the flexible hours.
2. Keeping attendance records can become a problem. Employees do not like time clocks, but some tend to misrepresent their hours when they are on their own.
3. If administrative decisions need to be made throughout the day, providing supervisions for twelve to fifteen hours a day can become a problem.
4. Legislation presents some obstacles to the use of flextime because overtime pay is required for certain jobs that exceed the standard workweek.
5. Utility costs may be higher with flextime because of longer operating hours.

#### Compressed Work Weeks

A **compressed work week** consists of scheduling a full-time job in fewer than five working days per week. The most typical compressed workweek consists of four workdays of ten hours each per week. This alternative is usually referred to as the 4/40 alternative. A workweek that is compressed even further consists of three twelve-hour days. However, this 3/36 alternative has not been as popular.

The advantages of a compressed workweek include the following:

1. It reduces the time and costs of commuting to work.
2. It increases the leisure time of employees.
3. It creates greater job satisfaction and morale for employees who like it.
4. It reduces the set-up and clean-up costs on certain jobs.

The disadvantages of a compressed workweek usually outweigh the advantages. The early proponents of the compressed workweek expected it to increase productivity and lead to higher quality work. The results have suggested just the opposite. Working more than eight

hours per day generally creates increased fatigue. An extended schedule of ten-hour days (beyond two or three weeks) often results in less total productivity during a ten-hour day than during a regular eight-hour day. Heavy physical or taxing mental work is generally not suited to a compressed workweek schedule. Accidents and safety violations also are likely to increase with a compressed workweek because of fatigue and carelessness.<sup>73</sup>

The compressed workweek is not popular with some employees. Even though initial responses to a compressed schedule are usually favorable, many workers dislike it after a short time. This schedule is not as popular for working mothers who want a steady daily routine that enables them to handle family responsibilities, or for older employees who are prone to fatigue, or for young employees who do not want long work schedules to interfere with their social lives. A compressed workweek appears to be desired most by middle-aged males, especially those who want to hold a second job. Compressed workweeks usually lead to increased moonlighting.

Compressed workweeks are best-suited for jobs where the responsibility to initiate action comes from the job itself rather than from the worker. Security guards, hospital nurses, and refinery workers who monitor dials are examples of jobs where actions are made in response to a job demand. These jobs are better suited for compressed workweeks than physically tiring jobs that require the worker to initiate action, such as most construction jobs.<sup>74</sup>

### **Regular Part-time**

Part-time employment is generally defined as a job consisting of less than 35 hours per week. Part-time jobs are normally considered temporary until full-time jobs are available. However, a growing number of part-time workers want **regular part-time** employment. They do not consider themselves temporary; working less than 35 hours per week is an ongoing position for them.

One of the reasons for the growth in regular part-time employment is that it fits the needs of people who prefer working shorter hours. Mothers who have children at home and older employees who have less stamina are two groups who especially prefer part-time employment.<sup>75</sup> The major disadvantages of part-time employment are that it creates additional administrative and scheduling difficulties and it increases benefits costs. These problems also occur in job sharing.

To reduce layoffs during the 2008-2010 recession, Germany adopted a “short-work” policy that allows companies to put workers on reduced schedules. Under this policy, called *Kurzarbeit*, companies temporarily move employees onto shorter work schedules when demand is weak, which keeps them employed and makes them available when demand returns. This policy allowed Germany to reduce its unemployment at a time when it was increasing in other countries.<sup>76</sup>

### **Job Sharing**

A variation of regular part-time employment is **job sharing**. Here, a full-time position is divided into two part-time positions, and the duties and responsibilities of the job are assigned to two separate employees. In some cases, the job functions of the two individuals may be distinctly different since each may be responsible for separate activities. Accountability for the total job may be divided between the two sharers, or both may assume

equal and full accountability. Job sharing usually involves a splitting of the responsibilities and the accountability between the sharers. When both part-time employees are held responsible for the whole job, it is sometimes called "job pairing."

The initial interest in job sharing was expressed by female professionals who were interested in maintaining a better balance between their career and family responsibilities. Approximately 80 percent of job sharers are females.

Job sharing has been tried successfully in many different jobs, including clerical and office positions, elementary school teachers, district attorneys, librarians, and various production level jobs. In many instances, job sharing has been initiated by two individuals who submitted a proposal to split a job in response to a job opening. Some of the major advantages of job sharing include the following:<sup>77</sup>

1. Productivity is usually higher because two people sharing one job have higher levels of energy and enthusiasm than one full-time person. In an early study of job sharing among social workers, it was found that half-time social workers handled 89 percent as many cases as full-time workers.<sup>78</sup>
2. Increased flexibility in scheduling work assignments allows for better coverage of peak periods.
3. Reduced absenteeism and turnover have resulted from job sharing. Job sharing not only provides more personal time but also provides the option of trading hours between partners during times of crisis or illness.
4. Job training is improved by job sharing. When one member of a team quits, the remaining partner can provide on-the-job training for the new employee. The remaining partner also provides continuity during the transition period.
5. Better employment options are provided through job sharing for people who cannot perform a full-time job, especially for parents and people who are older or disabled.

The most serious disadvantage of job sharing is providing employee benefits. Generally, benefits are divided among them according to the percentage of the job that each performs. If they want full benefits, job sharers are sometimes allowed to pay the additional cost themselves. Job sharers are usually surprised at the costs of benefits and sometimes prefer to take fewer benefits. However, a growing percentage of companies are providing full benefits for part-time employees.

Other disadvantages of job sharing stem from the fact that employing twice as many people requires greater supervision, additional paperwork, and added communication problems. These problems are usually not very serious, however, if the partners work well together. Most job sharers say that a cooperative working relationship between them is a prerequisite for a successful team. Another problem that has to be resolved in a job-sharing situation is how a team should be promoted, fired, or evaluated. If one member is fired or promoted, what happens to the partner? Can two people sharing the job of a university professor submit combined resumes and expect to be promoted?

### **Volunteer Programs**

Corporate volunteer programs allow employees to volunteer their time and talents for civic and neighborhood improvement projects. Most volunteer programs are brief events, such as a blood drive, cleaning a neighborhood, or a Sub-for-Santa program. Other volunteer programs are ongoing, however, such as a tutoring program for struggling students. Experience indicates that these volunteer programs provide benefits to the community, the employees, and the companies who sponsor them. Projects sponsored by a company create positive branding and good will in the eyes of the public. Current employees who volunteer through their workplace feel more positive toward their employer and report greater cohesiveness with their co-workers. Volunteering improves employees' physical and mental health; surveys demonstrate that those who volunteer feel more satisfied with their physical health and a stronger ability to recover from disappointments. Volunteer activities can also contribute to the training and development of employees as they learn new skills and how to respond in unfamiliar and uncomfortable situations.<sup>79</sup>

### **Phased Retirement**

A phased retirement program allows workers to reduce their hours at work and gradually prepare for retirement. As they near retirement, some workers prefer reducing their work hours because of declining health or stamina. Other people want a phased retirement option simply because they want to begin developing their leisure interests and hobbies before they actually retire.

A phased retirement program can help reduce a surplus of labor for companies involved in downsizing.

### **Home-based Work or Telecommuting**

One of the best ways to accommodate family demands is to allow employees to work at home. Technological advances in computer networks, email systems, and mobile devices have made it possible for many jobs to be performed at home more effectively and efficiently than at the office. Working at home eliminates the disadvantages of lengthy commutes to work and reduces the number of unnecessary interruptions.

Working at home or at a satellite office and communicating with the home office via phone and computer, is called "**telecommuting**," "teleworking," or is referred to as a WFH (work from home) arrangement. Some companies have found that telecommuting is advantageous to both the employees and the company. About 3.3 million employees in the United States work primarily from home, and 64 million hold jobs that are suitable for telecommuting at least part of the time.<sup>80</sup> Some managers of employees who work at home report that these workers actually work more hours, have significantly higher productivity, and are easier to manage. According to a report on employee benefits, 60 percent of employers allow their employees to work from locations away from the office.<sup>81</sup>

Surveys indicate that telecommuters tend to be more satisfied with their work and loyal to their employers than employees who have to commute to work. One survey of over 10,000 US workers found that 73 percent of remote and home-based workers said they were satisfied with their company as a place to work, compared with 64 percent of office workers.<sup>82</sup> Other surveys suggest that telecommuters are at least as productive as or more productive than workers in traditional settings.<sup>83</sup> In an experiment at a Chinese travel agency, employees

who volunteered to telecommute were randomly assigned either to work from home or in the office for nine months. Those who worked at home had a 13 percent performance increase. Those who worked at home also reported higher work satisfaction, and they had half the attrition rate. Due to the success of the experiment, the company allowed all employees to choose if they wanted to work from home, and they gave the experimental employees the option to reselect between home and the office. More than half of the experimental group switched, which resulted in an overall performance increase of 22 percent.<sup>84</sup>

Telecommuting is apparently not best for all employees. A survey of employees who work for a major accounting firm found that some prefer to keep their home and work lives separate. For these employees a frequent amount of teleworking led to more conflict between work and family.<sup>85</sup> Thus, it appears that telecommuting is a useful alternative work schedule that most employees would appreciate being offered; but it is not ideal for everyone.

The disadvantage of telecommuting is a feeling of alienation that comes from a lack of person-to-person communication. Face-to-face conversations satisfy affiliation needs and help employees feel part of a group. Creative ideas and improved work procedures occasionally come from such casual conversations. In 2013, the CEO of Yahoo surprised her employees by eliminating telecommuting in a memo that explained, "Speed and quality are often sacrificed when we work from home. We need to be one Yahoo! And that starts with physically being together.... To become the absolute best place to work, communication and collaboration will be important, so we need to be working side-by-side. That is why it is critical that we are all present in our offices. Some of the best decisions and insights come from hallway and cafeteria discussions, meeting new people, and impromptu team meetings."<sup>86</sup>

Telecommuters may still be subject to wage and hour and employment laws, which require careful tracking of hours worked. Programs that automatically record when users log on and log off a company's intranet can be used to record the hours that each employee works. Otherwise, some other system must be created to record the hours of work for non-exempt workers. Accidents that occur at home while an employee is telecommuting may be subject to safety laws and accident reporting, which increases the risks for employers.

### **Virtual Teams**

Some companies, especially large international firms, rely on virtual teams to accomplish specific projects. These teams are called virtual teams since their members work together without meeting in person at the same time and place. Virtual teams are similar to telecommuters when they work from home; however, some virtual team members work at an office location rather than at home and other team members are located elsewhere. Honeywell and Bank of America, for example, have virtual teams whose members work on the same projects from different continents. For example, team members in Europe might work on a project during the day and before they go home they send what they have done to team members in the United States who work on it and then forward it to team members in Asia.

Convenient communication systems are essential to the success of virtual teams. Virtual teams usually rely on email, conference calls, and shared files to coordinate their work. The following guidelines are useful tips for managing virtual teams.

- Select individuals who have the right personality and skills to succeed in a virtual team. These are people who can work alone, who are conscientious and self-motivated, who can tolerate ambiguity, and who have good oral and written communication skills.
- Establish team operating procedures and define the roles and responsibilities of each member.
- Set goals that require teamwork and will motivate members to work together.
- Establish an information sharing process; communicate often and encourage members to communicate with each other. Communication must be clear, professional, and concise; although, members also need to occasionally share personal feelings and experiences to build interpersonal relationships.
- Monitor progress toward goal accomplishment; create a way to track performance and provide useful feedback.
- Recognized and reward positive individual and team performance.

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### Test Your Knowledge

The following test-your-knowledge questions are open-ended items designed to help you assess your understanding of the concepts discussed in the preceding section. A vital part of your preparation for the human resource certification exam is taking the online multiple-choice practice exams provided as a part of this program at [www.hrcp.com](http://www.hrcp.com). Log into your account and click on My HRCP to access the practice exams.

1. Can you explain self-directed work teams and quality circles?
2. Can you describe the variables in the job characteristics model?
3. Can you explain how ESOPs and ESOTs function?
4. Can you list the pros and cons of the various alternative work schedules?

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## 5.6 EMPLOYEE ATTITUDES AND SATISFACTION

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Monitoring job satisfaction is important to both behavioral scientists and human resource managers. The effects of many human resource strategies are examined with respect to their impact on job satisfaction. Positive job attitudes are generally viewed as an important indication of how well things are going, and they are also viewed as a legitimate “end state,” worthy of pursuing for their own sake.

Individuals differ in how they respond to the conditions of work. While some employees may be highly satisfied with a particular job, other employees may find the same conditions extremely dissatisfying. An important issue surrounding every human resource activity is how it will influence job satisfaction: will satisfaction increase or decrease as a result of a different recruiting strategy, a better benefit package, a new training program, or some other change in human resource practices? Low morale contributes to labor problems, attempts to organize labor unions, excessive turnover, labor grievances, and negative organizational climate.

Studies of job satisfaction have determined that job attitudes are influenced most by the qualitative aspects of the job. Good pay policies and practices generally create positive satisfaction with pay. Supervisors who are fair, considerate, and competent generally create positive feelings of satisfaction with supervision. However, job satisfaction also is related to other variables not directly associated with the job, such as age, sex, and work values. Older workers, for example, usually report greater job satisfaction than younger workers, even when both age groups are performing similar jobs. Employees who have a strong work ethic also report greater job satisfaction than those who reject the work ethic.<sup>87</sup> Satisfaction with a job is apparently influenced by the kinds of values and expectations that employees bring with them to the job.

Satisfaction on the job is also influenced by what happens to employees off the job. Just as work influences a person’s satisfaction with life in general, so too does the quality of life away from work influence satisfaction with work.<sup>88</sup> The frustrations and difficulties people face in their personal lives have contributed to the general decline in job satisfaction throughout the workforce.

### 5.6.1 Job Satisfaction Theories

Four theories have been used to explain whether individuals will feel satisfied or dissatisfied in a particular situation. These four theories are Fulfillment Theory, Reward Theory, Discrepancy Theory, and Equity Theory.

#### **Fulfillment Theory**

According to this theory, job satisfaction is a function of need satisfaction and the degree of correspondence between the individual’s needs and how well they are satisfied. To the extent that an individual’s needs are fulfilled, that person will experience job satisfaction. Dissatisfaction occurs when important needs are not met.

**Reward Theory**

Perhaps the most useful theory for understanding job satisfaction is Reward Theory, which suggests that job satisfaction is a function of the rewards individuals receive. Both the amount of the rewards and the timing of the rewards influence satisfaction levels. As a general rule, individuals feel greater satisfaction to the extent that they are more highly rewarded.

Reward Theory emphasizes the role of values in determining satisfaction since an individual's values determine whether a particular event or outcome is actually rewarding. To the extent that individuals receive highly-valued rewards, they are highly satisfied. To the extent that individuals are punished, they will be dissatisfied. One of the inadequacies of Reward Theory is knowing in advance whether a particular event will be perceived as rewarding or punishing to an individual. The other two theories, Discrepancy Theory and Equity Theory, help to determine how an individual will perceive a specific situation.

**Discrepancy Theory**

Job satisfaction is influenced by the expectations of employees. Discrepancy Theory claims that job satisfaction results from a comparison between what ought to be and what is. A favorable comparison showing that the employees received more than what they expected creates high job satisfaction. However, an unfavorable comparison showing that "what is" falls short of "what ought to be" leads to dissatisfaction. For example an announcement that every employee will receive a \$50 bonus would not necessarily create satisfaction if the employees were expecting a considerably larger bonus. This theory emphasizes the importance of understanding employee expectations when examining job satisfaction.

**Equity Theory**

Another theory that helps to explain job satisfaction focuses on the relative comparison of the inputs and outcomes an individual receives relative to the inputs and outcomes of others. Equity Theory describes how individuals compare their inputs and outcomes to the inputs and outcomes of others. To the extent that their ratios compare favorably with the ratios of others, they are satisfied. But to the extent that there is inequity, they will feel dissatisfied. Therefore, a group of employees might feel extremely happy about receiving a \$500 USD pay increase until they hear that one person received a \$1,000 increase for the same effort and performance.

**5.6.2 Satisfaction and Productivity**

After many years of research, it is safe to conclude that there is no necessary relationship between job satisfaction and productivity. Although popular opinion claims that happy workers should be more productive, the evidence from many studies fails to support this conclusion. In some cases happy workers are extremely productive, and they are happy because they are productive. In other cases, happy workers are very unproductive, but they are happy because they are enjoying unproductive leisure activities.

The best predictors of performance in a specific situation are the reinforcement contingencies that have been established and communicated to workers. People tend to do what they expect to be rewarded for doing. When these contingencies are changed, behavior predictably changes also.

The best predictors of job satisfaction are the level of rewards and other reward considerations, such as equity considerations and reward schedules. People appreciate rewards and usually feel satisfied when they are rewarded. The timing of the rewards and reward expectations are also important, since people form expectations and do not like to be disappointed.

### **5.6.3 Measuring Job Satisfaction**

Grievances, absenteeism, and turnover are frequently used as indirect measures of employee satisfaction. While these variables are usually related, they are also influenced by other economic forces. The best ways to measure satisfaction are either to interview employees or ask them to complete a questionnaire.

#### **Exit Interviews**

Exit interviews provide a valuable opportunity for employers to receive feedback on employee morale and to learn about conditions causing problems for employees. The interview should provide a comfortable opportunity for people who are leaving to share their honest feelings about their jobs, their coworkers, their supervisors, company policies, and working conditions.

A member of the human resource staff is typically assigned to conduct exit interviews. However, the interview should be conducted by someone who has not been directly involved in daily contact with the departing employee.

An effort should be made to conduct the exit interview as soon as the employee announces his or her decision to leave. Timely interviews may uncover problems that can be easily corrected, thus enticing employees to remain. However, some departing employees may not be willing to express their actual feelings until they have completely severed their association with the company.

Exit interviews should determine both the expressed and the real reason for leaving. If the person is resigning to accept a better job, the interviewer should inquire about the new job and determine whether it is indeed a better job opportunity. Employers who discover that many of their departing employees are leaving to accept higher-paying jobs with no greater responsibilities will want to evaluate their compensation levels to make certain they are competitive.

If the person is being laid off, the interviewer should make certain the person has an accurate understanding of the possibility of recall.

If the person is being discharged, the interviewer should review the reasons for the discharge and make certain that all disciplinary actions have been properly documented and company policies have been correctly followed.

The kinds of questions that could be asked to diagnose general morale include:

- How well did you get along with your supervisor and coworkers?
- How well did your supervisor handle any complaints or grievances?

- How did you feel about your salary?
- How did you feel about your progress with the company?
- What did you like best about your job? What did you dislike about your job?
- Would you consider staying if a more satisfactory arrangement could be worked out?
- What recommendations do you have for making your department and the company a better place to work?

### **Attitude Surveys**

Job attitude surveys should be designed in a way that allows employees to express their opinions on relevant issues. Two methods of assessing employee attitudes are through interviews and questionnaires.

A useful technique for assessing employee attitudes is a non-directive interview that allows employees to talk about the issues that are most important to them. In a non-directive interview, the interviewer asks a general question, such as "What are the most important problems you face in your job?" and then lets the person talk about whatever comes to mind. The interviewer encourages the employee to continue talking by nodding, encouraging them to go on, and saying things such as "Yes," "I see," and "Can you tell me more about that?"

The advantage of interviews is that they provide "rich" information that includes specific illustrations of important issues and the emotional feelings associated with them. The disadvantage of interviews is that they are very time-consuming and may produce conclusions that are not representative of the entire work group.

A well-designed questionnaire can also provide valuable feedback on employee attitudes. Paper-and-pencil questionnaires, which can also be administered by computer, are the most popular methods of measuring satisfaction because they are relatively short, they can be administered to large numbers of employees simultaneously, and the responses can be compared across jobs and across companies to diagnose problems. Exhibit 6 illustrates two popular formats for measuring satisfaction: semantic differential scales and Likert scales.

The disadvantage of a questionnaire is that the conclusions are limited by the design of the questionnaire. Employees can only answer what they have been asked. Therefore, the questionnaire must contain items that measure the relevant issues in the work environment. If the questionnaire fails to address an important issue, employees will be prevented from expressing their feelings on it and they may react critically toward the survey.

A useful method for designing a questionnaire is to interview a small sample of employees using a non-directive interview and record their comments. These comments can then be used to construct questionnaire items using Likert-type scales that range from strongly agree to strongly disagree. Careful interviews from a broad sample of employees increase the likelihood that all of the relevant issues confronting employees will be included on the questionnaire.

A useful addition to any questionnaire is an open-ended section at the end asking employees to write about anything about which they feel strongly. These open-ended comments are often valuable in helping to interpret the results.

### Exhibit 6: Two Methods of Measuring Job Satisfaction

#### SEMANTIC DIFFERENTIAL SCALES

Me at Work - How I Feel Most of the Time

	Extremely	Quite	Slightly	Neutral	Slightly	Quite	Extremely	
Appreciated	1	2	3	4	5	6	7	Unappreciated
Efficient	1	2	3	4	5	6	7	Inefficient
Penalized	1	2	3	4	5	6	7	Rewarded
Satisfied	1	2	3	4	5	6	7	Dissatisfied
Unproductive	1	2	3	4	5	6	7	Productive
Encouraged	1	2	3	4	5	6	7	Discouraged
Ineffective	1	2	3	4	5	6	7	Effective
Valuable	1	2	3	4	5	6	7	Worthless

#### LIKERT SCALES

	Strongly Disagree				Strongly Agree
1. Considering everything about the company, I am very well satisfied with it.	1	2	3	4	5
2. Top management is not very interested in the feelings of employees.	1	2	3	4	5
3. This company is a better place to work than most other companies.	1	2	3	4	5
4. My job is a real drag; I hate coming to work.	1	2	3	4	5

#### Survey Administration

Most job-attitude surveys are administered to the entire employee population because managers do not want to run the risk of offending employees by not inviting them to express their opinions. Including everyone seems reasonable since most questionnaires are short and the incremental cost is negligible, but surveying everyone is not necessary. A chef does not need to eat the entire pot of soup to know if it needs more salt. The chef only needs to stir the pot and take a small random sample. Likewise, managers can obtain adequate employee feedback by surveying a limited number of employees using either a simple random sampling method or a stratified random sampling method.

A **simple random sample** method involves placing all employees in the sample population and drawing the sample at random. The probability of any one person being selected is the same as for every other person. No demographic or job characteristics are used to influence the probability of an employee being selected.

A **stratified random sample** method involves categorizing employees into specified groups according to relevant characteristics, such as job classification or organizational level. Individuals are then selected randomly within each group according to the group size. Later the results are analyzed separately for each group and the size of the group is used to weight the results in order to make inferences about the total population.

Job-attitude surveys should normally be administered on the job since employees should be compensated for the time required to complete them. Occasionally, however, employees want to complete them at home to avoid interruptions or to assure greater anonymity.

The questionnaires can be distributed in many ways, such as hand delivering them to individual work stations, distributing them by email, making them available via the Internet, or sending them through the mail. Response rates are usually higher when they are hand delivered. Another advantage is that the employees can receive instructions and ask questions.

### **Results Analysis**

The two most important statistics for analyzing the results of a job-attitude survey are the mean and standard deviation. The mean (or average) is calculated for each item in the questionnaire and is used to assess the extent to which employees agree or disagree with the statement. Since most attitude scales are either 5-point or 7-point scales, small changes along a scale represent a significant change in attitude when the means come from a large sample size. For example, a mean of 4.00 represents a much different average attitude than a mean of 3.00 on a 5-point scale. When calculating the means for a group, very seldom will the mean approach either extreme—partly because of random error variance (i.e. some people carelessly mark the questionnaires).

The standard deviation shows the amount of dispersion in the responses around the mean. A small standard deviation (such as 0.2 or less on a 5-point scale) suggests that most people had similar attitudes and marked the same answer. Whereas a large standard deviation (greater than 1.0 on a 5-point scale) suggests that there was a wide diversity of opinion about the item.

To simplify the analysis of questionnaire data, items measuring similar constructs are typically combined to form composite scores. This combining may or may not be acceptable. The results of a job-attitude survey should be examined item by item, unless there is adequate justification for the items to be combined into a composite score. The justification that is often used is a form of face validity where the analyst simply examines the items and concludes that they all seem to be measuring the same concept. A better justification is either a factor analysis, which shows that all of the items are loading on the same factor, or a reliability statistic (such as Cronbach's alpha) showing high inter-correlations between the items. Combining items that do not measure similar concepts creates an interpretation problem that is popularly referred to as the problem of "combining apples and oranges."

### **Confidentiality and Anonymity of Surveys**

Anonymity is considered essential in measuring job attitudes. Employees are usually unwilling to report their true feelings if they think there is any possible way their personal answers will be identified. The following steps usually provide sufficient assurances of anonymity:

1. Employees should be told that their answers will not be personally identified with them. This promise should not be violated.
2. Employees should not be asked to sign their name or provide an employee number.

3. Demographic information should not be so extensive that the person thinks he or she can be personally identified.
4. The questionnaires should be distributed and collected by an independent third party.
5. Serial numbers and other forms of identification should not appear on the questionnaire.
6. The questionnaires should be destroyed after the data have been entered into the computer.

### Outsourcing Employee Surveys

Some organizations choose to outsource their employee satisfaction surveys. There are many options available, from off-the-shelf surveys that companies can purchase and administer in-house to professional consulting groups that design custom surveys, administer them, and help analyze the results. If an organization does not have someone on their staff with experience in survey design, management, and interpretation, seeking outside expertise might be a good option. If off-the-shelf surveys are used, they should be customized to the organization, if possible.

Outsourcing to a consulting firm that specializes in employee surveys has several advantages over managing a survey in-house:

- Consultants have more expertise and experience in their specialty area than most in-house survey administrators.
- Contracting with a consultant takes far less time for employees than carrying out the survey themselves.
- With many consulting firms, a team of experts works on the project, rather than just one or two employees.

There are also several disadvantages to outsourcing:

- Consultants have less familiarity with the organization, while in-house administrators understand the issues and personalities involved.
- Most consultants have already-designed products they use. Unless they customize their products to the organization, using their services would not be much better than purchasing an off-the-shelf survey from a third-party vendor.
- The cost of outsourcing employee surveys can be substantially higher than doing surveys in-house.

## 5.6.4 Using Satisfaction Surveys

### Interpretation

Job-attitude surveys are usually analyzed separately for each department or group in the company. Interdepartmental comparisons are very valuable in helping to interpret the results—the means of different departments serve as a standard of comparison for each other. Unique questionnaires that have been designed to measure a company's specific problems depend greatly on interdepartmental comparisons for interpretation.

Standardized questionnaires, however, that have been used in other companies provide the advantage of allowing comparisons with other companies. Having at least some standardized items on a questionnaire is useful for comparative purposes.

Managers should be cautious when interpreting the differences between group means. Small differences may be statistically significant because the means are based on large sample sizes. But just because the difference between the means of two groups is statistically significant does not mean the difference is practically significant. For example, if the mean satisfaction score of one group is 6.2 on a 7-point scale and another group's mean is 6.0, this difference might be statistically significant if the groups are large. But, the proper interpretation is that both groups are reporting high satisfaction and the difference may be immaterial.

### **Feedback**

The most effective way to use job-attitude information is to provide a summary report back to the members of the organization so they may analyze, interpret, and use it for designing corrective actions.

*Feedback to Management:* The results of an attitude survey may provide management with a general understanding of the feelings of employees, as well as specific suggestions for improvement. Management needs to carefully review the results of a survey to decide what changes and improvements to make. Employees tend to feel disillusioned and ignored if they identify specific problems and nothing is done to improve them. Therefore, surveys should not ask about issues that management will not or cannot change unless they can justify their decision. This caution is especially relevant during difficult economic times when employees are more inclined to request improvements and have unrealistic expectations about getting them.

Survey results can also provide a valuable form of personal feedback for managers regarding their personal style and leadership. Survey feedback interventions in organizations have demonstrated that the anonymous comments of employees can act as a powerful impetus for change. Most managers are highly motivated to change when they receive consistent criticism from their subordinates combined with specific suggestions for improvement.

*Feedback to Employees:* Survey feedback interventions in organizations involve sharing the results of attitude surveys with employees. Typically, a separate summary report is sent to each unit in a company. This report should include that group's means and standard deviations for each item on the survey, plus the composite variables and also the overall means and standard deviations for the entire company for comparative purposes. Employees can use this feedback to improve their group functioning and to make suggestions for the overall organization.

### **Intervention**

Attitude surveys are often used as part of an action research model of organizational development. The action research model involves collecting data to diagnose problems, feeding the data back to the members of the organization, involving them in analyzing the data and developing action plans, implementing the plans, and then reevaluating the success of the intervention. This action research model is an ongoing cyclical process designed for continuous improvement and renewal.

The success of a survey feedback intervention depends primarily on three factors. Employees must have a commitment to each other and to the success of the company. They must be willing to share their feelings and to participate openly in the feedback and problem-solving sessions. Second, top management must support the intervention and create an environment that is sufficiently open and amenable to change, so that employees feel their efforts are worthwhile. Finally, the questionnaire must be carefully designed to address the major issues and accurately assess employee feelings.

*Plans for Change:* The data from a job-attitude survey should be used to identify and diagnose organizational problems. A careful analysis is needed to identify the real problems rather than simply surface symptoms. This analysis, within each group, should focus on exploring alternative causes of the problems and what can be done to change them.

After the cause of a problem has been identified, the target group should develop an action plan to solve it. This action plan may involve more than just the target group; corresponding changes in other parts of the organization may be necessary to avoid dysfunctional consequences.

*Implementation of Plans:* After the plans have been carefully made, they are implemented. Action steps need to be identified and assignments with defined accountabilities need to be delegated. Arrangements should be made for measuring the change, and the success of the change effort should be communicated to the target groups.

*Follow-up:* One of the greatest criticisms of job-attitude surveys is that organizational leaders fail to respond to the problems identified by the survey. Experience has demonstrated that when employees identify important problems in an attitude survey, they expect changes to be made and problems to be resolved. When nothing happens, they think their opinions are being ignored and that management doesn't care.

*Evaluation:* The success of a survey feedback intervention can be assessed by examining improvement over time. Companies that measure employee attitudes on a regular basis carefully review both the positive and negative changes in the statistics to determine whether various changes have been effective.

Some of the best evidence demonstrating the value of survey feedback interventions comes from the earlier work of Rensis Likert and his System 4 questionnaire. This instrument asks people to describe their organization using items that measure such crucial organizational processes as motivation, communication, decision-making, leadership, and change. Each item has a scale that ranges from System 1 (autocratic) to System 4 (participative). Likert's research found that companies become more effective and profitable when they move from a System 1 structure to a System 4 structure.

### 5.6.5 Employee Engagement

**Employee engagement** is an attitude that is similar to job satisfaction; however, engagement encompasses more than just opinions and feelings about one's job. Engagement refers to the degree to which employees are committed to their jobs and the organization, their willingness to remain with the organization and work hard to make it succeed, and their

enthusiasm in completing their own work and helping their co-workers. Engaged employees not only work hard and are loyal to their companies, they are also willing to go above and beyond their job requirements to perform what are called “organizational citizenship behaviors” or “extra-role behaviors.” Managers talk about three levels of employee engagement:<sup>89</sup>

- *Engaged employees* are those who work with vigor (a high level of energy and vitality), dedication (a sense of determination and enthusiasm), and absorption (being deeply engrossed and focused in one’s work).
- *Not engaged employees* are those who are putting in their time and going about their work with little energy or passion, but not interfering with others.
- *Actively disengaged employees* are those who are unhappy about their work, who actively gripe and complain about their job and the company, and who undermine what their engaged colleagues are trying to achieve.

Over the past several years, surveys by the Gallup organization indicate that the percentages of employees in these categories have remained relatively stable: about one third are engaged in their jobs, half are not engaged, and one sixth are actively disengaged. The annual costs of employee engagement are roughly estimated to approach \$350 billion USD.<sup>90</sup>

Employee engagement consists of cognitive, emotional, and behavioral components, and **engagement surveys** generally contain questions that focus on all three of these components. Cognitive questions assess the employees’ beliefs about the company, its leaders, and the workplace culture, such as how well employees know what is expected of them, whether they have the information and materials they need to do their work, and whether their ideas and opinions are considered. Emotional questions assess the employees’ feelings about the company and their work, such as whether they are satisfied with their jobs, how well they are recognized and appreciated for their work, and how much they are supported by their supervisors. Behavioral questions assess the amount of effort employees are willing to exert, their willingness to display extra-role behaviors, and their commitment to remain with the company.

Research on employee engagement has demonstrated that having a highly engaged workforce is extremely desirable and contributes to organizational effectiveness.

- A study of 132 manufacturing firms found that high-involvement work practices led to significantly higher labor productivity. Engaged employees contributed greatly to their company’s effectiveness when they were empowered to make decisions related to their work, when they had access to information about the company’s costs and revenues, and when they were rewarded for their efforts.<sup>91</sup>
- A beverage company found that engaged employees had significantly better safety records than non-engaged employees (one-fifth the number of safety incidents), plus they had significantly higher sales (with the differences in the millions of dollars).<sup>92</sup>
- Engaged employees have significantly better health and psychological well-being.<sup>93</sup>
- Engaged employees create significantly better customer loyalty.<sup>94</sup>

- Four months after initiating a program designed to improve employee engagement, Caterpillar Company reported a 70 percent increase in output plus additional savings through decreased attrition, absenteeism, and overtime. The program also led to a 34 percent increase in customer satisfaction.<sup>95</sup>

Human resource policies and practices can do much to either enhance or destroy engagement. Doing the following will generally improve engagement:

- show trust and confidence in employees
- provide the tools, equipment, and environment employees need to excel in their jobs
- recognize employees for their efforts
- empower employees to act
- provide meaningful interactions with co-workers
- assign a supportive supervisor
- help employees balance work and family demands
- provide training, coaching, and other career development opportunities
- solicit and act on feedback from employees
- involve employees in community service projects

Conversely, human resource policies and practices destroy engagement when they limit employees in their work, treat them unfairly, ignore creative ideas, restrict job-related information, isolate them from others, and show a lack of trust.

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### **Test Your Knowledge**

The following test-your-knowledge questions are open-ended items designed to help you assess your understanding of the concepts discussed in the preceding section. A vital part of your preparation for the human resource certification exam is taking the online multiple-choice practice exams provided as a part of this program at [www.hrcp.com](http://www.hrcp.com). Log into your account and click on My HRCP to access the practice exams.

1. Can you explain the relationship between satisfaction and productivity?
2. Can you describe the methods for measuring job satisfaction?
3. Can you define employee engagement and list ways in which engagement can be enhanced?

~Notes~

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## 5.7 WORKPLACE SAFETY

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We live in an uncertain and increasingly unstable world. Even firms in more peaceful areas that do not worry about terrorist attacks as much as companies in unstable parts of the world still face other costly threats, such as accidents, theft, ill health, and adverse weather conditions. **Risk management** refers to the process of assessing and, ideally, measuring risk and developing strategies to protect the financial interests of a company, including safety, worker compensation, unemployment insurance, security, loss prevention, emergency preparedness, health and wellness, data management, and privacy protection. These programs are often viewed as HR responsibilities even though many companies assign them to other departments depending on the size of the company and seriousness of the threat.

Industrial accidents are extremely costly, whether measured in terms of medical expenses and disability compensation, lost production and wages, or damage to plant and equipment. The human cost in death and suffering is beyond calculation. The frequency of industrial accidents is alarming; accident statistics have occasionally aroused public sentiment to the point that safety laws have been passed. The purposes of these laws are to prevent accidents and illnesses and to compensate employees for injuries and lost wages. Many companies have gone beyond what is legally required and have developed programs to protect and improve the health of their employees. This unit describes some of the most common safety and health programs.

Safety and health are vital concerns in every organization. A small company may assign safety responsibilities to the production department and large corporations may have a separate safety department. But regardless of how the responsibility for safety is assigned, it is the responsibility of each employer to provide a place of employment that is free from recognized hazards that are causing or are likely to cause death or serious physical harm to employees.<sup>96</sup>

### 5.7.1 Effective Safety Programs

Every organization ought to maintain an ongoing safety program. Most large organizations can afford to hire a safety officer and to staff a separate safety department to develop and monitor a safety program. Establishing a safety program is a problem for small organizations, however, because they cannot afford to hire additional personnel. Consequently, safety responsibilities usually are added to the other responsibilities of the present staff in a small company.

#### Management Support

Safety programs need the support of top management to be effective. When managers are not interested in safety and health, no one else is likely to show much interest either, and the safety program will remain inactive. To stimulate interest in safety and health programs, managers should demonstrate a sincere interest in them by following these procedures:

1. Hold periodic meetings with employees to discuss job safety and health matters.
2. Prepare a policy statement that clearly declares management's concern about safety and health. An example of a policy statement is presented in Exhibit 7.

3. Include job safety and health topics in conversations with employees.
4. Review all inspection and accident reports and check to make certain that hazards are eliminated.
5. Participate actively in labor-management safety committees.

### Exhibit 7: Model Safety Policy Statement

The personal safety and health of each employee of this company is of primary importance. The prevention of injuries and illnesses is of such consequence that it will take precedence over operating productivity whenever necessary.

We will maintain a safety and health program conforming to the best practices available. To be successful, such a program must embody the proper attitudes toward injury and illness prevention on the part of supervisors and employees. It also requires cooperation in all safety and health matters, not only between supervisors and employees but also between employees. Only through a cooperative effort can a safety program in the best interests of all be established and preserved.

Our objective is a safety and health program that will reduce the number of injuries and illnesses to an absolute minimum. Our goal is zero accidents and injuries.

### Roles and Responsibilities

The responsibility for safety and health activities should be clearly and expressly assigned to one individual. The job of this individual should be to ensure that an effective safety program is developed and implemented. However, safety and health need to concern more than just top management. The responsibility for safety and health activities needs to be shared by everyone; these responsibilities should be considered a basic part of every supervisor's and employee's job. Employees should be responsible for following the prescribed safety and health procedures and for recognizing and reporting hazards in their areas. Supervisors should be responsible for making certain that safe practices are understood and followed. Avoiding accidents requires the cooperation of everyone. All employees should know that carelessness and willful disregard for safe practices may result in discipline and termination.

### Training

For a safety program to be effective, all employees, supervisors, and managers must receive adequate safety training.<sup>97</sup> Employees should never perform a job until they have been authorized to do it and have received adequate job instruction. Accident statistics indicate that new employees are much more likely than long-term workers to be involved in an accident. Workers who have been employed between one and three months suffer three times as many injuries as workers with one to three years of work experience, and eight times as many injuries as workers with 20 or more years of experience. Furthermore, new employees are not as likely as long-term employees to recognize and report hazardous conditions.<sup>98</sup>

Specific safety training should inform employees about safe operating procedures and specific hazards. All employees should know about the materials and equipment they use and the potential hazards in their environment. They should be instructed to look for unsafe conditions, to report hazards immediately, and to always put safety first. If a job appears