



## HRM In The USA

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HRM in the USA  
George Strauss\*

This is a brief sketch of some of the main issues facing Human Resources Management (HRM) in the United States during the 1990s. I will focus on policy problems rather than techniques, though the latter are of great importance to practitioners. Two themes run through this discussion, a strong theme relating to increasing public regulation of the HR function and a weaker theme of increasing interest in participative management and high-commitment systems.

The Human Resources function

Personnel administration, for many years a step-child in management was rechristened human resources management (HRM) during the late 1970s and early 1980s and is enjoying a renaissance in both academia and the real world.

Personnel had grown in status during the 1930s and 1940s largely because of the wartime labour shortage, the union threat, and the later need (in many companies) to adjust to being unionized (Jacoby, 1985). Then as union-management relations "matured" and became routinized, other, seemingly more pressing functions, such as production, marketing, finance, and law, began to receive the bulk of top management's attention.

In the early 1970's things began to change again. New legal requirements, dealing with safety, equal employment opportunities and the like, forced radical changes in selection, evaluation, and promotional procedures among others. This in turn raised HR specialists' status and budget. In the late 1970s, as the economic climate turned sour, many top managements began to view HR policies as critical for reducing costs, increasing organizational flexibility, and even insuring survival. Industrial relations, personnel, and organization development policies became increasingly closely coordinated (Beer and Spector, 1984).

In some cases this meant using hard-ball tactics to keep unions out of non-union worksites and to extract deep economic concessions at locations where unions already existed. In other instances, it involved developing cooperative new relationships in which the union serves as equal partner. Regardless of strategy, the purpose was to increase shop-floor efficiency and to soften the effects of rigid work rules, often developed for an earlier technology. Perhaps in a majority of instances, however (particularly where the companies employ few blue-collar workers), policy toward unions was subsidiary to broader interests, especially efficiency, flexibility, and management development. Indeed -- a point to be stressed -- HRM in most companies was and is primarily concerned with managers and white-collar employees, not blue-collar workers.

Many of the new initiatives came from top management itself as line managers began "asserting greater control over industrial relations policy issues because industrial relations and human resources professionals were slow to change" (Kochan, McKersie, and Chalykoff, 1986, p. 494). In some companies, these new policies meant wholesale replacement of oldtime industrial relations experts who had "become increasingly isolated, conservative, and less influential" by "a new set of human resource management specialists who were more conversant with

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different types of planning, behavioral science-based innovations in work organization and personnel systems" (Kochan and Piore, 1985, p.5). Thus, when General Motors' Vice President of Labor Relations retired, he was replaced by the former director of the company's quality of working life program, not by someone whose career had been in industrial relations (Kochan and Cappelli, 1984). Similar changes occurred at Ford and Chrysler.

As top management demonstrated greater interest in HR policies, the status and perhaps the clout of the newly named HR departments seemed to grow, especially according to such indices as title of top officer, staff size, budget, salary level (Strauss, 1987), and number of MBAs hired. The HR department, for example, became more frequently involved in long-run strategic planning. As a consequence, according to a Wall Street Journal article (April 27, 1983, p. 1), former personnel workers received "at least 30% higher pay...if the company uses the trendy "human resources" title."

Along with this came some other developments. First, there have been some important technical breakthroughs in selection, evaluation, and performance appraisal. These rather dull areas suddenly became rather hot -- at least in academia. Secondly there was much greater willingness to experiment. Often new policies were tried out in a several departments or plants before being introduced uniformly.

These developments have occurred in the context of increasing government regulation.

#### The role of law

At one time sharp contrasts could be drawn between the HR practices in the U. S. and those in Continental Europe. On the Continent these practices were tightly regulated by law, in the U. S. they were comparatively unfettered. True, Roosevelt's New Deal brought laws protecting unionization, and establishing some fairly minimum wages. It also introduced tax-supported unemployment and old-age (superannuation) benefits. But aside from union-management collective bargaining agreements, management's HR practices were relatively unregulated. Beginning in the 1960s, however, a series of laws were enacted which dealt with such topics as occupational safety, employer-funded superannuation funds, discrimination, and equal employment.

In 1960 President Reagan was elected on a platform calling for deregulation. His administration was marked by a considerable slackening in the rigor with which the executive branch enforced the laws, a policy followed to a lesser extent by George Bush, his successor. But none of the old legislation was repealed or significantly weakened. Indeed a new series of new laws were enacted, some strengthening previous laws (regarding, for example, discrimination against the aged and disabled) and others branching out in completely new directions, for example severely restricting employers' use of polygraphs (lie detectors). Meanwhile, as permitted in the federal system, states have been passing laws on similar topics. No single law has had a major impact, but their cumulative effect has been considerable. Furthermore, Congress is considering a long list of HR-related bills, many of which will eventually be passed, though some are likely to be vetoed by the President.

The legal push comes not just from the federal Congress. The U. S. is a litigious society, and state courts have been actively expanding employee rights, creating a new body of common law, especially with regards to unfair dismissal. The net effect is much boarder governmental intervention into HR practices, from hiring to discharge. Some call this the Europeanization of American HRM.

These relatively new laws and court decisions have had a big impact on the HR decision-making process. It has become more formal, more time-consuming, and more bound by paper work. All this has helped upgrade the HR function.

#### Labour relations.

Unions have become considerably weaker, in a process not much different from that occurring in Britain.

From a 1955 peak of approximately 33% of the labour force, union density has declined to 16% in 1991. But these figures mask the decline in the private sector, where density has dropped from over 35% in 1955 to about 12% today and is still declining. Meanwhile the public sector has assumed an increasingly important union role. Public-sector unionism was minimal in 1955; today, close to 37% of governmental employees belong to unions and this figure is holding constant.

Why the decline? One reason is that traditionally unionized industries, especially manufacturing, mining, transportation, utilities, and construction have grown much less rapidly than the nonunion industries, such as trade and services. Factories have moved to the non-union southern states. Additionally, nonunion employers have adopted tougher, more sophisticated, and more effective techniques to keep their organizations "union free." Often they compete with unions through the adoption of high-commitment policies providing participation, job security, individual job rights, and due process. Further, in government-run elections designed to determine whether workers want union representation, employers campaign vigorously, taking advantage of every technicality the law allows. Often their tactics skirt or even violate the law, since the penalties for doing so are minimal.

An increasing (though still small) number of already-unionized firms have rid themselves of unions altogether. A common technique is to provoke a strike and then to replace the striking workers with new employees. More commonly management has sought to negotiate "concessions," that is, new contracts which provide fewer benefits than those which are expiring. Often they do this through whipsawing, that is through threatening the plant in question and moving its work to another plant, either in the U.S. or overseas. Bargaining as a whole has become much more decentralized. As union strength has decline, so have the number of strikes.

On the other hand, a considerable number of union-management relations might be characterized as being relatively cooperative. In steel, automotive and a few other industries unions and managements have sought to work together. Though the adversarial aspects of their relationship will never be eliminated, numerous joint efforts have been undertaken to resolve common problems, especially relating to productivity, substance abuse, and the like.

Though unions are still significant in some industries, their role in HRM generally is considerably reduced. Forty years ago it was the union movement

which took the initiative in beginning forth new HR ideas - and management reacted. Unions were largely responsible for the spread of private pension and health plans and for the concepts of seniority and discipline based on just cause. Today management has the upper hand. In some cases management has exercised its power in ways that I view as anti-social and shortsighted. In other cases, its influence has been quite positive.

Many recent HRM initiatives come from the women's agenda (if not from the women's movement itself): comparable worth, flextime, child care, elder care, and the freedom to move in and out of the labor force. Some of these have been widely adopted already. Others are likely to be adopted during the 1990s.

#### High commitment policies.

There is much discussion of high-commitment policies, though perhaps more talk than practice. By high-commitment I mean policies designed to develop broadly trained employees who identify with their organization and who are prepared and trusted to exercise high orders of discretion. Along with this comes a commitment from the firm to provide job security and the opportunity to develop a satisfying career (not just a job). Key components of this strategy are participation, lifetime employment, career flexibility, and new forms of compensation. Together they constitute a "high commitment culture".

These policies require heavy investment in human capital, and in some ways are like the stereotype of Japanese management. But, they are not like Japanese management in that they give employees a considerable amount of free choice and individual rights.

Some of the leaders in this development, IBM and Hewlett-Packard, for example, are nonunion. However General Motors new Saturn Division, NUMMI (the GM-Toyota joint venture) and Xerox show that equally innovative plans can be adopted in genuine collaboration with unions. There is nothing basically inconsistent between the high commitment HR and collective bargaining. In fact the chances of such firms as IBM and HP backsliding from their present good intentions would be much reduced were they unionized. Unions might keep them honest.

Though high commitment organizations may constitute the main wave of the future, this wave has hit some big rocks. The U. S. economy is shifting from manufacturing to service. Firms once protected from competition are subject to its full rigors. Many previously stable industrial giants (e.g., A.T. & T.) have been forced to "restructure" and "downsize", sometimes as a result of takeovers, leveraged buyouts and the like. Quite often organizations emerge from such restructuring with a high debt level and a desperate need for cash flow. As a result they liquidate their human assets at a rapid rate. Not only are skilled managers, professionals, and workers thrown on the ash heap, but expensively nurtured "corporate cultures" are quickly shattered. If companies are treated like commodities, to be bought and sold on an auction market, people are likely to be treated similarly. Thus, at the moment, disinvestment in human resources seems to predominate over high commitment. Over the long this trend may switch.

### Participation.

There is considerable experimentation with various forms of participation. Expanded employee involvement is at the heart of the high commitment strategy. Participation, it is hoped, will increase employee satisfaction and commitment as well as organizational effectiveness. If successful, all parties gain.

Participation is hardly new. Informal participation, as a style of consultative management, has been preached for a long time, but the last few years have seen a considerable increase in formal participative schemes. These schemes can be grouped under three heads: (1) job redesign, for example, job enrichment, (2) quality circles and autonomous work groups, and (3) joint union-management or employee-management committees (see Ramsay in Chapter 11). All three forms of participation seem to have proliferated more widely in the U. S. than in Britain (compare Millward and Stevens, 1986 with Cooke, 1990).

Job enrichment, quality circles, and autonomous work groups appear to be more common in non-union plants. In some companies they have been introduced to keep unions out. Joint committees exist primarily in the unionized sector.

According to the limited research to date, most participation schemes succeed in bettering something. They increase satisfaction, productivity, or quality or they improve turnover, safety or union-management relations. A problem in the U. S., as in the U. K. (MacInnis, 1985), is that many of these schemes are short-lived. They succumb to a variety of ills: opposition by unions, workers, supervisors, or top management or merely half-hearted support; problems with regards to equitable compensation; or distrust, too high expectations, or burnout (Strauss, in press).

There are critics who argue that participation is merely a fad, which will pass. In some instances this is certainly the case. But over time participative work techniques may become more satisfying for workers and more efficient for management. Like drug use, participation is an acquired habit, but a habit which is difficult to shake.

Participation doesn't come naturally; generally it represents an unstable social system. Autocracy is simpler. Fortunately, however, managements and unions are now learning the organizational skills required to make participation work. In time its success rate should improve.

### Work schedules and careers

Many workers are more interested in when they work than in participating at work. This is shown, for example, by the increasing union demand that workers be free to turn down overtime. It is also evidenced by the considerable interest in new approaches to work scheduling, such as the compressed work week, flexitime, and job sharing, as well as the expansion of an older arrangement: part-time work. And "telecommuting," the opportunity to work at home via computers, has become more common.

What these plans have in common is that they are designed to permit employees to enjoy their life off the job, as opposed to on it. For some workers, these new schedules represent a changing lifestyle which downgrades work as a

source of satisfaction. But for many women and some men it is important chiefly as an opportunity to combine work with family life. Indeed, work schedules have become a major issue for some women's groups.

The demand for change is expressed most frequently by university graduates and MBA-trained women who are competing with men for managerial careers. For some women the "mummy track", which slows the promotion timetable enough to allow for family obligations, meets the need. For others it does not. Lately neo-feminists have become interested not just in equality on the job, but in equality plus the chance to bring up a family without undue harm to career.

Beyond flextime, there are open, flexible career systems. These include the freedom to move back and forth from full to part-time to zero-time work (for example, in response to family demands) -- and to do so without jeopardizing one's status as a permanent employee. It may mean calculating seniority cumulatively rather than the consecutively. It also involves the right to a phased-retirement (a right especially important since mandatory retirement has become illegal). The demand for career flexibility is also associated with greater concern with burnout and the opportunity to shift work if one gets stale.

In "open career systems" individuals are given considerable freedom to manage their own careers. In such settings one finds features like realistic job previews, (RJP, a procedure in which job applicants are frankly told a job's disadvantages), a chance to bid on jobs and training opportunities, and the freedom to accept or decline transfers. To assist employees in making wise career choices requires assessment centers to evaluate skills, as well as more opportunities for counseling.

Although many of these demands came from the women's movement, they are of interest to men, too, and particularly to professionals and managers. Flexible careers systems are certainly consistent with the philosophy of participation and high commitment. On the other hand, flexibility may be hard for organizations to provide. Individual and organizational needs often mesh quite badly. The utopia in which everyone does his or her own thing may be far off. As yet, open career systems are more talked about than practiced.

#### Core vs. peripheral employees

One of the objectives of high commitment companies is to provide something akin to Japanese-style lifetime employment. In this, their objectives are much like those of unions, which typically insist that their members receive a constant stream of income from the day they are hired to the day they die: they get it in the form of wages, vacations, sick leaves, jury pay, unemployment benefits, pensions, and the like. High commitment companies provide similar benefits for their core employees. In both cases, most of the economic uncertainties of life are transferred from the employee to the employer.

Maintaining life-time employment, in the face of the vagaries of the market, is difficult for many businesses. An increasingly common solution among American high commitment companies is to do this in the Japanese way. They absorb peak workloads through overtime, subcontracting, "agency temporaries," part-time and on-call work, and the like. In slack times they protect their core employees by reversing this process, i.e. eliminating overtime and dismissing peripheral workers, such as temporaries and subcontractors.



Consistent with this policy the number of part-time and on-call employees has grown considerably. Sub-contracting also has increased. The kind of work subcontracted ranges from janitorial and equipment maintenance to top-management decision-making (in the latter case the subcontractors are called management consultants).

Some employees (especially working mothers) dislike being tied down to full-time permanent jobs and prefer flexibility. Quite a lot of people like the independence of being subcontractors. But few of these people enjoy much security. On the whole they are low paid, have few fringe benefits, and most are women. A high percentage of part-time workers, possibly a majority would prefer full-time regular employment. At least, they might like the choice to be full-time or part-time to be their's, not the employer's.

Thus, the growing distinction between core and other employees accentuates what economists call the "segmented labor market" and creates serious social dilemmas. The substantial job security enjoyed by core employees merely accentuates the insecurity suffered by the rest. A secondary labor force is the ugly backside of high commitment policy.

#### Downsizing and outplacement

When business is seriously depressed, there may be too little work for even core employees. Then management must chose between making layoffs as soon as the need seems apparent and so maintaining a "tight shop", or of delaying the decision until absolutely necessary and meanwhile finding some sort of activity for surplus workers. High commitment firms tend to follow the policy of delay. They search for temporary assignments for unneeded workers and perhaps provide them special training or subsidize their transfer to other plants. If business gets still worse they accelerate attrition through fairly lavish voluntary early retirement schemes. Indeed early retirement has become a favorite strategy for downsizing companies which, in effect, bribe workers to quit.

Even these steps may not be enough. Many Silicon Valley companies have felt forced to abandon their previous strong no-layoff policies. Indeed the 1980s in the U.S. have seen the largest number of layoffs since the Depression. They has occurred even in such presumably stable industries as banking, telephones, retail groceries, and chemicals. According to one estimate, almost one-quarter of the jobs in major (Fortune 500) companies permanently disappeared during this period (Daily Labor Report, April 6, 1990). Managerial positions, which once were viewed as sacrosanct, have become just as much at risk as blue-collar jobs.

What distinguishes current "outplacement" from the earlier "sack" is the delicacy with which it is made. A whole new art of firing people has been developed. Aside from the considerable expenses which are incurred to induce older employees to accept early retirement, some companies finance training for new occupations, subsidize job-finding trips, continue employee pay and benefits, and give them time-off to look for a new job. Outplacement counselors, a new breed of morticians listen to "outplacees'" emotional traumas, assist in writing job applications, coach interview skills, and generally help in the job search.

These HR policies are not uniformly followed, of course, not even in hi-tech industry. A large percentage of employers offer little or no protection against layoffs. During the 1980s job security became a major union objective, often given

higher priority than wage increases. When long-time unionized employees in the auto and steel industries are made redundant, they now enjoy guaranteed income streams equaling or close to equaling their pre-redundancy pay. In some cases these streams continue until the worker is ready for retirement. To support this program General Motors has committed \$4.3 billion over the current contract period. Employees in other industries are rarely so fortunate. Often they receive only limited government- financed unemployment insurance (the dole) at a rate no more than half the employee's pre-redundancy pay, paid for no more than 26 weeks.

There are relatively few legal restrictions on employers' right to make layoffs. In 1988 Congress passed a law (over President Reagan's veto) requiring 60 days notice before making "mass layoffs" or closing down a plant. Experience to date suggests that complying with the law is less of a burden than management has feared; on the other hand, it has done less than its proponents had hoped to reduce unemployment or to ease the transition to new employment.

#### Discrimination and equal employment.

Equal employment -- not collective bargaining -- has been the most significant HR issue in the United States since the mid-1960s. Beginning in 1960 a series of state and federal laws have banned discrimination on the basis of ethnic origin, religion, gender, age and physical disability. These laws and their interpretation are complex and technical and have provided employment for a large number of lawyers and testing experts.

Such laws have real teeth]. They are enforced in a number of ways, through action by the federal Equal Employment Opportunities Commission or its state counterparts, through special regulations applying to government contractors, and thorough class-action suits filed on behalf of categories of job applicants or employees alleged to have suffered from discrimination. Settling these suits have cost companies substantial sums of money. As this is written, AT&T has agreed to a \$66 million settlement to compensate employees discriminated against because of pregnancy.

Equal employment regulations cover many aspect of work: hiring, promotions, redundancies, compensation, and even training opportunities. As the U. S. Supreme Court put it, the law "proscribes not only overt discrimination but also practices that are fair in form, but discriminatory in operation. The touchstone is business necessity. If an employment practice operates to exclude Negroes and cannot be shown to be related to job performance, the practice is prohibited." This means that if a selection practice (such as a recruitment procedure, test, interview protocol, or a weight requirement) screens out proportionally more individuals from any one ethnic or gender category, then the procedure's "business necessity" must be validated. For example, job applicants' test scores must be statistically correlated with relevant aspects of work performance. In practise, too, the legal process often requires "goals" and "time tables" and even flexible "quotas" ("affirmative action"), especially where the employer can be shown to have discriminated in the past.

These requirements have forced a radical changes in the procedures used to select, evaluate, and promote employees at all levels. Performance appraisal procedures have been overhauled to reflect actual behavior rather than attitudes or traits. Promotional ladders have been resigned to insure that women are not held

down by "glass ceilings". Great efforts have been made to recruit minorities, including offering university scholarships to promising candidates. "Work sample" tests have been introduced which test the specific skills required for the job in question. Applicants for the job of customer service representative, for example, may be evaluated in terms of how they respond to simulated customer telephoned complaints.

As a consequence of these efforts there has been significant increases in the employment of women and ethnic minorities in occupations that were once entirely white and male. Nevertheless wide disparities in employment and earnings remain. Women may have gained more ground than blacks. A large black underclass is only marginally in the labor force. Still, real progress has occurred.

By now the legally mandated adjustments in company policy have largely been made. Organizations have learned how to live under equal employment rules and yet preserve a degree of flexibility. For this reason, big business showed little interest in following the Reagan administration's call to dismantle the regulatory machinery.

Recently a series of Supreme Court decisions has disturbed this equilibrium by interpreting the laws more narrowly. In response, women and minority groups have sought legislation which would both overturn these decisions and extend the reach of the law. Significantly, when big business representatives agreed to a tentative compromise with women and minority groups, their efforts were vetoed by the Bush Administration which sought to make political capital of the issues of "quotas" and "reverse discrimination."

In fact, equal employment for women and minorities is much less an issue than it was in the 1970s. The main undecided questions today relate to promotions and to the aged, handicapped, homosexuals (in some jurisdictions), and opportunities for women to combine maternity and careers.

"Comparable worth" is an issue which received more attention in the mid-1980s than it does now. Current law requires that men and women be paid equally when they perform the same or closely similar jobs. But women's groups have argued that jobs which are performed primarily by women should be paid wages equal to those of male jobs of "comparable worth", even if the jobs are not closely similar. They object, for example, to the common practice of paying truck drivers and electricians more than nurses, even though nurses require considerably more training and bear much more responsibility. In effect, comparable with advocates seek a major reorganization of wage-setting in American industry. To meet their demands would require a massive job evaluation scheme in which the requirements of every job would be compared to every other.

Understandably this proposal has met considerable resistance. Arguing that an unfair wage stricture constitute a form of discrimination, women's groups, made some progress in a few lower courts, but higher courts hesitated to become involved in so difficult a process. In some states, female government employees won major adjustments, either through legislation or collective bargaining. At the moment, however, comparable worth has made little headway.

Mandatory retirement is now prohibited in most occupations. Likewise, discrimination on the grounds of age (over 40) is illegal. Together these provisions make it difficult for employers to replace older, presumably less energetic

employees, with younger, possibly more enthusiastic ones. Elaborate documentation of poor performance is required before older employees may be demoted or replaced.

Many of the key legal cases here have involved top executives. Evaluations of executive performance are inevitably subjective and subject to dispute. Displaced executives can better afford to hire lawyers than can low-paid production workers. Additionally, juries may grant punitive as well as remedial damages in age discrimination cases, thus making these cases attractive to lawyers. There have been some dramatic awards (some reduced on appeal). In some of these cases employees have produced "smoking guns" confirming the employer's purpose, with for example, a memo stating an intent to "rejuvenate the organization and bring in fresh, young blood."

In recent years, companies have learned to avoid obviously discriminatory statements, document performance, provide periodic performance appraisals, and give employees opportunities to improve their performance before firing them. As a result the number of cases won by plaintiffs has declined.

An estimated 43 million Americans suffer from some form of mental or physical disability, and a high percentage of disabled individuals are unemployed. In 1990 the Americans with Disabilities Act strengthened previous legislation designed to protect this terribly disadvantaged minority. The new law prohibits employers from discriminating in hiring disabled persons, provided that with "reasonable accommodation," they can perform the essential functions of the job in question.

The meaning of "reasonable accommodation" is bound to lead to extensive litigation. For example, variations in the way the job is done may be required. Special equipment may have to be provided. Ramps may need to be built for the wheel-chair bound. But accommodation is required only so long as it doesn't cause an "undue hardship" to the employer. In determining "undue hardship" (another fuzzy term) the cost of the accommodation must be balanced against the employer's size.

Experience under the older regulations suggest that large employers can make necessary accommodations relatively easily, provided they show flexibility and imagination. Perhaps the most noticeable change will be an increase in the number of ramps and toilets suitable for those in wheelchairs. But small employers, in particular, will object to the seeming pettiness of some regulations.

#### Individual job rights

Recent years have shown a growing concern for individual job rights. By contrast with participation and flexible career systems, both of which give individuals freedom to make choices within the organization, the rights to be discussed here protect the individual from the organization and its members. In effect they say the organization can go so far -- and no further. Some of these rights have been obtained primarily through legislation, others through court decisions or unions contracts.

Many raise controversial questions. For example:

What rights does a professor have to see confidential evaluations of her work by her peers? What rights does anyone have to prevent dissemination of material in his file to others?

Who can have access to reports prepared by company doctors and psychiatrists? Under what circumstances can a supervisor search an employee's desk or clothes locker?

What freedom of dress and hairstyle does one have on the job? Under what circumstances can one's employer inquire about one's sexual or political behavior off the job?

What rights does one have to smoke on the job? What rights does one have not to be bothered by other peoples' smoking?

For the most part these are new, recently articulated issues. For instance, they were not on traditional union agendas, and indeed they stem largely from changes in overall social values. Perhaps the greatest controversy relates to drug testing. Can/should the employer test everyone? Only those in critical jobs, such as airplane pilots, who who might do serious harm were they influenced by drugs? Or only those who demonstrate overt signs of being currently drugged? What deductions can the employer draw from a single positive test (since false positives are common)? Suppose the test is accurate, what is the employers' obligation: To inform the police? To discharge the employee quietly? Or to send him to an expensive, employer-paid cure?

A 1988 law requiring federal contractors to maintain drug-free workplaces has contributed to the growing use of drug tests. Controversy has been greatest with regards to random testing, with civil libertarians arguing the employees should not be penalized for off-the-job drug use as long as it does not demonstrably affect their on-the-job performance.

Unions have been ambivalent on the drug-testing issue, fearing being seen as supporting drug-use. For the most part they have insisted on procedural safeguards and that drug users receive treatment rather than discipline.

Analogous issues are involved with genetic testing, polygraphs, AIDS, and alcoholism. Do polygraphs, AIDS, and genetic testing violate individual privacy? Are AIDS, alcoholism, and drug addition occupational handicaps to which the employer must make a reasonable accommodation? Where does one draw the line?

With union endorsement, bills have been introduced into Congress and state legislatures which would restrict electronic monitoring in the office and the use of undercover agents to check on sales clerks. For example, they would prohibit assessing job performance by counting the number of key strikes an employee makes on computer keyboards, or through listening into telephone conversations with customers. Unions argue that these practices places workers under excess stress.

Most uses of polygraphs (lie detectors) are now illegal. Challenges are being mounted against paper-and-pencil "honesty" and personality tests on the grounds that these are often invalid and that the latter frequently probe sexual preferences and political and religious values.

Standards are unclear here, and they are rapidly changing. Until recently, for instance, the right to smoke on the job was generally recognized, and non-smokers had to accommodate themselves as best they could. Now the reverse is the case. Employees have won compensation awards from employers for injuries to health caused by being forced to work in smoke-filled rooms. Many companies now heavily restrict smoking, with most of these policies being introduced over the last few years. Some localities now require employers to offer a smoke-free workplace for those employees who request one. A few employers go further: they forbid employees smoking (or even drinking) off the job on the grounds that this increases health costs. The Occupational Safety and Health Administration has been asked to declare tobacco smoke a work-place hazard. Counterattacking, smokers and tobacco companies have lobbied for laws establishing a "smokers' bills of rights" which prohibit discrimination against smokers.

Emotions over such issues run high. All of them invite the legislature to set general standards, although neither management nor civil libertarians may be happy with the results. Clearly management has less freedom in these areas than it had a few years ago. Further its freedom is likely to decline even more.

#### Due process

Formal due process procedures to protect job rights are becoming increasingly common. There is growing use of ombudsmen, formal grievance and appeals procedures, and even binding arbitration in nonunion (particularly high commitment) companies.

Along with this employees are having easier access to the courts. There are three developments here. First, judicial decisions are rapidly eroding the traditional common law view that employment is "at will" and can be terminated for any reason -- or none. Secondly, unless a company is careful in how it fires an employee, it may be subject to defamation or libel suits. Thirdly, when an employer discharges a woman, a member of an ethnic minority, or an older worker, it may be subject to a discrimination suit. While courts are unlikely to defer entirely to the company's internal adjudication process, the existence of such a process may constitute a defence against charges of procedural, if not substantive, unfairness.

Thus US workers are gradually gaining the protections provided British workers under the industrial tribunal scheme, the main differences being that the grounds according to which American workers can appeal are somewhat different than they are in Britain and the damages awarded a successful complainant can be considerably more liberal.

#### Compensation.

There is a growing dissatisfaction with traditional compensation practices, which for U.S. blue-collar workers, are typically based on job classifications and seniority, adjusted by cost-of-living changes. It is argued that this system is inflexible, especially in bad times, rewards longevity rather than performance, and discourages teamwork and job-switching.

As a consequence there is considerable experimentation with alternative compensation schemes, most of which place a considerable part of the employee's

earnings "at risk." Among others the most common new approaches are the following:

...the abandonment of individual piece-work for gainsharing programs based on departmental, plant, or organization-wide performance;

...profit sharing and Employee Stock Ownership Plans (ESOPs);

...basing individual managers' pay on the contribution which they (or the unit under their direction) make to overall organizational performance;

...greater use of one-time awards and bonuses which provide recognition for meeting specific goals but which don't enter into base pay (lump sum bonuses have taken the place of wage increases in many recent labor-management contracts) ;

...and finally, for blue collar workers, pay for knowledge, that is pay based on the number of skills one has learned rather than the particular job classification one is in.

Each of these approaches has its problems and limitations. Some, such as ESOPs, have been introduced primarily for their tax reasons. Others represent symbolic quid pro quos given in return for blue-collar pay cuts. Attempts to extend top-management bonus systems to lower levels of management have frequently caused much dissatisfaction. Often, it is alleged, these programs have been introyced inequitably. There has been growing criticism of the excessive compensation paid to top managers of unprofitable companies. In numerous instances rank-and-file workers have been asked to do without pay increases while top management has given itself outrageous bonuses.

There are abuses. Nevertheless, taken as a whole these new approaches to compensation seek to reward teamwork and performance and to provide the employer a more flexible wage bill, one which is responsive to fluctuations in the business cycle. Profit-sharing, ESOP, various bonus and gainsharing systems, all shift some of the risk of employment back from the company to the worker, and for this reason often meet union and worker resistance. Still, by emphasizing the fact that company and worker somehow share a common fate, they remain consistent with the high commitment philosophy. On the up side, they reward participative efforts.

#### Fringe benefit

The costs of fringe benefits -- forms of compensation other than pay and bonuses -- are increasing faster in the U.S. than are wages. Understandably they lead to considerable controversy. Although vacations are shorter in the US and holidays less frequent than in many European countries, the total cost of fringes is great because pension (superannuation) and health costs are privately financed to a greater degree than in Europe, .

The U. S. has nothing like the British National Health Scheme. Tax-supported "social security" pays part of the medical costs for the very poor and those 65 and over. The bulk of the population, however, relies on employer-financed health insurance which many small employers don't offer. The adequacy of this protection varies widely and some 37 million Americans are not covered by

any scheme, public or private. These are usually low income people to begin with. Once taken ill, they can quickly exhaust their meager savings, leaving them dependent on charity.

Another problem: health costs have increased dramatically. Today they consume 12% of GDP in the U. S., compared with 6% in the U. K. and 9% in France. Some of the causes for high costs are common throughout the world: an aging population and an increasingly expensive medical technology (a liver transplant can cost over \$100,000). But one source of expense is uniquely American, the increasing cost of malpractice suits filed against hospitals and doctors whenever an apparent mistake is made. Not only is malpractice insurance terribly expensive (typically tens of thousands of dollars per doctor per year), but to prevent suits, doctors engage in "defensive medicine," for instance, they order an excess number of expensive tests. Adding further to the costs, neither doctors nor patients have much incentive to keep costs down. Expenses are too easily passed on to either the employers or insurance funds.

Becoming alarmed at these skyrocketing costs, unions and management, have experimented with a variety of cost-containment measures. For example, "second opinions" may be required before non-urgent operations are undertaken, medical bills may be more closely monitored, or patients may be fully reimbursed only if they use the services of approved physicians and hospital who have agreed in advance to limit their charges. These measures have been only modestly successful in controlling expenses. Though the cost of direct medical service is reduced, that of administration is increased.

As the population ages, pension costs will also increase. The problem is lessened for the moment because pension funds are heavily invested in stocks, and in recent years stock prices have increased faster than pension costs, thus providing a financial buffer. This windfall is unlikely to continue for long. Other problems: some employers have undercontributed to their funds, others have "recaptured" allegedly excessive contributions, and still others have inappropriately invested them or have used these funds in struggles for corporate control.

Over time, both pensions and health care benefits will consume an increasing portion of both GNP and total compensation. As resources get tighter, tensions may increase. Already we see some conflict between childless people and those with large families, and between younger people who want income now and older people who want improved pensions.

Additional problems derive from the fact that our current fringe benefit systems were developed to meet the needs of a traditional family with a working husband and a nonworking wife who assumes childcare functions. Problems arise when both spouses work and the family acquires children. Immediately, there is a demand that the employer provide childcare (one of the most difficult HR issues today).

Beyond this, sick leave which initially covered only the wife's period of confinement (if that) has been frequently extended to include the first few weeks in which the new baby is home. But children are frequently ill and many employers now allow employees to use sick-leave time to take care of their ailing offspring. And if it can be used for sick children, how about for dependent, elderly parents? Or a sick spouse, or "significant other?" As time goes by the



distinction between vacations and sick leave may decline. Eventually it may be eliminated.

All this points toward the greater use of "cafeteria plans" in which employees are given a choice as to the fringes they use. The range of possible benefits will increase but a reasonably firm cap will be placed on their total cost. The employers will pass the buck to the employee to make the difficult choice among the many benefits available.

But this will do little to resolve another issue: the widening differences between core employees and the remainder of the population in terms of the benefits, especially retirement and health benefits, enjoyed by the two groups. The only reasonable solution is for fewer benefits to be provided privately and more by the state, either directly or through legally established minimum standards.

### Conclusion

To the extent a single theme runs through recent developments, it is that of increasing public regulation of the HR function.

There was a time in the U. S. when employers were almost entirely unregulated, either by unions or by the government. Employees were looked upon as commodities. The employer had no obligation toward them except to pay their regular wages. The financial burden of life's risks -- illness, unemployment, old age, death -- were borne exclusively by the employee. The employee's only right was to quit, a right more than counterbalanced by the employer's right to discharge the employee at will.

Unions arose to redress this balance. Unions gave workers a series of rights, defended by the grievance procedure. Strong unions also won a comprehensive stream of benefits for their members. These shifted the risks to the employer. Though unions have now been greatly weakened, the reforms they introduced have been widely adopted, particularly by large, "progressive" companies. Indeed these reforms play a major part in the HR policies of high commitment organizations.

But voluntary adherence is not enough. Relieved of the union threats, many companies became as arbitrary as old. Further, unions had given relatively low priority to the grievances of women, minorities, and the handicapped. In the face of public pressures Congress and the courts have gradually begun fashioning new rights and regulations. For some companies, these did little more than formalize what they already felt to be good HR policies. For others, adjustment has proved difficult, but rarely impossible.

This general trend toward greater formalization and regulation is occurring simultaneously with a somewhat weaker trend toward participative management and high commitment policies. Both trends strengthen the HR function.

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