FSM-325
Students Notes

Lectures Related To

History of Human Resources Management and Current Challenges
**Historical Development of American Human Resources Management**

**Five General Systems:**

1. Craft System
2. Market System
3. Technical System
4. Career System
5. Commitment System

**Each system:**

– grew from technical, social, & economic preconditions
– had human and economic consequences
– had its own:

  **Work organization**

  **Rewards**

  **Flows**

  **Employee voice**

  **Balance of emphasis**

**Craft System  (~1600 - 1820)**

| Background: | Small workshops producing goods & services |
| Work org:   | Master craftsman with journeymen & apprentices |
| Rewards:    | Compensation set by individual contracts |
| Flows:      | Lifetime system |
| Employee voice: | Direct |
| Balance:    | Mutual interests: high |
|             | Adversarial interests: low |
| Today:      | Limited use |
**Market System**  (1820 - beg WWI)

**Background:**
- Improvements in transportation & communication
- Inventories of goods gave rise to wholesale trade
- Forced lower priced goods by wholesalers
- Large pool of unskilled labor (e.g., immigrants and child labor)
- Skilled workers viewed as variable inputs
- Large growth in industrial infrastructure

**Work organization:**
- Used unskilled machine workers with foreman as pusher
- Attempts to unionize labor, but limited success

**Flows:**
- Open market rates; high turnover

**Employee voice:**
- Direct – boss → worker

**Balance:**
- Mutual interests: very low
- Adversarial interests: very high

**Today:**
- Not used due to social and political pressures

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**Technical System**  (Thru end of WWII)

**Background:**
- Further improvement in transportation & communication
- Advances in manufacturing technology
- Problems with the Market System
  1. 
  2. 
  Several key characteristics of system
    – Fine division of labor (Frederick Taylor concepts)
    – Higher wages and benefit programs (first personal departments)
    – Others

**Work organization:**
- Fine division of labor with machine pacing
- Unskilled workers produced standardized goods at low cost

**Rewards:**
- Hourly pay based upon evaluation

**Flows:**
- Seniority system
Employee voice: Collective bargaining through the union
Balance: Mutual interests: modest
Adversarial interests: modest
Today: Common in manufacturing and processing

Career System (After WWII)
Background: High-tech industries following WWII
Skilled individuals recruited for specific jobs
Each job is linked to a career ladder
Work organization: Grouping of individuals under supervisor
Flows: Long-term employment; Career oriented
Employee voice: Individual appeal system
Balance: Mutual interests: low
Adversarial interests: high
Today: Common in high tech and service industries

Commitment System (Emerging)
Background: Attempts to address shortcomings in Technical & Career Systems
Draws upon variety of programs & experiences
1.
2.
3.
4.
Enhanced and expanded employee representation methods
Work organization: Semi-autonomous work groups
Rewards: Base salary with reward sharing
Flows: Near lifetime employment
Slower promotions
Lateral & vertical movement
Employee voice: Multi-level consultations with employees
Balance:  
  Mutual interests: very high  
  Adversarial interests: low

Today:  
  Still evolving... many issues remain unresolved:
  1.
  2.

Systems Summary:

  All systems are still being used to some extent.
  – Market system is nearly gone
  – The other systems still play a role in the proper workplace setting
Management Philosophy Time Line

Use People Efficiently
Classical

Treat People Well
Human Relations Era

Involve People
Human Resource Era
Five Prime Movers of Progress

** All movers are interrelated
** Progress is only as good as the weakest factor.

1. **Natural Resources**
   – Climate, soils, water, terrain, etc.
   – Effect on human resources issues:

2. **Physical Capital**
   – Working environment
   – Investment in supporting tools & equipment
   – Supporting infrastructure

3. **Technology**
   – Computer:
     • Monitor workers’ speed, efficiency, accuracy
     • ... examples:

   – Other new products:
     • Biotechnology
     • ... examples:

4. **Institutions**
   – Social element
     • Employers: Demonstrating a greater sense responsibility to society and employees
     • Employees: Acquisition of wealth vs. Pursuit of happiness, uncomplicated lifestyle

   – Political element
     • Government agencies role at all phases
     • Regulation of businesses not new vs. recent HRM regulations:

     • Trade agreements: NAFTA & GATT
– Economic element
  • Government taxation & spending
  • International competition

5. **Human Capital**
– Size of population
– Demographics of population
– Education & Training
– Cultural aspects

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**From Old Economy**

- Resource-based
- Stable comparative advantage
- Resource extraction, manufacturing fundamental to wealth creation
- Investment in physical capital key to competitiveness
- Safety nets
- Monopolistic, low value-added infrastructure
- Protection
- Discrete domestic and international markets
- Multinational firms
- Quantity: economies of scale
- Hierarchical organizations
- Subsidies to slow change

**To New Economy**

- Ideas-based
- Dynamic comparative advantage
- Knowledge increases importance of service sector in wealth creation
- Investment in human capital key to competitiveness
- Trampolines
- Competitive, high value-added infrastructure
- Openness
- Interdependence of domestic and international markets
- Global firms/strategic partnering
- Quality: economies of scope
- Total quality, strategic alliances, partnerships
- Encouragement to adapt

**SOURCE:** Building a More Innovative Economy, Industry Canada
Human Resources Management Challenges

Demographic changes

1. Population growth & ethnic background
   – 13% growth in US workforce from 1990 (125 million) to 2000 (141 million)
   – Over half this growth is minority groups, mainly Hispanics

2. Age distribution
   – Growth in older workers (over 55 -- “baby boomers”)
   – Growth in younger workers, but still relatively small in number
   – Employment of more retired persons

3. Gender distribution
   – More women in the workforce (47% by 2000)

4. Rising level of education
   – Sharp increase in college graduates
   – Functional illiteracy is a growing problem
   – Developed countries no longer have corner on college grads

5. Overall greater workplace diversity

Job Trends

1. Increasing service sector jobs
   – Strongest in services & retail trade
   – Construction & agriculture are the only goods producing jobs to grow

2. Growth in part-time workers
   – 18% of workforce
   – Includes temp agencies, contract companies, consultants, etc.
   – Often no benefits & lower pay
   – Not all employees want to be full-time

3. Telecommuting

4. Teams & Teamwork
5. “Ownership”

6. Outsourcing

7. Small business & Entrepreneurial firms
   – Downsizing by large firms
   – Main area of growth in new jobs

8. Simultaneous hiring and releasing employees

Cultural Changes
1. Employee rights

2. Privacy concerns

3. Changing attitudes toward work
   – Challenging jobs & rewarding careers
   – More free time

4. Personal & family life is a higher priority
   ➔ Greater diversity to address

Changes in Organizational Effectiveness
1. Competing in a global market

2. Organizational culture:

Others
# Impact of Human Resources Management

## Business Performance

<table>
<thead>
<tr>
<th></th>
<th>Annual Return</th>
<th>Those on list 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 Best Companies to Work for in America</td>
<td>19.5%</td>
<td>15%</td>
</tr>
<tr>
<td>Average Large Company</td>
<td>12%</td>
<td>12%</td>
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</table>

## Expectation of greater impact on business success

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>2000</th>
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<tbody>
<tr>
<td>Human Resources Manager</td>
<td>72%</td>
<td>90%</td>
</tr>
<tr>
<td>Line Manager</td>
<td>63%</td>
<td>85%</td>
</tr>
</tbody>
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