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CURRENT CHALLENGES IN HR MANAGEMENT

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Abstract

The paper addresses current issues in management and concerns especially new challenges faced by the management of organizations, such as Age Management, Work-Life Balance, measuring human capital, personnel controlling or indicators of performance, in the framework of the situation in the labor market, both current and expected. Methods used in this paper are based on literature review and comparison of publicly available statistical data. Some findings are related to civil engineering companies and the paper also provides selected recommendations for these companies.

Keywords

Controlling; Management; Performance indicators

Introduction

There are some trends in human resources management that grow in importance especially after the year 2000. Some of these trends are popular, well known to both public and organizations and can be found in any modern HR publication. Organizations are more concerned about their social responsibility and effectively use it their marketing strategies, organizations are successful in implementing talent management programs, can deal with diversity of their staff from the cultural point of view, avoid discrimination on the basis of race, nationality, sexual preference, or religion. On the other hand, some of these trends are less popular, either because of completely different approach is required or because of investments and costs that can be hard to calculate properly. It is nowadays widely accepted that the competitive advantage of a company is created by its employees, who are loyal, flexible, motivated, efficient and innovative. Any technology, process, product can be copied very quickly; any hot modern novelty is not sufficient enough since the period for new products is shortening; the only item that keeps the company running are its employees. And the questions remaining are, above all, how to keep the best employees happy in the organizations, how to deal with continuing problems of the labor market, how to identify the good workers and how to measure the competitive advantage provided by the employees.

This paper therefore attempts to provide an overview of current challenges in managing organizations and focuses mainly on trends in human resource management. Age Management, Work-Life Balance, measuring human capital, personnel controlling or indicators of performance are in the center of attention.

Methodology

Methodology employed in this paper is based on literature review, including the analysis of available documents as the initial part, and comparison of publicly available statistical data.

Results

In this chapter, the individual issues are discussed. First it focuses on Age management, and then through Work-life balance together with some suggestions of connecting age management and work-life balance to alternative work schemes, the text goes further to measuring human capital by tools of excellence models or key performance indicators.

Age management

The trend of population aging must be concerned not only from the viewpoint of planning the workforce, to follow the planned retirements, to develop more sophisticated approach to career plans, talent management, mentoring and retaining the knowledge and experience in the organization through succession plans, but also from the viewpoints of discrimination, social responsibility of the organization, and also adjustment of work schedules, work norms, work environment to aging employees. Apparently, the physical condition of a 25 years old mason is not the same as the one of a 60 years old one.

As Heywood [7, 2011, p. 4241] noticed, companies are hiring older workers as part-time workers into peripheral jobs, if they actually hire them. He also suggests that there is very likely a gap on the labor market, a hidden unemployment, when people dismissed from a company several years before retirement actually give up to find an appropriate job and wait to move directly into retirement [7, 2011, p. 4239].

Age management is underestimated in many companies concerning especially career and development plans for older employees, access to education, learning and training, managing transmission of knowledge and experience, continuous improvements of working conditions and environment, sustainable efficient performance of a long-term employed worker. This involves not only current position held by the worker in question, but also possible different position that would utilize the competencies of the worker without being suspended or reassigned to a position lower in the hierarchy which could be perceived as personal failure. Civil engineering companies are no exception.

Work-Life Balance

Though the term *work-life balance* has its roots in the 1960's in the United States of America, where it was first used for working mothers solely, the implementation into organizational practice has been lagging behind since then. *Family-friendly policy*, which is another perception of work-life balance for working mothers and sometimes used as synonym for work-life balance, though its meaning is limited to working mothers, was introduced by organizations that aimed at facilitating return to work after maternity leave. For example, a 1980's guideline for employers focuses on sex roles in relation to work and family life [15, 1980, p. 401]. The first benefits for organizations were lower rate of absenteeism due to sick leave and lower rate of employee turnover thanks to satisfaction [11, 2012, pp. 105-106]. Yet in the year 1985 when he published his scientific article on part-time work, Chris de Neubourg [14, 1985, pp. 559-576] compares the international data in dimensions of married vs. unmarried women. However, he noticed that in nearly all advanced market economy countries the part-time employment grew much faster than full-time employment between 1973 and 1983 [7, 1985, p. 559].

The optimal balance of work and private life is subjective and individual, naturally. For example, ambitious individuals who seek their self-actualization in their career would perceive the harmony differently from a person focusing on his or her slower lifestyle, free time, hobbies, etc. However, both these groups under work overload are endangered by stress and stress leads to conflicts at the workplace and at home, to higher number of sick leaves, to problems in relationships. All these risks consequently get back to the employer because it influences the performance and behavior of the employee. The only difference is in the amount of work [11, 2012, pp. 106-107].

One of the possible solutions for work-life balance is part-time work. At the moment, not many companies and not many employees utilize this tool of work-life balance on the Czech labor market. Only 5 % of the Czech employees in total and 8,6 % of female employees work part time [3, 2012]. This can have several possible explanations: it is costly for employer and less beneficial for the worker, the wages are lower in general, the social security is lower, and the rate of involuntary work is high. Other disadvantages for part-time workers are e.g. that they are perceived as peripheral workers and thus miss development and training plans, career advancement possibility, lower job security [8, 2013, p. 3]. Especially women working part-time are financially more vulnerable in case of divorce or calculation the entitlement to pension.

The part-time worker is usually denied benefits connected to the job that are normally granted to full-timers, are not applicable to free-time benefits such as extra sick days off [16, 2006, p. 12; 8, 2013, p. 3]. While in Austria some women working part-time wish to work full-time, because if unpaid work in the household is included, they finally work far more hours than if employed full-time [8, 2013, p. 3]; in the Czech Republic the situation is more problematic with affordable prices of outsourced housework.

The greatest advantage for the employer is, however, hardly computable. It is above all the increased perception of responsibility and support (loyalty) to employer if allowed to work part-time,

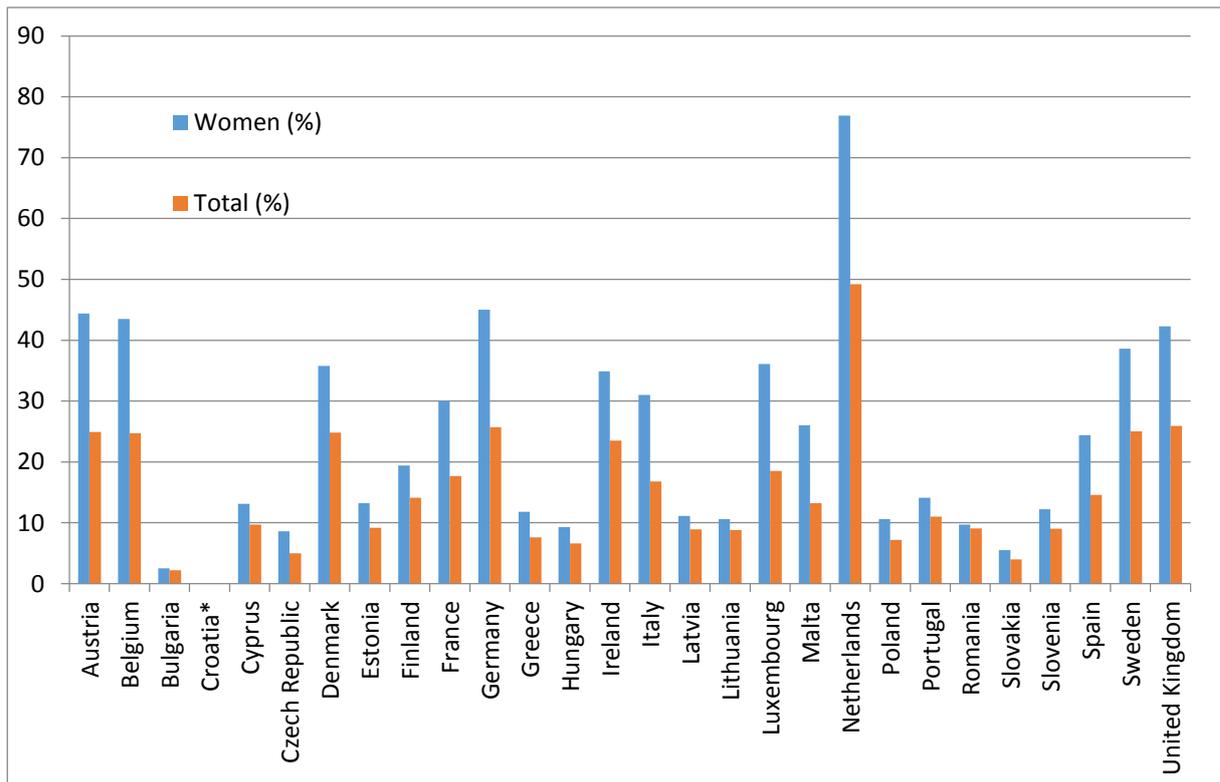
as results from a study conducted at Johnson & Johnson [13, 1996, p. 34]. Hinterseer [8, 2013, p. 2] claims that a form of flexible employment is very well known to employers when they benefit: the overtime hours.

The disadvantages for employers are higher costs of administrating the attendance, more complicated planning of meetings, and apparently, the work overload of managers who struggle with their day-to-day challenges and are not enthusiastic about rearranging work to suit part-timers. However, there were some strategies developed in order to relieve managers and facilitate part-time: clearly disseminate the work-life priorities, establish routines to save time both at work and at home, make sure the management supports part-time, and keep colleagues aware that part-timers are a part of the team and cannot be ignored [4, 2002, pp. 34-35].

Two possibilities of flexible work schedules were compared to the classic 9-to-5 schedule, and both compressed work week (four 10-hour days) and flextime arrangement (floating start and end with a core period) increase job satisfaction and productivity only for non-managerial positions, such as blue-collar and non-professional workers. It has no impact on managers at all, perhaps because they can already arrange their schedule themselves [9, 1997, p. 12].

The job satisfaction and its correlation to work hours have been studied not only by psychologists or sociologists solely, but also by economists. Booth and Ours [2, 2008, p. F77] found out, that: *“Men have the highest hours-of-work satisfaction if they work full-time without overtime hours but neither their job satisfaction nor their life satisfaction are affected by how many hours they work. Women present a puzzle. Hours satisfaction and job satisfaction indicate that women prefer part-time jobs irrespective of whether these are small or large but their life satisfaction is virtually unaffected by hours of work.”* Very similar results are presented from the other side of the world, from Honduras: *“(…) for both women and men, job satisfaction is higher when in full-time work, although this finding is stronger for men.”* [12, 2010, p. 1543]. This research also claims that this is valid especially for women with children, for women with low income and women who work in informal jobs.

Though there is a significant increase in part-time work contracts in Europe and nearly 25 % of workers in Europe work 34 hours or less [see e.g. 8, 2013, p. 1], the Czech Republic is lagging far behind. There are only 5 % part-timers. In Europe, the majority of part-time workers work fewer hours voluntarily, while in the United States some of the part-timers would prefer full-time work. On the other hand, the United States employ more part-time workers in highly professional jobs, while Europe saves part-time work for low paid and low status jobs [10, 2000, pp. 344-345]. However, researchers [e.g. 1, 1997, pp. 561-562] warn that it is difficult to compare national conditions of employment and the definition of part-time varies from country to country and that it is advisable to compare real numbers of work hours, if possible. Figure 2 illustrates the comparison of part-time workers as published by the Czech statistical office.



Source: www.czso.cz

* data for 2012 is not available, because Croatia is an EU member only since 2013

Figure 2. Persons working part-time in 2012

The increasing satisfaction from part-time jobs can be compared either to full-time employment or to unemployment. As Booth and Ours [2, 2008, p. F79] suggest, especially for women it is the choice between self-esteem from caring of their families and esteem from work: “(...) men might be happier in full-time work and women in part-time work, since both are then adopting models of behaviour dictated by social custom.” It is above all the society’s perception of appropriate behavior that forces women either to work full-time or to devote fully to family. Bollé [1, 1997, p. 578] warns that women should not be forced to pick between full-time work and unemployment as the only choices on offer, but he also warns that people who like to work full-time should not be forced to work part-time. He points out that both underemployment and unemployment have consequences both social and economic.

Personnel controlling

A conception of planning, controlling and regulating every level in the organization’s hierarchy is called the Personnel controlling. This activity deals above all with controlling the expenses connected to staff and with performance management, with absenteeism and turnover of employees and with assessment of personnel policies connected to personnel strategy adopted by the organization. In other words, personnel controlling means to define objectives, and to control how the objectives were met. The data it provides serve for assessment of investments into staff and for assessment of indices of turnover, working hours, days off, sick days etc. [see e.g. 11, 2012, p. 123 and others].

Measuring human capital

Measuring human capital is extremely difficult discipline. There is no single objective formula that would measure either the value of staff as a whole or the value of an individual. Not even the

productivity of labor can be easily computed. How is productivity of a CEO's secretary measured? Is the productivity of a company measured by EBITDA to number of workers (i. e. earnings before interest, taxes, depreciation and amortization divided by number of full-time workers) comparable to be used for all companies operating in civil engineering industry? Or can we use the ratio of market value to book value of a company? Or perhaps the ratio of value added to one worker?

However, there is an obvious need to measure human capital. Therefore two relatively new models of assessment of performance were developed and now are gaining popularity. The first model is KPI – key performance indicators, and the second model is EFQM - European Foundation for Quality Management.

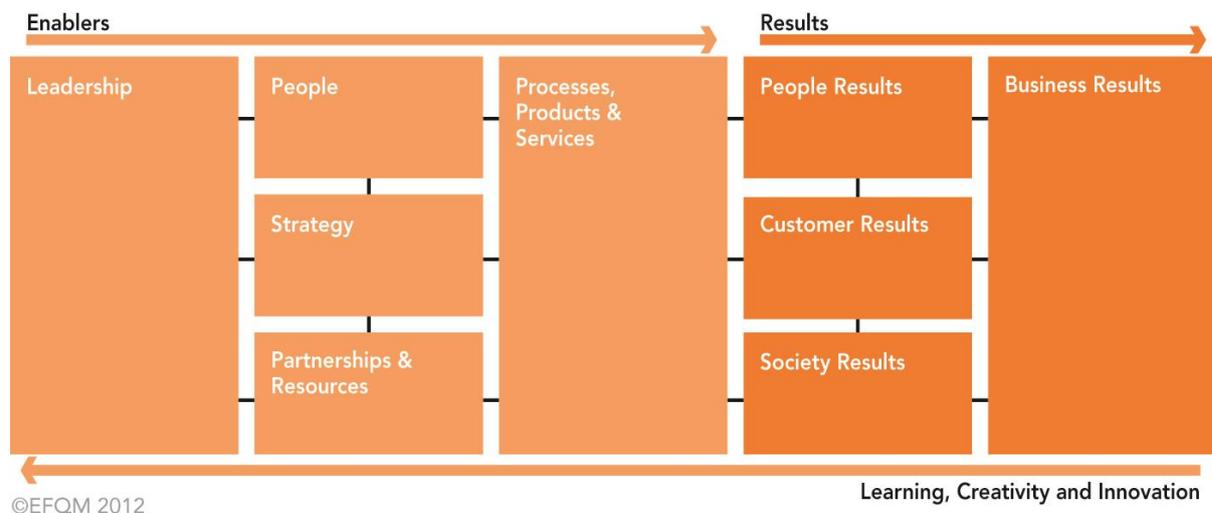
KPI - Key performance indicators are set individually by every company according to what it considers as important. These indicators can be for example the sum of labor costs, number of defective products, turnover of staff etc. Every key performance indicator should be measurable easily, set clearly for every activity and should provide effective feedback to workers. The major problem of key performance indicators is how to set them and what indicators should weigh more than others. Is the deadline in time schedule more important than quality? Is the ratio of revenue to labor costs more important than the ratio of labor costs to number of fatal injuries? The overall and proper definition of KPIs is fundamental. It should include financial as well as productivity indicators, indicators related to staff should include i. a. training, investments, remuneration and the ratio of wages of management to the sum of all wages. Sometimes the indicator of number of applicants per one vacancy is included as well, because it is the feedback for personnel marketing and the reputation of the company on the market, or labor market, respectively. And moreover, there is one more problem with KPIs, and that is the time. Some measures taken or KPIs set can have impact on workers or future investments only in the long run and thus are very difficult to calculate for the current state. Some investments are virtually impossible to calculate, because it is not easy to predict all the related activities, for example, an investment to a new personality test for assessing applicants to managerial positions can have a side effect in an additional investment into a new production technology and connected fewer imperfections in products and less absenteeism of workers.

Excellence Model EFQM (European Foundation for Quality Management) is based on modification of American and Japanese management methods used in the best companies for European environment. The model originated in 1988 and after several revisions and improvements the latest version is that of last year (2013). Today the EFQM model is considered the most comprehensive or holistic respectively, way of quality management in organizations. The idea of quality is extremely simple: excellent results can be achieved only if customers and employees are satisfied and if the organization is respected by its surroundings. Simple reasoning follows in all other aspects of quality management: quality has to be reviewed systematically and consistently in all components of management of the organization, from strategic decision through a selection of key economic performance indicators for ways of managing people. When evaluating the organization through the EFQM model, the emphasis is put on feedback that shows the importance of learning, creativity and innovation to make the organization successful (see Figure 2). The advantages of the EFQM model is a combination of continuous assessment of both the internal staff who know the organization best and know best whether the organization evolves according to a predetermined strategy, and an independent evaluator who is not fraught by subjective opinion, and outline of strong and weak aspects of the organization that can be improved [19, 2013, pp. 497-527].

The EFQM model evaluates the organization in nine fundamental and thirty two partial criteria, which are sorted by different weights. These basic criteria are: 1. Leadership (100 points, weight of 10 % on overall score), 2. Policy and Strategy (80 points, 8 %), 3. Personnel (90 points, 9 %), 4. Partnership and Resources (90 points, 9 %) 5. Processes, Products and Services (140 points, 14 %)

6. The results with respect to the customer (200 points, 20 %) 7. The results with respect to employees (90 points, 9 %) 8. The results with respect to society (60 points, 6 %), and 9. Key Performance Results (150 points, 15 %). The first five criteria are a prerequisite for achieving strategic results and the other four criteria are used to assess the results achieved. Weight for customer satisfaction is the highest and still the model maintains the balance between 50:50 for tools and results [20, 2012, pp. 376-377].

The Czech Society for Quality (CSQ) is authorized to grant awards of excellence to participating organizations. There are three stages of EFQM by CSQ. The first stage awards organization's involvement, the second stage appreciates the organization's performance. CSQ also provides assessment for the third stage, which is the prize for the excellence already attained and which is awarded directly EFQM (csq.cz).



Source: efqm.org

Figure 2. The EFQM model

New challenges in HR management

Now, there are three completely different generations of workers on the Czech labor market. The oldest workers spent great part of their lives in the communist regime that formed their personality and work habits. The middle generation, sometimes called the X-generation, has work and career as one of the highest priorities in their value system and so usually does not prefer private life to working life. People who are entering the labor market now are born after the Velvet revolution, have never experienced a regime without freedom, value their private life, family, relationships, at work they value personal development. These people are called the Y-generation. They demand a lot, but they can offer a lot, too. If they are offered a more interesting job, they do not hesitate and take the risk and do the change. They do not value stable environment as much as the X-generation does and this is also the reason for more common indebtedness [11, 2012, pp. 107-108].

The Y-generation is, however, a global term. In the United States the topic is a hot issue, too, as McCampbell states: *"The 1990s are seeing employers taking additional steps to accommodate an ever-diverse workforce. Employers are willing to acknowledge that many employees who want flexibility on the job for whatever reasons are in the work force. In response, new work/life programs are developed under the umbrella of alternative work schedules."* [13, 1996, p. 31]. He further gives the example of Hewlett-Packard that first struggled with alternative work schemes, but after some

time problems settled down and nowadays the company even intentionally advertises vacancies as subject to flexible hours, because the response from available talents is higher than without an alternative work scheme.

For the future, it is necessary to follow the demographic data, or the data about labor market, respectively, and to adjust conditions of employment in companies to these trends. The workforce as a whole is getting older. The fresh, new workforce has different perception of life values. In times of economic crises, the civil engineering industry suffers from every consequence of a crisis, too, including that of dismissing employees. Since construction industry employs 80 % of men and only 20 % of women, analogically we can presume that again the majority of dismissed workers were men. This had an impact on their family life, family economic situation, partner relationship, perhaps also on their psychical condition and perception of personal failure in life and depressions in case of long-term unemployment. It must have been their female partner who earned enough money to make their living, if she was patient enough.

There is no such detailed statistics for the Czech labor market, but we can borrow this statistics from neighboring Austria and presume such a statistics could be valid for the Czech Republic as well. An increase in part-time employment is correlated to decrease in full-time work contracts and to a slight decrease in total unemployment rate. And the increase in rate of employment is caused entirely by the increase in part-time work [8, 2013, p. 4]. This means that some people are happy to shift from full-time to part-time work. This can also mean that the more vacancies under flexible work schedules are offered at the labor market, the more people who were previously discouraged from employment can now apply. These people include not only the apparent mothers with children and retired people, but also professionals after serious disease, middle aged people with dependent elderly parents, etc.

Conclusion and discussion

The paper showed some selected areas of management that seem to be neglected by companies as there are hardly any notices in their personnel marketing, annual reports, strategies etc. However, the trends in demographic situation suggest companies will have to deal with them, sooner or later. The research is based on summary of publicly available data and an overview of other related researches, so the shortcomings and propositions for continuing research are apparent: this issue would deserve a large-scale qualitative followed by quantitative research on these questions both among organizations as employers and among employees both current and perspective. Moreover, such a research should be conducted on companies both inside and outside the civil engineering industry so that results can be compared to one another. Less than 3 % of women in the Czech building companies work part-time, which is far less compared to 8.6 % of women in total [5, 2012] and it would be interesting if such a research would bring the reasons why it is so.

Age management is much underestimated in many companies, but with regard to expected development of the labor market and the demographic situation, companies will have to learn how to adopt sustainable strategies concerning aging employees.

The other areas challenging the future of management of companies are the personnel controlling, measuring human capital, setting the right key performance indicators so that it can provide effective feedback to all the involved people in the company; and, of course, developing or following models of sustainable total quality, for example through excellency models such as EFQM.

The 8-hour work day, or the 40-hour work week respectively, is set by the law (Labor Code) for virtually everyone without making any major difference between people. But people are not the

same. If we do have a choice of our career or curricula, why we can then only choose between being employed full-time and being self-employed? Why do employers insist on full-time? Even employers are unique people, so what it is that makes them think all the people are willing to work full-time and if not, they can be easily replaced? Is this situation sustainable in times of aging population? Is it sustainable when the oldest generation is being replaced by Y-generation with their specific demands?

The challenge for employers for the near future is not only to offer more vacancies that can be performed by part-time workers, but also to treat part-time workers equally to full-time workers.

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