



50th Anniversary HR Magazine: 10 Changes That Rocked HR

By Leon Rubis, Patrick Mirza, Adrienne Fox, Terence F. Shea and Desda Moss

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(www.shrm.org/Publications/hrmagazine/PastIssues/anniversary/Pages/50thAnniversary.aspx) *It's no wonder HR is expected to help manage change. Look at what it has been through.*

With Justice for All

While there remains a long way for our society to go in terms of reducing racism and prejudice, we can just as certainly say that we've come a long way, baby, in the past 50 years.

In 1955, the Civil Rights Act was still nine years from passage—not even a gleam in the collective eye of Congress. Today, it is a cornerstone of workplace rights legislation, the linchpin upon which much of federal employee protection is based.

To that linchpin, legislators, judges and administrators have subsequently added a stunning array of laws, rulings and regulations. The collective effect has been to protect workers and job applicants who (among other things) are pregnant, are physically and mentally disabled, suffer from serious medical conditions, or have strongly held beliefs—religious or otherwise.

Given the importance of finding and holding a job—both for practical reasons and for issues relating to a healthy self-image—these legal changes are a boon for anyone seeking to engage in life, liberty and the pursuit of happiness.

Of course, they also drastically complicate life for HR professionals by imposing demanding and detailed burdens on employers. (Time off under the Family and Medical Leave Act may have to be tracked in increments as small as six minutes. And complying with the Americans with Disabilities Act requires a precisely scripted sequence of what and when sensitive questions may be asked of employees and job applicants.)

Most people agree that giving everyone a fair shake in the workplace is a good idea. But few, it seems, can agree on precisely how to do that. Until such agreement is reached, HR professionals will continue to have a harder-than-necessary time ensuring that all workers are treated equally.

—Patrick Mirza



Diversifying Demographics

One of human resource management's most profound challenges over the past 50 years is due simply to the fact that the human resources being managed have changed so dramatically.

Today's U.S. workforce is more diverse than ever. In 2005, 33 percent of the workforce is made up of minorities, compared with just 13 percent in 1955, and 59 percent of the workforce is made up of women, compared with 27 percent in 1955. Currently, four states—California, Hawaii, New Mexico and Texas—have "majority-minority" populations. In the next decade, 75 percent of new workers will come from Asia, according to global outsourcing and consulting firm Hewitt Associates. And by 2050, minorities will represent 40 percent of the U.S. population.

As retirement nears for 76 million baby boomers, employers nationwide are bracing for difficulties staffing highly skilled and senior jobs, and are looking for ways to retain older workers. By 2010, the percentage of the U.S. workforce between the ages of 45 and 64 will increase 29 percent. Many workers will want or need to work well past 65—and will be able to—thanks to medical advances helping baby boomers live longer and healthier lives than previous generations. So, many organizations will confront the dynamics of managing a workforce that spans three generations.

But with the advantages of diversity also come challenges, including fostering nondiscrimination, equity, communication, teamwork and shared values among people of all ages, races, sexes and religions.

—Desda Moss

The Decline of Unions

A half-century ago, it may have been hard for HR professionals to see that organized labor's influence had begun to slide. After all, HR had been dealing with unions' organizing efforts and contract demands for years, and union membership totals would continue rising for two more decades.

But another trend was under way: While unionized workers' share of the total workforce had nearly tripled over 15 years through the end of World War II, it had topped out at about 35 percent and was shrinking. By 1980, it had dropped to 25 percent of the workforce. In 2004, according to the most recent tally, it stood at about 12.5 percent. About 15.5 million of the country's 123.5 million workers belonged to unions last year. Union membership fell by about 300,000 workers while the workforce grew by about 1.2 million.

Experts attribute percentage declines in union membership to economic and social changes, especially the falloff in manufacturing jobs as a share of total nonfarm employment—largely a result of technological advances that reduced the need for manual labor. Coupled with that decline was the rise of nonmanufacturing industries, with the service sector accounting for an ever-rising share of the economy.

In addition, globalization and increased access to cheaper labor overseas stiffened many employers' resistance to unions' wage demands. What's more, organized labor's victories over the years and increased governmental regulation have so altered the workplace that many workers see little to be gained through union membership.

Many of today's HR professionals, unlike those of a generation ago, could go through their careers with almost no dealings with a union. Yet they deal continually with many of the results of unions' influence—workplace laws and regulations ranging from safety and health to wages, discrimination and retirement benefits.

—Terence F. Shea

Raging Inflation for Health Care Benefits

Nowadays, a good year for companies that sponsor employee health coverage is a year when costs escalate by less than a double-digit percentage.

While rates of increase have slowed a bit lately, the problem remains: Over the past 50 years, employers' health costs have soared as coverage has expanded and medical care itself has been revolutionized. The high-deductible, consumer-directed approach to coverage, now advocated by many and involving substantial cost-shifting to employees, is just the most recent in a series of efforts to tame costs that regularly outstrip inflation.

Other tactics have included health maintenance organizations and other managed-care arrangements, tax-advantaged flexible spending accounts, health reimbursement accounts, efforts to create association-based health coverage arrangements, and attempts to cap medical malpractice awards.

Employer-sponsored coverage, now the gateway to care for about 174 million Americans, has been viewed from the beginning primarily as a recruitment and retention tool. Unable to raise wages during and after World War II because of federal wage and price controls, employers attracted talent by providing health insurance. Critics of employer-sponsored coverage have called it "an unfortunate historical accident," economist and health policy scholar Sherry Glied of Columbia University wrote in an essay in *Policy Challenges in Modern Health Care* (Rutgers University Press, 2005). Since the benefit isn't subject to income or payroll taxes, Glied noted, its value has increased substantially as those taxes have risen since the 1950s.

Costs have escalated for a host of reasons. Americans' health needs increased as their longevity improved, for example. Coverage grew to include catastrophic illnesses, not just common ailments. Many employers added retiree health benefits. Medical techniques and technology became more sophisticated, and costly prescription drugs acquired an expanding role in disease management and illness

prevention. By the 1980s, medical inflation had become a serious business issue; by some yardsticks, costs rose at a faster clip in that decade than in the 1990s.

Employers absorbed increases for years, but now many, facing ever-stiffening global competition, have hit the wall on passing health cost increases along to their customers, not to mention their employees.

What's next? Some experts say that if the consumer-directed approach doesn't succeed, employers may wash their hands of health care altogether. A recent study by the Employee Benefit Research Institute showed that the proportion of U.S. residents covered by employment-based health benefits declined from 64 percent in 2000 to 60 percent in 2004.

Decades from now, observers may conclude that a counter-revolution in employer-sponsored health coverage began in these early years of the 21st century.

—Terence F. Shea

New Tools of the Trade

Technology's impact on HR cannot be overestimated: From online recruiting to paperless payroll, technology now plays a key role in HR functions.

For HR professionals, the automation and outsourcing of many administrative functions has left them free to assume more strategic responsibilities. For employers, technology has allowed businesses to meet the demands of managing far-flung operations by creating collaborative networks to foster the exchange of ideas and information.

According to the Society for Human Resource Management's (SHRM) 2005 HR Technology Survey, HR technology is being deployed by employers of all sizes to meet the needs of employees, partners and customers. HR programs and activities most often supported by HR technology include basic employee demographics and employment information, payroll, HR reporting, benefits administration, and employee directories, the SHRM survey found.

Other uses abound: online recruiting, intranets, e-learning, applicant tracking and testing, work time and attendance, succession planning, job descriptions, performance management. Many employers are investing in sophisticated "enterprise" solutions—integrated technology suites that combine multiple business and HR functions.

Along with its benefits, technology presents employers and employees with new challenges that have yet to be resolved. For example, while the availability of e-mail, personal digital assistants and cell phones keeps workers connected to their jobs, it further blurs the line between their work and private lives and makes it more difficult to achieve work/life balance. And while the convenience and speed of new tools can increase productivity and ease tasks, they simultaneously hike pressure and demands on workers because so much more can be accomplished. Other ramifications continue to evolve from telecommuting, e-mail usage, blogging, web surfing at work, ergonomic problems and data privacy concerns.

The technology genie is out of the bottle—and is wielding two-edged swords.

—Desda Moss

The Rise of Knowledge Workers

Five decades ago, manufacturing workers were literally a small part of a big process, a cog in the wheel. Now, employees are often key creators of the process itself, forging in their minds the wheels that drive business.

In 1955, 40.5 percent of the U.S. workforce was engaged in manufacturing, construction and mining, according to the U.S. Bureau of Labor Statistics. By 2005, those industries employed only 15.8 percent of the workforce, while the service-producing industry sent paychecks to 41.8 percent of workers.

In this environment, where employees are more likely to crank out software than steel and analysis than airplanes, it's the workers who control the means of production. And they take those means—their creativity, their energy, their powers of mental machination—home with them each night.

The resulting good news for many employers is that investments in costly and oversized equipment are no longer key to business success. The bad news is that investing in people, and managing those people effectively, is key to success—and that can be much more difficult.

Think about it: When you buy a widget maker, it comes with instructions on when and how to service it. It also comes with fairly consistent guidelines regarding how much work it will produce and how much it will depreciate over time.

People don't come with manuals. We are hard to figure out, and our productivity varies from one day to the next based on how much sleep we've had, how our home life is going, whether we feel appreciated and engaged on the job—and dozens of other factors.

Managing people and recognizing their individual talents and abilities—both in absolute terms and relative to one another—is hard work, the kind that often requires HR to provide managers with specialized training. What's more, success is hard to measure. Just look at the difficulty experts are having arriving at metrics to effectively measure the value of people and people management practices. Yes, advances have been and are being made, but this is complex ground, befitting the complex organisms being measured.

—Patrick Mirza

The Switch to 401(k) Pension Plans

Boom times in the 1950s and '60s fostered the adoption of defined benefit (DB) pension plans that gave retiring workers a fixed monthly payment based on years of service. Managed by finance departments and hired investment vendors, the system largely bypassed the era's personnel departments.

But some prominent corporate defaults of underfunded pension plans in the 1960s led to tightened regulations under the Employee Retirement Income Security Act of 1974 and mandated insurance payments to the Pension Benefit Guaranty Corp. Tax legislation in 1982 and 1986 further increased plan sponsors' compliance costs and hassles. The result: The number of single-employer DB plans has declined from a peak of 112,000 in 1985 to 29,651 in 2004. About 1,000 employers terminate their DB plans each year. The percentage of all retirement plan assets contained in DB plans has declined from 34 percent in 1985 to 15 percent in 2002.

Instead, employers have shifted responsibility for saving and investing retirement nest eggs to their workers, through defined contribution (DC) plans such as 401(k)s and their cousins—457s for government workers and 403(b)s for educational and nonprofit workers. Since sprouting in the early 1980s, the number of 401(k) plans has mushroomed to about 400,000. In 2005, about 53 percent of all workers had access to a DC plan, compared with 22 percent for DB plans, according to the U.S. Bureau of Labor Statistics.

So what's the problem? Cajoling workers—especially younger and lower-paid ones—to set aside money for their golden years is a tall order. Almost 30 percent of workers eligible to participate in a 401(k) plan did not in 2004, according to a Hewitt Associates survey. Many participants cash out their balances when switching jobs. And many employees find investment principles daunting and invest unwisely—either too conservatively or too recklessly. Employers must educate workers about their retirement benefits without stepping over a fuzzy line that incurs fiduciary liability for any losses.

A host of tactics and practices have been tried to encourage participation—automatic enrollment, third-party advice, easy-to-select “lifestyle” funds. Yet fears persist that participation and account accumulations are inadequate, and that unprepared retirees will someday embroil their former employers in lawsuits.

And HR—increasingly tasked with managing retirement benefits—now faces an employee relations and training task of considerable magnitude and importance.

—Leon Rubis

The Global Economy

Fifty years ago, it was mostly the big companies that dealt with matters of world trade and business ventures in foreign countries. HR (or personnel, as it was known back then) had little to do with international business. Employees lived close to the company, deposited their checks in person at the local bank and competed for jobs with candidates from the same town.

Since 1960 (the earliest year for which data are available), U.S. exports of goods and services have soared from \$25 billion to nearly \$1.2 trillion in 2004, according to the U.S. Department of Commerce. U.S. foreign direct investment abroad totaled \$2 trillion last year, compared with \$51 billion in 1966.

The world today is far more complex and interconnected than ever before. With lower trade barriers, increased employee mobility and high-speed Internet communications, people and businesses connect with each other in a flash. This has opened up global influence and competition in ways that can't be ignored—especially not by HR professionals—even if your organization doesn't do business in another country. The nature and availability of U.S. jobs depend greatly on trade and global economics and labor markets. Today, 17 percent of U.S. employment is under foreign control.

Immigration supplies important shares of labor needs. Offshoring of white-collar jobs is expected to increase.

Global business no longer operates in a silo apart from HR. It's a way of daily business life. The global economy influences everything HR does—from salaries and health care costs to diversity training and staffing.

In a way, this has made the job easier. Can't find that highly skilled IT specialist? Use an H1-B visa to relocate him from India. Can't produce a product at competitive prices with stateside labor? Set up shop in Asia.

On the other hand, globalization also makes HR's job more complicated. Offshoring is politically unpopular and creates new management challenges. Variations in employment laws among countries make it difficult to have clear, consistent and equitable HR policies. And cross-border mergers and acquisitions make culture clashes inevitable in the workplace.

But there's no turning back now. For HR professionals, globalization is all in a day's work.

—Adrienne Fox

The Evolution To Being a Strategic Partner

The HR profession has made great strides from its days as paper-pushing personnel peons to today's smart and sophisticated business strategists, but it hasn't been an easy ride. And it's still not complete.

In time, HR will develop a new, entirely strategic function—much as the sales function spawned marketing and accounting begot finance—say John Boudreau, professor of human resource studies at Cornell University, and Peter Ramstad, executive vice president for strategy and finance at Personnel Decisions International. But both admit that HR is not quite there yet.

And the transition may be hampered by the very things that have helped elevate the profession thus far.

For example, passage of numerous employment laws gave HR tremendous street credibility with CEOs and executives. While personnel administrators might argue that treating job applicants fairly regardless of race was simply the "right thing to do," HR professionals could point to headline-grabbing court cases and say, "Do this or we will be sued for millions"—especially in the aftermath of the Civil Rights Act of 1991, which raised the bar for potential damages in employment law cases.

But while serving as compliance champion captured the CEO's attention, it also placed HR in the position of surrogate cop, a role that too often played as "the people who say no." Certainly companies need to be told which shoals to avoid, but they have an even greater need for executives who can point the company in the direction in which it should be moving.

As HR moves into its highest strategic role, then, it will need to wean itself from strict compliance responsibilities that increased its prominence but can limit it to a tactical, rather than strategic, role.

Instead, HR professionals will need to focus on gaining additional skills, such as managing change, harnessing technological advances that affect the profession, and refining business and finance skills—especially in ways that help measure the effect and effectiveness of various HR practices.

—Patrick Mirza

The Scourge of Terrorism

Four years later, foreign terrorists' dive-bombing of the World Trade Center and the Pentagon and killing of thousands of people still seem unimaginable, like a bad dream. Serious terrorist acts had struck home before—notably the bombings of the World Trade Center in 1993 and the Oklahoma City federal office building in 1995. But they did not impel the far-reaching and continuing aftereffects of Sept. 11 in global and domestic politics, transportation, immigration, communications, law enforcement—and HR.

Computer data networks and worksites are now protected and fortified like bank vaults—with backups on standby. Air travel has become a time-consuming ordeal. Job applicants' backgrounds are investigated with new suspicion. Workers' and customers' comings and goings are monitored and filmed continuously. Facilities are stocked with "shelter-in-place" supplies, and staffs are trained and retrained in emergency procedures and disaster preparedness plans. Immigration visas are harder to get, and our borders are guarded like never before.

The resulting "War on Terrorism" has taken thousands of National Guard and Reserve troops from their families and employers—144,000 were on active duty in October. Five hundred have lost their lives.

Meanwhile, businessmen and bureaucrats alike envision and prepare for all manners of previously inconceivable assaults—including, perhaps, on a major mass transit system filled with rush-hour commuters.

Convenience, complacency and a sense of security have become distant memories. Never was a cliché so quickly adopted and so accurate: Sept. 11 truly created “a new normal.”

—Leon Rubis

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