

CHAPTER 13

Safety and Health at Work

TRAINING FOR SAFETY

As the HR manager of a large construction company, your workers' health and safety is of paramount concern. Last week, you reported an incidence rate of 7.5 accidents per 100 employees to the Occupational Safety and Health Administration (OSHA). When you compared these numbers to last year, you found the number had significantly increased, as it was 4.2. This is concerning, because you know an unsafe workplace is not only bad for employees and bad for business, but it could result in fines from OSHA. You ask your operations managers to meet with you about the situation. When you bring this to his attention, he doesn't seem at all concerned about the almost double increase in accidents over the last year. He says the increase in accidents is a result of scaffolding falling during a building project where several workers were hurt. He says this one accident skewed the numbers. He mentions that the supervisor responsible for the scaffolding had been let go six months ago for other reasons, and he assures you that there is no reason to be concerned. A few weeks after this conversation, two of your workers spend time in the hospital because of a falling scaffolding injury. Again, you approach the operations manager and he assures you that those employees were just new and he will implement proper procedures. You know the incident will result in another high incident percentage, even if there isn't another accident the rest of the year. You consider your options.

You look back over ten years of accident reports and find there are three areas for which your company seems to have 90 percent of all accidents. You decide you will develop a training program to address these safety issues in your workplace. You refer to your HRM textbook for tips on how to prepare and communicate this training to your employees. When you present this option to your operations manager, he says that employees don't have the time to take from their jobs to go through this training and suggests you just let it go. You are prepared for this response, and you give him the dollar figure of money lost owing to worker injury in your organization. This gets his attention, especially when you compare it to the small cost of doing a two-hour training for all employees. Both of you check your Outlook schedules to find the best day of the week to schedule the training, for minimum impact on employees' work.



Workplace Safety and Health Introduction

The author introduces the chapter on workplace safety and health.



View the video online at: <http://app.wistia.com/embed/medias/c4756295f0>

1. WORKPLACE SAFETY AND HEALTH LAWS

LEARNING OBJECTIVES

1. Be able to explain OSHA laws.
2. Understand right-to-know laws.

Workplace safety is the responsibility of everyone in the organization. HR professionals and managers, however, play a large role in developing standards, making sure safety and health laws are followed, and tracking workplace accidents. Section 1 addresses workplace laws as they relate to safety.

1.1 Occupational Safety and Health Administration (OSHA) Laws

In 2009 (the most recent data available at the time of this writing), 4,340 fatalities and 3.3 million injuries were reported.^[1] This staggering number represents not only the cost to employees' well-being but also financial and time costs to the company. This is why health and safety is a key component of any human resource management (HRM) strategic plan.



What Is OSHA About?

A short video on the purpose of OSHA.



View the video online at: <http://www.youtube.com/v/gYby3aLwY-s>

The **Occupational Safety and Health Act (OSHA)**, passed in 1970, created the Occupational Safety and Health Administration, which oversees health and safety in the workplace. The organization's mission is to ensure safe and healthful working conditions for working men and women by setting and enforcing standards and by providing training, outreach, education, and assistance. For example, OSHA offers ten- and thirty-hour courses on workplace hazards and also provides assistance to ensure companies are in compliance with standards. OSHA is part of the US Department of Labor, with the main administrator being the assistant secretary of labor for occupational safety and health. This person reports to the labor secretary, who is a member of the president's cabinet.

Although OSHA applies to all companies, health and safety standards are specifically mentioned for the following types of businesses:

1. Construction
2. Shipyard
3. Marine terminals

Although OSHA standards may appear to apply only to companies in production, manufacturing, or construction, even companies with primarily an office function are required to abide by the laws set by OSHA. Examples (not at all an exhaustive list) of the types of safety laws (for all types of businesses) that are overseen by OSHA are as follows:

1. **Regulations on walking/working surfaces.** According to OSHA, slips, trips, and falls constitute the majority of general industry accidents and 15 percent of all accidental deaths. The standards apply to all permanent places of employment. The provision says that "all passageways, storerooms, and service rooms shall be kept clean and orderly. Every floor and working space shall be kept free of protruding nails, splinters, holes, or loose boards." These are a few examples included in this provision.
2. **Means of egress (exiting), which includes emergency evacuation plans.** "Every building or structure shall be arranged and maintained as to provide free and unobstructed egress from all part of the buildings. No lock or fastening to prevent free escape from inside the building should be installed (except in penal or corrective institutions)." The provision also says that exits shall be marked by a visible sign.
3. **Occupational noise exposure.** "Protection against the effects of noise exposure shall be provided when the sound levels reach a specified level. Controls should be used to control the sound, and protective equipment should be provided."
4. **Hazardous handling of materials.** OSHA regulates exposure to four hundred substances and requires communication about the possible chemical hazards to employees.
5. **Protective equipment, such as eye, face, and respiratory protection.** OSHA requires the use of personal protective equipment to reduce employee exposure to hazards. For example, head protection is required when workers are in an area where there is potential for falling, and eye and face protection is required when workers are exposed to eye or face hazards such as flying particles and molten metal.
6. **Sanitation.** Some examples of these OSHA requirements include the following: Potable water should be provided in all places of employment. Vermin control is required in all enclosed workplaces. Toilet facilities must be provided, separate for each sex. The number of toilets provided depends on the number of employees.
7. **Requirement of first aid supplies on-site.** First aid kits are mandatory and should include gauze pads, bandages, gauze roller bandages, and other required items.
8. **Standards for fire equipment.** Fire extinguishers are required to be on-site for use by employees, unless there is a written fire policy that requires the immediate and total evacuation of employees.
9. **Standards for machine guards and other power tools.** Moving machine parts require safeguards (depending upon the industry) to prevent crushed fingers, hands, amputations, burns, or blindness. Safeguards might include a guard attached to the machine.
10. **Electrical requirements and standards.** OSHA electrical standards are designed to protect employees from electric shock, fires, and explosions. Electrical protective devices are required to cover wiring. OSHA also addresses the installation of electrical wiring.
11. **Commercial diving operation requirements.** OSHA provides information on the safety aspects of commercial diving such as pre- and postdive procedures, mixed-gas diving, and necessary qualifications of the dive team.

HR professionals and managers should have a good understanding of these laws and make sure, no matter which industry, that all these standards are followed in the workplace. These standards are normally part of the overall strategic HRM plan of any organization and are even more crucial to organizations involved in manufacturing.

Occupational Safety and Health Act (OSHA)

Passed in 1970, this act created the Occupational Safety and Health Administration, which oversees health and safety in the workplace.

There exist many examples of OSHA violations. For example, in a Queensbury, Pennsylvania, Dick's Sporting Goods store, OSHA found six violations, including blocked access to a fire extinguisher and workers' entering a trash compactor with the power supply on. Dick's was fined \$57,300 by OSHA and told it had fifteen days to comply or contest the findings.^[2]

The Most Frequently Violated and Cited OSHA Standards

1. 1926.451—Scaffolding
2. 1926.501—Fall Protection
3. 1910.1200—Hazard Communication
4. 1910.134—Respiratory Protection
5. 1926.1053—Ladders
6. 1910.147—Lockout/Tagout
7. 1910.305—Electrical, Wiring Methods
8. 1910.178—Powered Industrial Trucks
9. 1910.303—Electrical, General Requirements
10. 1910.212—Machine Guarding

1.2 Right-to-Know Laws

The **Emergency Planning and Community Right to Know Act (EPCRA)** or more simply, right-to-know laws, were established by Congress in 1986. The purpose of this act was to require local and state governments to provide emergency response plans to respond to a chemical emergency.^[3] The other requirement is that these plans must be reviewed on an annual basis. Companies that handle **extremely hazardous substances (EHSs)** in large quantities must develop response plans as well. In addition, any organization that manufactures, processes, or stores certain hazardous chemicals must make available to local fire departments and state and local officials **material data safety sheets**. The material data safety sheet should also be provided to employees, as the data lists not only the chemical components but health risks of the substance, how to handle the material safely, and how to administer first aid in the case of an accident. This requirement also states that inventories of all on-site chemicals must be reported to local and state governments, but the data sheets must also be made public, too.

This law and how it will be reported should be facilitated by the HR professional. Although the HRM may not know the chemical makeup of the materials used, he or she is responsible for facilitating the process to ensure that reporting is done timely and accurately. For organizations that use EHSs often, it is worthwhile to include the reporting process within the orientation training and provide ongoing training as the law changes. The A-Treat Bottling facility in Allentown, Pennsylvania, was cited by OSHA for repeat violations of lacking material safety data sheets for the chemicals it uses in manufacturing, among other infractions such as blocked exits and forklift violations. The fines totaled \$110,880, and the company had fifteen days to comply or contest the allegations.^[4]

It is also important to note that some state standards are different from federal standards, which means the HR professional will need to be aware of the laws in the individual state in which the company is operating.

Human Resource Recall

How do you think the OSHA requirements apply to office work settings?

1.3 OSHA Enforcement

The record-keeping aspect of OSHA is perhaps as important as following the laws. Companies having fewer than ten employees in some industries are not required to keep records. The purpose of the record keeping does not imply that the employee or the company is at fault for an illness or injury. In addition, just because a record is kept doesn't mean the employee will be eligible for workers' compensation#8217; compensation. The record-keeping aspect normally refers to the keeping of incidence rates, or the number of illnesses or injuries per one hundred full-time employees per year, as calculated by the following formula:

Emergency Planning and Community Right to Know Act (EPCRA)

Also called right-to-know laws, established by Congress in 1986. The law requires hazardous chemical reporting to state and local agencies, as well as information on the chemicals used in a particular facility.

extremely hazardous substances (EHSs)

A list of toxic chemicals outlined in the EPCRA and specific rules for handling them.

material data safety sheets

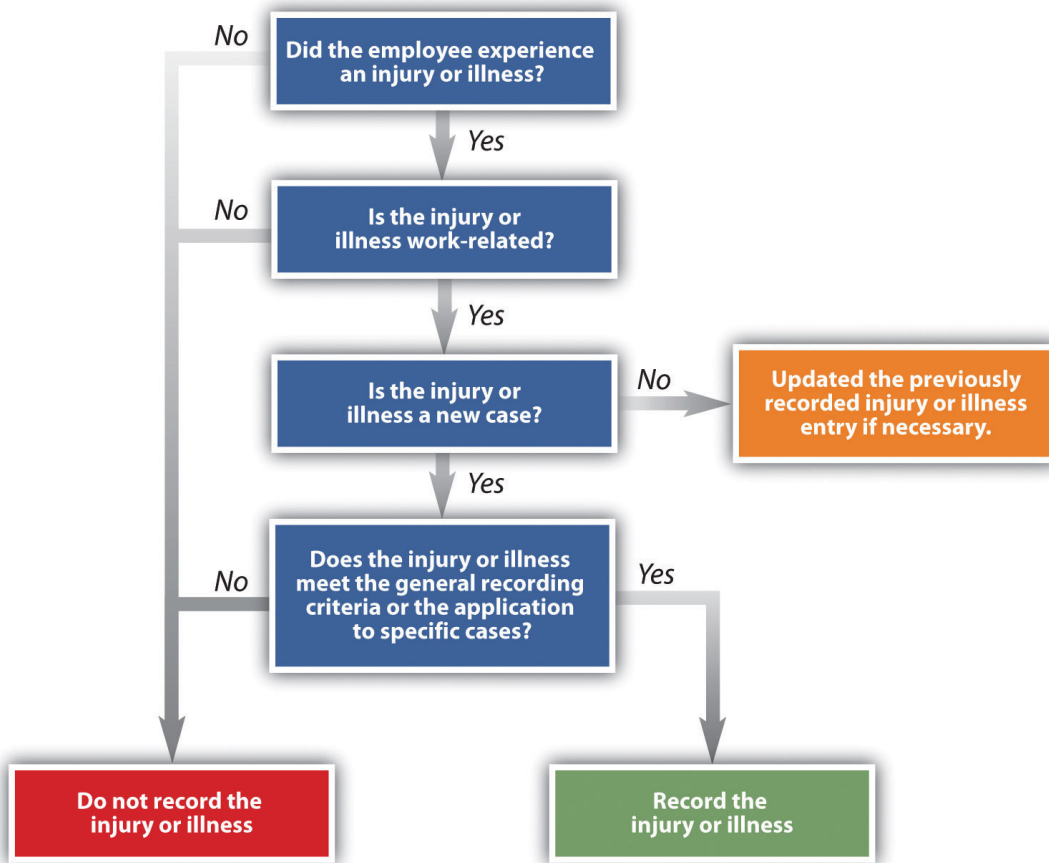
Information made available that describes to the local fire departments and state and local officials the types of chemicals manufactured, used, or stored. Also includes information on how to properly handle the materials and how to administer first aid in case of an accident.

$$\text{incidence rate} = \frac{\text{number of injuries and illness} \times 200,000}{\text{total hours worked by all employees in the period}}$$

Two hundred thousand is the standard figure used, as it represents one hundred full-time employees who work forty hours per week for fifty weeks per year. An HR professional can then use this data and compare it to other companies in the same industry to see how its business is meeting safety standards compared with other businesses. This calculation provides comparable information, no matter the size of the company. If the incidence rate is higher than the average, the HR professional might consider developing training surrounding safety in the workplace.

Knowing what should be reported and what shouldn't be reported is an important component to OSHA. Figure 13.1 provides a decision tree that explains this. Data are reported using a form called OSHA 300, which is shown in Figure 13.2.

FIGURE 13.1 The OSHA Decision Tree for Determining If an Injury or Illness Should Be Recorded



Source: <http://www.osha.gov/recordkeeping/ppt1/RK1flowchart.html> (accessed September 2, 2011).

FIGURE 13.2 OSHA Reporting Form 300

OSHA's Form 300 (Rev. 01/2004)
Log of Work-Related Injuries and Illnesses

Attention: This form contains information relating to employee health and must be used in a manner that protects the confidentiality of employees to the extent possible while the information is being used for occupational safety and health purposes.

Year 20 _____
 U.S. Department of Labor
 Occupational Safety and Health Administration
 Form approved OMB no. 1218-0106

Establishment name _____
 City _____ State _____

You must record information about every work-related death and about every work-related injury or illness that involves loss of consciousness, restricted work activity or job transfer days away from work, or medical treatment beyond first aid. You must also record significant work-related injuries and illnesses that are diagnosed by a physician or licensed health care professional. You must also record work-related injuries and illnesses that meet any of the specific recording criteria listed in 29 CFR Part 1904.8 through 1904.12. Feel free to use two lines for a single case if you need to. You must complete an Injury and Illness Incident Report (OSHA Form 301) or equivalent form for each injury or illness recorded on this form. If you're not sure whether a case is recordable, call your local OSHA office for help.

Identify the person		Describe the case			Classify the case				Enter the number of days the injured or ill worker was		Check the "Injury" column or choose one type of illness:								
(A) Case No.	(B) Employer's name	(C) Job title (e.g., Helper)	(D) Date of injury or onset of illness	(E) Where the event occurred (e.g., Loading dock north end)	(F) Describe injury or illness, parts of body affected, and object/substance that directly injured or made person ill (e.g., Second degree burn on right forearm from scythe wire)	CHECK ONLY ONE box for each case based on the most serious outcome for that case:				REMAINED AT WORK		AWAY FROM WORK		(M)					
						Death (G)	Days away from work (H)	Job transfer or restriction (I)	Other recordable cases (J)	Days away from work (K)	On job transfer or restriction (L)	(1)	(2)	(3)	(4)	(5)	(6)		
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The inspector then walks around, pointing out any obvious violations, and then the inspector and representative discuss the findings. Within six months a complete report is sent, along with any citations or fines based on what the inspector found. If the organization is in disagreement with the violation or citation, a follow-up meeting with the OSHA director is scheduled and some fines may be reduced if the organization can show how it has improved and met the standards since the original visit.

OSHA has several penalties (per violation) it can assess on organizations, ranging from \$7,000 to \$70,000. The higher penalties often are a result of very serious offenses, in which an employee could have been killed, but also are imposed for willful offenses that the employer was aware could cause serious injury or death and did nothing about them. This is considered blatant indifference to the law. For example, Northeastern Wisconsin Wood Products was issued \$378,620 in fines for willful violations in the summer of 2011. The violations stemmed from repeat visits and citations to the facility, where no safety changes had been made. Some of the willful violations included lack of guards on dangerous machine belts and band saw blades and open-sided floors without a guardrail to prevent falls. Michael Connors, OSHA's regional administrator in Chicago, said, "Northeastern Wisconsin Wood Products has a history of failing to comply with OSHA standards. The company has yet to abate many violations cited in previous inspections and are unduly placing their workers at risk."^[5] While any violation of OSHA is serious, a willful violation is more serious, and the fines associated with it represent this.

Fortune 500 Focus

PepsiCo is the world's largest manufacturer, seller, and distributor of Pepsi-Cola products and generates \$119 billion in sales every year.^[6] Tropicana juice is owned by Pepsi-Co. In October of 2005, a spark triggered an explosion at a Tropicana juice processing plant in Bradenton, Florida, causing burns to two-thirds of a worker's body. While the worker survived, he underwent multiple surgeries to treat his burns. In this case, OSHA concluded that the fire could have been prevented if Tropicana had followed basic safety requirements such as risk evaluation, given tools to workers that did not produce sparks, and monitored for a buildup of flammable vapors and ventilated the area. OSHA inspectors tallied up a dozen violations, including two serious ones. Vice president of operations Mike Haycock said the plant has an incidence rate that is far lower than others in the industry, and plants around the country have immediately addressed many of the problems and are constantly working to correct other problems.^[7]

The irony is that although the Tropicana factory paid \$164,250 in fines to OSHA, the company was part of the VPP or Voluntary Protection Program, whose membership benefits include exemption from regular inspections. Even after the fire, in 2007, OSHA formally reapproved the plant as a "star site," the highest level in VPP, meaning the plant pledged to exceed OSHA standards.^[8] OSHA contends the VPP program isn't perfect but is still a useful model to all employers of what can be achieved. For admission into the VPP program, workplaces must show they have fewer accidents and missed work days than average for their industry. According to Robert Tuttle, president of the local Teamsters union representing Tropicana workers, accidents are more common when employees are shifted out of their normal responsibilities, which is more common as the weak economy has led to staff cuts.^[9] Tropicana plants have had more than eighty deaths since 2000, varying from preventable explosions to chemical releases to crane accidents.^[10] PepsiCo and Tropicana have taken a hard stance on these types of accidents, as each of the plants now has a safety manager trained on OSHA standards to prevent accidents. In addition, strict operating procedures have been implemented to prevent future problems.

KEY TAKEAWAYS

- Every year, 4,340 fatalities and 3.3 million injuries occur in the workplace in the United States.
- The *Occupational Safety and Health Act* was passed in 1970, with the goal of providing a safe and healthy work environment for all US workers.
- The *Occupational Safety and Health Administration* is part of the US Department of Labor and was created as a result of the act in 1970.
- OSHA applies to some specific industries, such as construction, shipyards, and marine terminals. However, some of the OSHA regulations apply to all industries.
- Some states may also have safety requirements that may be more stringent than federal laws.
- Right-to-know laws refer to a *material data safety sheet*, which discusses the types of chemicals, proper handling and storage, and first aid in case of an accident. These data sheets should be made available to the general public and employees.
- Right-to-know laws also require specific reporting to local and state agencies on chemicals used in certain quantities for some industries.
- OSHA requires recording keeping for all workplace accidents or illness. Record keeping is usually the responsibility of HR, and reports are made via OSHA Form 300.
- OSHA can inspect any site without prior notification. Usually, OSHA will gather information, visit the site, and ask for a representative. The representative is normally the HR person. The site visit will be performed, followed by discussion with the company representative. Within six months of the visit, a report and any penalties will be communicated.

EXERCISES

1. Research the Internet for recent OSHA violations and write two paragraphs describing one.
2. Research possible strategies to reduce OSHA violations and write a paragraph on at least two methods.

2. HEALTH HAZARDS AT WORK

LEARNING OBJECTIVE

1. Be able to explain health concerns that can affect employees at work.

While OSHA covers many areas relating to health and safety at work, a few other areas are also important to mention. Stress management, office-related injuries such as carpal tunnel syndrome, and no-franchise areas are all contemporary issues surrounding employee health and safety. We will discuss these issues in this section.

2.1 Stress

In its annual survey on stress in America,^[11] the American Psychological Association found that money (76 percent), work (70 percent), and the economy (65 percent) remain the most oft-cited sources of stress for Americans. Job instability is on the rise as a source of stress: nearly half (49 percent) of adults reported that job instability was a source of stress in 2010 (compared to 44 percent in 2009). At the same time, fewer Americans are satisfied with the ways their employers help them balance work and nonwork demands (36 percent in 2010 compared to 42 percent in 2009). The implications of these findings are obviously important for HRM professionals.

Before we discuss what HR professionals can do, let's discuss some basic information about stress. As it is currently used, the term *stress* was coined by Hans Selye in 1936, who defined it as “the nonspecific response of the body to any demand for change.”^[12] In other words, we can say that **stress** is the reaction we have to a stressor. A **stressor** is some activity, event, or other stimulus that causes either a positive or negative reaction in the body. Despite what people may think, some stress is actually good. For example, receiving a promotion at work may cause stress, but this kind of stress is considered to be positive. Stress is very much a personal thing, and depending on individual personalities, people may have different opinions about what is a stressor and what is not. For example, a professor does not normally find public speaking to be a stressor, while someone who does not do it on a daily basis may be very stressed about having to speak in public.



Stress Management

While we all feel stressed sometimes, these funny videos show what not to do to manage stress.



View the video online at: http://www.youtube.com/v/TSzx_bAKvuM



View the video online at: <http://www.youtube.com/v/SiWkKyE1Ob0>

Selye recognized that not all stress is negative. Positive stress is called **eustress**. This type of stress is healthy and gives a feeling of fulfillment and other positive feelings. Eustress can cause us to push ourselves harder to meet an end goal. On the other hand, **distress** is the term used for negative stress. While eustress can push us, distress does not produce positive feelings and can go on for a long time without relief. We can further classify distress by **chronic stress**, which is prolonged exposure to stress, and acute stress, which is short-term high stress. For example, someone who receives little or no positive result from stress and is continuously stressed may experience chronic stress. **Acute stress** occurs in shorter bursts and may be experienced while someone is on a tight deadline for a project.

stress

The reaction we have to a stressor.

stressor

Some activity, event, or other stimulus that causes either a positive or a negative response in the body.

eustress

A type of stress that is healthy and gives a feeling of fulfillment and other positive feelings.

distress

The term used for negative stress.

chronic stress

Prolonged exposure to stress and acute stress, which is short-term high stress.

acute stress

A type of stress that occurs in shorter bursts.

hyperstress

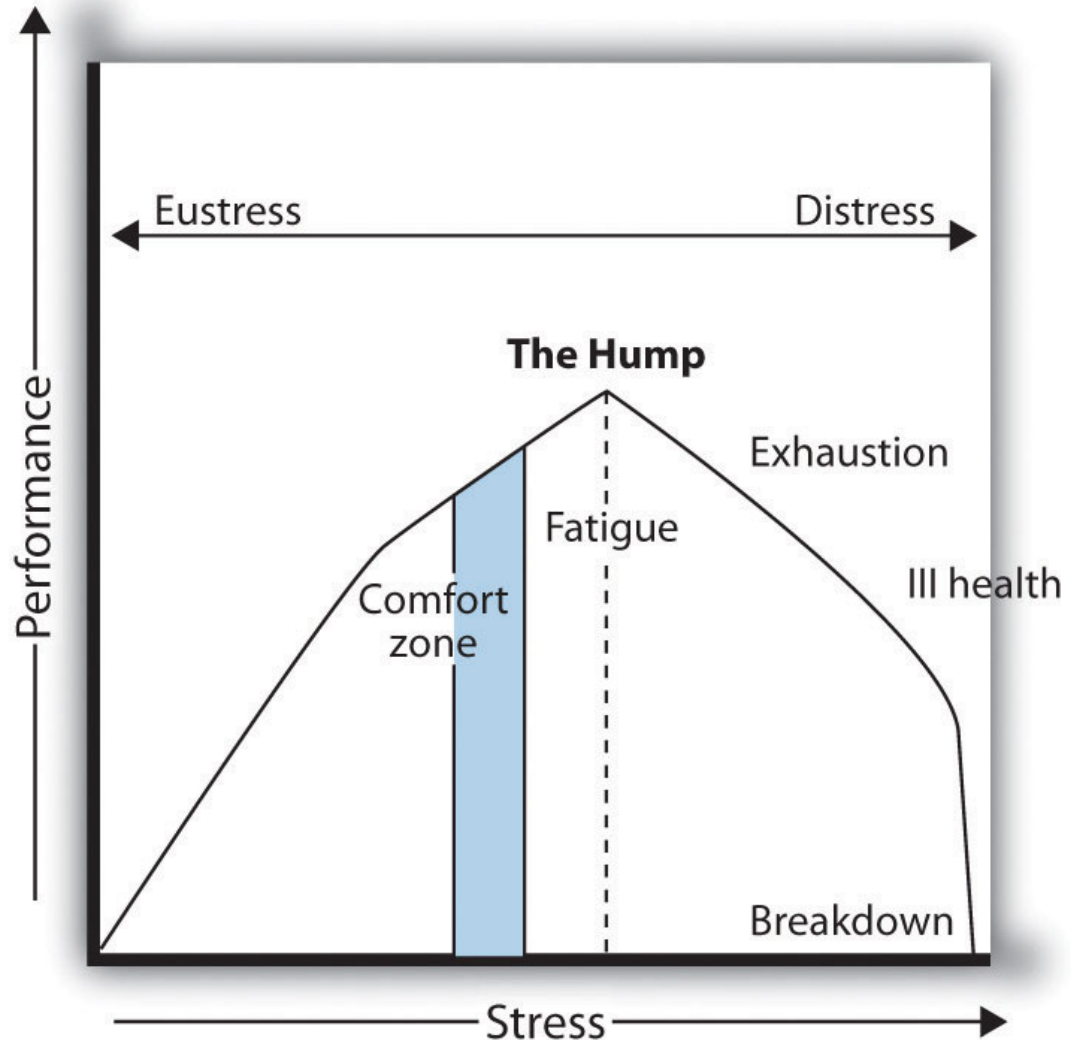
A type of stress in which there are extremes with little or no relief for a long period of time, normally resulting in burnout.

hypostress

The lack of eustress or distress in someone's life.

Two other terms related to stress are hyperstress and hypostress. **Hyperstress** is a type of stress in which there are extremes with little or no relief for a long period of time. This type of stress often results in burnout. **Hypostress** is the lack of eustress or distress in someone's life. Remember, some stress can be good and pushes us to work harder. We see this type of stress with people who may work in a factory or other type of repetitive job. The effect of this type of stress is usually feelings of restlessness.

FIGURE 13.3 The Stress Curve



Source: Adapted from P. Nixon, 1979.

One last important thing to note is how a person goes through the cycle of stress. Figure 13.3 shows an example of how stress is good up to a point, but beyond that point, the person is fatigued and negatively affected by the stress. Bear in mind, this varies from person to person based on personality type and stress-coping mechanisms.

As you have already guessed, stress on the job creates productivity issues, which is why it concerns HR professionals. We know that stress can cause headaches, stomach issues, and other negative effects that can result in lost productivity but also result in less creative work. Stress can raise health insurance costs and cause employee turnover. Because of this, according to *HR Magazine*,^[13] many employers are taking the time to identify the chief workplace stressors in employees' lives. With this information, steps can be taken to reduce or eliminate such stress.

PricewaterhouseCoopers, for example, implemented several strategies to reduce stress in its workplace. The firm restructured its work teams so that rather than having one employee work with one client, teams of employees work with groups of clients. Rather than having an employee say, "I can't go to my son's baseball game because I need to wait for this client call," this arrangement allows employees to cover for each other.

The organization also requires employees to take vacation time and even promotes it with posters throughout the office. In fact, even weekends are precious at PricewaterhouseCoopers. If an employee sends an e-mail on the weekend, a popup screen reminds her or him it is the weekend and it is time to disconnect.

Being a Student Can Be Stressful

Here are the most common stressors for college students:

- Death of a loved one
- Relocating to a new city or state
- Divorce of parents
- Encounter with the legal system
- Transfer to a new school
- Marriage
- Lost job
- Elected to leadership position
- New romantic relationship
- Serious argument with close friend
- Increase in course load or difficulty of courses
- Change in health of family member
- First semester in college
- Failed important course
- Major personal injury or illness
- Change in living conditions
- Argument with instructor
- Outstanding achievement
- Change in social life
- Change in sleeping habits
- Lower grades than expected
- Breakup of relationship
- New job
- Financial problems
- Change in eating habits
- Chronic car trouble
- Pregnancy
- Too many missed classes
- Long commute to work/school
- Working more than one job
- Impending graduation
- Argument with family member
- Sexual concerns
- Changes in alcohol and/or drug use
- Roommate problems
- Raising children

Offering flextime is also a way to reduce employee stress. It allows employees to arrange their work and family schedule to one that reduces stress for them. This type of creative scheduling, according to Von Madsen, HR manager at ARUP Laboratories,^[14] allows employees to work around a schedule that suits them best. Other creative ways to reduce stress might be to offer concierge services, on-site child care, wellness initiatives, and massage therapy. All these options can garner loyalty and higher productivity from employees.

Human Resource Recall

What does your organization do to reduce stress? What should it do that it is not doing?

2.2 Cumulative Trauma Disorders

cumulative trauma disorder (CTD)

Injury to the fingers, hands, arms, or shoulders, which is the result of repetitive motions such as typing.

carpal tunnel syndrome (CTS)

A cumulative disorder of the hand and wrist as a result of too much computer work.

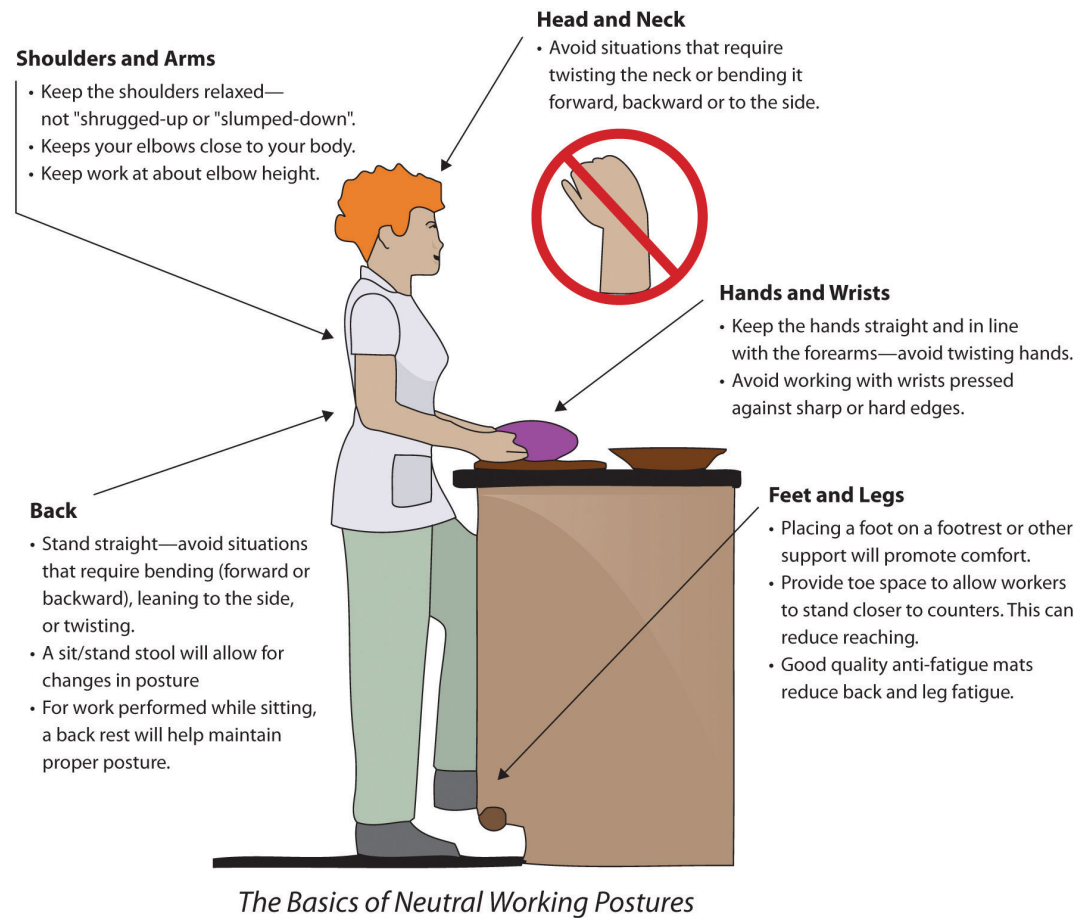
Cumulative trauma disorders (CTDs) are injuries to the fingers, hands, arms, or shoulders that result from repetitive motions such as typing.

Carpal tunnel syndrome, or CTS, is a common cumulative disorder in which the hand and wrist is particularly affected. CTS is a disabling syndrome that fortunately can be prevented or at least minimized. According to one study of CTS,^[15] the percentage of a workday at a computer, posture while at the workstation, and the individual's body features all contribute to this workplace issue. More recently, CTD can be found in people who text a lot or use their smartphones to type or surf the Internet.

There are a number of keyboards, chairs, and other devices that can help limit or prevent CTD issues. CTD disorders cost companies money through higher health-care costs and workers' compensation payments. CTD is a required recordable case under OSHA. OSHA has voluntary employer guidelines for reducing CTD in specific industries such as poultry processing, shipyards, retail grocery, and nursing homes. OSHA is currently developing standards for industry-specific and task-specific jobs.^[16]

Microsoft is attempting to relieve CTD by developing "surface" technology. First introduced in 2007, the system is controlled through intuitive touch rather than the traditional mouse and keyboard. Microsoft and Samsung in early 2011 introduced the newest consumer-ready product, which looks like a large tablet (or iPad) used to perform the same functions as one normally would on her computer.^[17]

FIGURE 13.4 Example of an OSHA Standard for Retail Grocery Stores to Avoid CTD



Source: <http://www.osha.gov/ergonomics/guidelines/retailgrocery/retailgrocery.html#storewide> (accessed September 2, 2011).



How Would You Handle This?

To Tell or Not?

You work for a large multinational organization as a manager on the factory floor. One of your employees was moving large barrels of chemicals from one workstation to another, when the barrel burst and gave him mild burns. When you talk with him about it, he says it was his own fault, and he doesn't want to take any days off or see a doctor. How would you handle this?

How Would You Handle This?

The author discusses the How Would You Handle This situation in this chapter at: <https://api.wistia.com/v1/medias/1360951/embed>.

2.3 Video Display Terminals (VDTs)

In 1984, only 25 percent of people used computers at work, and today that number is 68 percent.^[18] Awareness of the effects of computer monitors and other similar terminals are necessary to ensure a healthy workplace. Vision problems; fatigue; eye strain; and neck, back, arm, and muscle pain are common for frequent users of VDTs. OSHA recommends taking a break after every hour on a computer screen and reducing glare on screens. Proper posture and seat adjustment also limits the amount of injuries due to VDTs.

FIGURE 13.5 VDT Checklist to Reduce Workplace Injuries

Video Display Terminal (VDT) Checklist

Can the work station be adjusted to ensure proper posture by

- adjusting knee and hip angles to achieve comfort and variability, Yes No
- supporting heels and toes on the floor or on a footrest, Yes No
- placing arms comfortably at the side and hands parallel to the floor, and Yes No
- supporting wrist (nearly straight) on a padded surface? Yes No

Does the work area

- provide enough clearance for the feet, knees, and legs relative to the edge of the work surface, Yes No
- provide sufficient space for the thighs between the work surface and the seat, Yes No
- include arm rests for intensive or long duration keying jobs, and Yes No
- include headsets for use when frequent telephone work is combined with hand tasks such as typing, using a calculator, or writing? Yes No

Does the chair

- adjust easily from the seated position, Yes No
- have a padded seat pan, Yes No
- have a seat that is approximately 18 inches wide (45.72 centimeters), Yes No
- have a back rest that provides lumbar support that can be used while working, Yes No
- have a stable base with casters that are suited to the type of flooring, Yes No
- have different seat pan lengths (15 to 17 inches or 38.10 and 43.18 centimeters) with a waterfall design available, and Yes No
- allow the seat pan to adjust for both height (minimum of 4 1/2 inches or 10.16–1.27 centimeters) and angle (plus or minus 5 degrees)? Yes No

Is the keyboard

- height from the floor and the slope of the keyboard surface adjustable, Yes No
- prevented from slipping when in use, and Yes No
- detachable? Yes No

Are other inputs/devices (mouse, pointer, calculator)

- at keyboard height? Yes No

Is the display screen

- clean and free from flickering, and Yes No
- able to swivel horizontally and tilt or elevate vertically? Yes No

Is the monitor situated so that

- the work can be performed with the head in a neutral posture for most of the work shift, Yes No
- it is between 18 and 30 inches (45.72 and 76.20 centimeters, respectively) away from the operator, Yes No
- the top line of text is at or slightly below eye height, and Yes No
- there is sufficient lighting without glare on the screen from lights, windows, or surfaces? Yes No

Does the monitor

- have brightness and contrast controls? Yes No

Is the job organized so that

- workers can change postures frequently, Yes No
- workers can perform different job tasks to reduce intensive keying, Yes No
- workers can leave their workstations for at least 10 minutes after each hour of intensive keying and for at least 15 minutes after every 2 hours of intermittent keying, and Yes No
- the workers have received training in ergonomics and know how to make adjustments to their work stations, chairs, and other accessories? Yes No

2.4 Chemical and Fragrance Sensitivities

The EEOC defines a disability as a physical or mental impairment that substantially limits one or more of the major life activities of individuals and the ability to provide evidence of such an impairment.^[19] Because of this definition, people who have **multiple chemical sensitivity (MCS) or environmental illness (EI)** are eligible for reasonable accommodations in the workplace. MCS or EI is the inability to tolerate an environmental chemical or class of foreign chemicals. Symptoms can include headache, dizziness, inability to breathe, muscle pain, and many more depending on the person. As a result, implementing policies surrounding MCS may be not only a legal requirement but a best practice to keep employees safe and healthy in the workplace. Some examples of such policies might include the following:

1. Institute a fragrance-free workplace policy (e.g., no scented lotions, hair products, or perfumes).
2. Limit use of restroom air fresheners, cleaning agents, and candles.
3. Ensure the ventilation system is in good working order.
4. Provide a workspace with windows where possible.
5. Consider providing an alternate workspace.
6. Be cautious of remodels, renovations, and other projects that may cause excessive dust and odors.

If an organization is going to implement a fragrance-free work policy, this is normally addressed under the dress code area of the organization's employee manual. However, many employers are reluctant to require employees to refrain from wearing or using scented products. In this case, rather than creating a policy, it might be worthwhile to simply request a fragrance-free zone from employees through e-mail and other means of communication. An example of such a policy is used by Kaiser Permanente:

We recognize that exposure to strong scents and fragrances in the environment can cause discomfort, as well as directly impact the health of some individuals. Since we hope to support a healthful environment for employees, physicians, and visitors, it is the intent of Quality and Operations Support to strive for a fragrance-controlled workplace. Therefore, for the comfort and health of all, use of scents and fragrant products by QOS employees, other than minimally scented personal care products, is strongly discouraged.^[20]

2.5 Chemicals and Substances

OSHA, as we mentioned earlier, has certain standards for how chemicals should be handled and how they should be labeled. Chemicals should be labeled in English, and employees must be able to cross-reference the chemicals to the materials safety data sheet, which describes how the chemicals should be handled.

It is estimated that 1,200 new chemicals are developed in North America alone every year.^[21] For many of these chemicals, little is known about their immediate or long-term effects on the health of workers who come into contact with them. As a result, policies should be developed on how chemicals should be handled, and proper warnings should be given as to the harmful effects of any chemicals found in a job site.

In the United States, twenty-six of the fifty states have smoking bans in enclosed public spaces. These smoking bans are designed to protect workers' health from the dangers of secondhand smoke. A recent report released by the Centers for Disease Control and Prevention^[22] says that state or local smoke-free laws cover 47.8 percent of workplaces. The report says if the trend continues, the United States will be 100 percent smoke free by 2020. Many companies implement no-smoking policies because of health-care costs, and some companies, such as Humana, Inc., say their no-tobacco policy is simply setting a good example (since they are a health-care organization). Humana tests all applicants for tobacco in a preemployment screening that applies to all tobacco products.^[23] Most workplaces have no-smoking policies, and some even prefer not to hire smokers because of the higher cost of health care. Policies dealing with substances and chemicals are an important part of any employee training and orientation.

multiple chemical sensitivity (MCS) or environmental illness (EI)

The inability to tolerate an environmental chemical or class of foreign chemicals.

Benefits to a Smoke-Free Work Environment and Sample Policy

For the employees

- A smoke-free environment helps create a safer, healthier workplace.
- Workers who are bothered by smoke will not be exposed to it at work.
- Smokers who want to quit may have more of a reason to do so.
- Smokers may appreciate a clear company policy about smoking at work.
- Managers are relieved when there is a clearly defined process for dealing with smoking in the workplace.

For the employer

- A smoke-free environment helps create a safer, healthier workplace.
- Direct health-care costs to the company may be reduced.
- A clear plan that is carefully put into action by the employer to lower employees' exposure to secondhand smoke shows the company cares.
- Employees may be less likely to miss work due to smoking-related illnesses.
- Maintenance costs go down when smoke, matches, and cigarette butts are taken out of work facilities.
- Office equipment, carpets, and furniture last longer.
- The risk of fires is lower.
- It may be possible to get lower rates on health, life, and disability insurance coverage as fewer employees smoke.

Sample smoking policy

Because we recognize the hazards caused by exposure to environmental tobacco smoke, it shall be the policy of _____ to provide a smoke-free environment for all employees and visitors. This policy covers the smoking of any tobacco product and the use of oral tobacco products or "spit" tobacco, and it applies to both employees and nonemployee visitors of _____.

Source: American Cancer Society, <http://www.cancer.org/Healthy/StayAwayfromTobacco/Smoke-freeCommunities/CreateaSmoke-freeWorkplace/smoking-in-the-workplace-a-model-policy> (accessed August 20, 2011).

Drugs and alcohol are discussed in Chapter 10 on managing performance issues. Substance abuse in the workplace can cause many problems for the organization. Not only does it create impaired ability to perform a job—resulting in more accidents—but it results in more sick days and less productivity, and substance abusers are more likely to file workers' compensation claims. Keep in mind that taking prescription drugs, if not used in the proper amounts or used long after the prescribed use, is considered substance abuse. A drug-free policy, according to OSHA,^[24] has five parts:

1. A policy
2. Supervisor training
3. Employee education
4. Employee assistance
5. Drug testing

According to the National Clearinghouse for Alcohol and Drug Information, substance abuse costs companies over \$100 billion in the United States alone.^[25] This staggering figure alone makes it worthwhile for companies to implement a policy and training on substance abuse.



Workplace Substance Abuse

This video provides some advice on how to deal with employee personal problems, including drug abuse.



View the video online at: <http://www.youtube.com/v/k2xDn-Ggc2I>

2.6 Workplace Violence and Bullying

According to OSHA, 2 million American workers are victims of workplace violence every year.^[26] OSHA addresses some of the workers who are at increased risk for workplace violence:

1. Workers who exchange money with the public
2. Workers who deliver goods, passengers, or services
3. People who work alone or in small groups
4. Workers who work late at night or early in the morning
5. Workers who work in high-crime areas

It is up to the organization and human resources to implement policies to ensure the safety of workers and provide a safe working environment. OSHA provides tips to provide a safer workplace:

1. Establish a workplace violence prevention policy, with a zero tolerance policy.
2. Provide safety education.
3. Secure the workplace with cameras, extra lighting, and alarm systems.
4. Provide a drop safe to limit the amount of cash on hand.
5. Provide cell phones to workers.
6. Require employees to travel in groups using a “buddy system.”

Development of workplace policies surrounding these items is important. Ongoing training and development in these areas are key to the creation of a safe workplace. While outside influences may affect employee safety, it is also important to be aware of the employee’s safety from other employees. There are several indicators of prevalence as noted by the Workplace Violence Research Institute:^[27]

1. Increased use of alcohol and/or illegal drugs
2. Unexplained increase in absenteeism
3. Noticeable decrease in attention to appearance and hygiene
4. Depression and withdrawal
5. Explosive outbursts of anger or rage without provocation
6. Threats or verbal abuse to coworkers and supervisors
7. Repeated comments that indicate suicidal tendencies
8. Frequent, vague physical complaints
9. Noticeably unstable emotional responses
10. Behavior indicative of paranoia
11. Preoccupation with previous incidents of violence
12. Increased mood swings
13. Has a plan to “solve all problems”

14. Resistance and overreaction to changes in procedures
15. Increase of unsolicited comments about firearms and other dangerous weapons
16. Repeated violations of company policies
17. Escalation of domestic problems



Workplace Violence

A video on workplace violence training.

Please view this video at <http://www.youtube.com/watch?v=oiuWLkdUZ5o>.

Anyone exhibiting one or more of these preincident indicators should get the attention of HRM. The HR professional should take appropriate action such as discussing the problem with the employee and offering counseling.

Workplace bullying is defined as a tendency of individuals or groups to use persistent or repeated aggressive or unreasonable behavior against a coworker or subordinate. The Workplace Bullying Institute found that 35 percent of workers have reported being bullied at work. This number is worth considering, given that workplace bullying reduces productivity with missed work days and turnover. The Workplace Bullying Institute found that litigation and settlement of bullying lawsuits can cost organizations \$100,000 to millions of dollars, in addition to the bad publicity that may be created. Examples of workplace bullying include the following:

1. Unwarranted or invalid criticism
2. Blame without factual information
3. Being treated differently than the rest of your work group
4. Humiliation
5. Unrealistic work deadlines
6. Spreading rumors
7. Undermining or deliberately impeding a person's work

In an Indiana Supreme court case, a hospital employee who was repeatedly bullied by a surgeon sued for emotional distress and won. This ruling drew national attention because it was an acknowledgment by the courts of the existence of workplace bullying as a phenomenon.^[28] Prevention of workplace bullying means creating a culture in which employees are comfortable speaking with HR professionals and managers (assuming they are not the ones bullying) about these types of situations. Similar to traditional bullying, **cyberbullying** is defined as use of the Internet or technology used to send text that is intended to hurt or embarrass another person. Examples include using Facebook to post negative comments or setting up a fake e-mail account to send out fake e-mails from that person. Comments or blogs and posts that show the victim in a bad light are other examples of cyberbullying. Similar to workplace bullying, cyberbullying is about power and control in workplace relationships. Elizabeth Carll's research on cyberbullying shows that people who experience this type of harassment are more likely to experience heightened anxiety, fear, shock, and helplessness, which can result in lost productivity at work and retention issues,^[29] a major concern for the HR professional. The US Justice Department shows that some 850,000 adults have been targets of online harassment.^[30] Many states, including New York, Missouri, Rhode Island, and Maryland, have passed laws against digital harassment as far back as 2007.^[31] In a recent cyberbullying case, a US Court of Appeals upheld a school's discipline of a student for engaging in off-campus cyberbullying of another student.^[32] In the case, the victim said a MySpace profile was created that included inappropriate pictures of her, and the page's creator invited other people to join. The student who created the page sued the school after she was disciplined for it, saying it violated her right to free speech, but courts found that students do not have the right to cyberbully other students. While it seems that cyberbullying is for young people, as mentioned earlier, 35 percent of American workers feel they have been bullied. Bullying should be identified immediately and handled, as it affects workplace productivity, customer satisfaction, and eventually, profits.

workplace bullying

A tendency of individuals or groups to use persistent or repeated aggressive or unreasonable behavior against a coworker or subordinate.

cyberbullying

A type of bullying in which Internet or technology is used to send text intended to hurt or embarrass another person.



Workplace Bullies

This video provides tips on how to deal with a workplace bully.



View the video online at: <http://www.youtube.com/v/8chl1LKbqn0>

2.7 Employee Privacy

In today's world of identity theft, it is important that HR professionals work to achieve maximum security and privacy for employees. When private information is exposed, it can be costly. For example, in March of 2011, the Texas Comptroller's office inadvertently disclosed on a public website the names, addresses, and social security numbers of 3.5 million state workers.^[33] The state has already spent \$1.8 million to remedy this problem by sending letters to affected parties and hiring technology consultants to review office procedures. While keeping employee information private is the responsibility of all management in an organization, ensuring privacy remains the job of the HR professional.

Some of the things to combat employee identity theft include the following:

1. Conduct background and criminal checks on employees who will have access to sensitive data.
2. Restrict access to areas where data is stored, including computers.
3. Provide training to staff who will have access to private employee information.
4. Keep information in locked files or in password-protected files.
5. Use numbers other than social security numbers to identify employees.

Another privacy issue that comes up often is the monitoring of employee activities on devices that are provided to them by the organization. Case law, for the most part, has decided that employees do not have privacy rights if they are using the organization's equipment, with a few exceptions. As a result, more than half of all companies engage in some kind of monitoring. According to an American Management Association^[34] survey, 73 percent of employers monitor e-mail messages and 66 percent monitor web surfing. If your organization finds it necessary to implement monitoring policies, ensuring the following is important to employee buy-in of the monitoring:

1. Develop a policy for monitoring.
2. Communicate what will be monitored.
3. Provide business reasons for why e-mail and Internet must be monitored.

Working with your IT department to implement standards and protect employee data kept on computers is a must in today's connected world. Communication of a privacy policy is an important step as well. Agrium, a Canadian-based supplier of agricultural products in North America, states its employee privacy policy on its website and shares with employees the tactics used to prevent security breaches.^[35]

At Agrium we are committed to maintaining the accuracy, confidentiality, and security of your personal information. This Privacy Policy describes the personal information that Agrium collects from or about you, and how we use and to whom we disclose that information.

2.8 Terrorism

Since the 9/11 attacks, terrorism and its effect on the workplace are in the forefront of the HR professional's mind. Planning for evacuations is the job of everyone in an organization, but HR should initiate this discussion. OSHA provides free assistance in implementing plans and procedures in case of a terror attack. OSHA also provides a fill-in-the-blank system (<http://www.osha.gov/SLTC/etools/evacuation/expertsystem/default.htm>) to help organizations write a comprehensive report for evacuations and terrorist attacks.

2.9 Promoting a Culture of Safety and Health

Employee health and safety is a must in today's high-stress work environments. Although some may see employee health as something that shouldn't concern HR, the increasing cost of health benefits makes it in the best interest of the company to hire and maintain healthy employees. In fact, during the recession of the late 2000s, when cutbacks were common, 50 percent of all workplaces increased or planned to increase investments in wellness and health at their organization.^[36]

Example of Health and Safety Policy

Cordis (A Johnson & Johnson Company) Environmental, Health, and Safety Policy

Cordis Corporation is committed to global Environmental, Health, and Safety (EHS) performance and leadership with respect to its associates, customers, suppliers, contractors, visitors, and communities. To fulfill this commitment, Cordis Corporation conducts its business emphasizing regulatory compliance and collaboration.

We strive for:

- Comprehensive risk management
- Pollution prevention
- Healthy lifestyle culture
- Continuous improvement and sustainability
- Engaging partnerships
- Possession of outstanding EHS capabilities and skill sets

We affirm that EHS is:

- A core business value and a key indicator of organizational excellence
- Considered in every task we perform and in every decision we make

We believe that:

- All incidents and injuries are preventable
- Process Excellence is the driver for continuous improvement and sustainable results in all aspects of EHS
- Every associate is responsible and accountable for complying with all aspects of EHS, creating a safe and healthy work environment while leaving the smallest environmental footprint

A safe culture doesn't happen by requiring training sessions every year; it occurs by creating an environment in which people can recognize hazards and have the authority and ability to fix them. Instead of safety being a management focus only, every employee should take interest by being alert to the safety issues that can exist. If an employee is unable to handle the situation on his or her own, the manager should then take suggestions from employees seriously; making the change and then communicating the change to the employee can be an important component of a safe and healthy workplace.

A culture that promotes safety is one that never puts cost or production numbers ahead of safety. You do not want to create a culture in which health and safety priorities compete with production speedup, which can lead to a dangerous situation.

Another option to ensure health and safety is to implement an **employee assistance program (EAP)**. This benefit is intended to help employees with personal problems that could affect their performance at work. The EAP usually includes covered counseling and referral services. This type of program can assist employees with drug or alcohol addictions, emotional issues such as depression, stress management, or other personal issues. Sometimes these programs are outsourced to organizations that can provide in-house training and referral services to employees. For example, REI (Recreation Equipment Inc.), based in Seattle, has a comprehensive EAP for its employees in both retail stores and corporate offices.

employee assistance program (EAP)

A benefit intended to help employees with personal problems that could affect their performance at work.

Possible techniques you can implement to have a safe and healthy work environment include the following:

1. Know OSHA and other safety laws.
2. Provide training to employees on OSHA and safety laws.
3. Have a written policy for how violations will be handled.
4. Commit the resources (time and money) necessary to ensure a healthy work environment.
5. Involve employees in safety and health discussions, as they may have good ideas as to how the organization can improve.
6. Make safety part of an employee's job description; in other words, hold employees accountable for always practicing safety at work.
7. Understand how the health (or lack of health) of your employees contributes to or takes away from the bottom line and implement policies and programs to assist in this effort.

KEY TAKEAWAYS

- Stress is a major concern for organizations, since it can decrease productivity in the workplace. There are several types of stress.
- *Eustress* is a positive type of stress that can cause people to work harder toward a goal. *Distress*, on the other hand, is a type of negative stress.
- *Acute stress* occurs in short bursts, such as when finishing a project, while *chronic stress* tends to persist for long periods of time.
- *Hyperstress* is stress that is unrelieved for long periods of time and can often result in employee burnout. *Hypostress* is the lack of eustress in one's life, which can be as damaging as other types of stress, since stress is sometimes what pushes people harder.
- HR professionals can encourage employees to take vacation time, offer flextime, and encourage employees to take weekends off to help reduce stress.
- *Cumulative trauma disorder (CTD)* affects the hands, fingers, arms, or shoulders as a result of continuous repetitive motions. *Carpel tunnel syndrome (CTS)* is a type of CTD that affects the hand and wrist. People with these disorders often work in a factory or at a desk where they are doing repetitive motions constantly, such as typing or cashiering.
- OSHA has voluntary guidelines for reducing CTD in the workplace. HR can assist by ensuring employees are provided with proper equipment and training.
- *Multiple chemical sensitivity (MCS)* or *environmental illness (EI)* is extreme sensitivity to chemicals found in products such as hairsprays or lotions. Some individuals are extremely sensitive to other types of chemicals, such as those used in the manufacturing of carpets.
- MCS can be considered a disability if it limits one or more life activities. In this case, reasonable accommodations must be made, such as implementing fragrance-free zones as part of a workplace dress code.
- OSHA has specific guidelines on how to handle chemicals, but other chemicals, such as those from secondhand smoke, are an important consideration in workplace safety. Twenty-six states, for example, have implemented no-smoking policies to help protect the health of workers.
- *Workplace violence* affects 2 million Americans every year. A number of groups, such as those who deliver goods, people, or services, are at greatest risk. However, workplace violence can occur internally, which is why we must be aware of the warning signs.
- *Workplace bullying* is when a person is aggressive and unreasonable in his or her behavior toward another individual. *Cyberbullying* is similar, except technology is used to humiliate and intimidate the employee.
- Keeping employee information private is the job of HR and IT. In addition, some organizations may engage in web or e-mail monitoring to ensure employees are on task. Specific policies should be developed and communicated to let employees know how they may be monitored.
- Some organizations have *employee assistance programs (EAPs)* that can provide assistance, counseling, and the like in case of personal problems or drug or alcohol abuse.
- To maintain a healthful working environment, know OSHA policies and make sure people are trained on the policies. Also ensure that specific policies on all areas of health and safety are communicated and employees are trained in those areas where necessary.

EXERCISES

1. Visit <http://www.osha.gov/SLTC/etools/evacuation/expertsystem/default.htm> and create your own evacuation plan using the tool on the OSHA website. (Note: web addresses sometimes change, so you may have to search further for the tool.) Bring your plan to class to share.
2. Research examples of workplace bullying, write two paragraphs about two examples, and share your findings with the class.

3. CASES AND PROBLEMS

Chapter Summary

- Every year, 4,340 fatalities and 3.3 million injuries occur in the workplace in the United States.
- The *Occupational Safety and Health Act* was passed in 1970, with the goal of providing a safe and healthy work environment for all US workers.
- The *Occupational Safety and Health Administration* is part of the US Department of Labor and was created as a result of the act in 1970.
- OSHA applies to some specific industries such as construction, shipyards, and marine terminals. However, some of the regulations of OSHA apply to all industries.
- Some states may also have safety requirements, which may be more stringent than federal Laws.
- Right-to-know laws refer to a *material data safety sheet*, which discusses the types of chemicals, proper handling and storage, and first aid in case of an accident. These data sheets should be made available to the general public and employees.
- Right-to-know laws also require specific reporting to local and state agencies on chemicals used in certain quantities for some industries.
- OSHA requires recording keeping for all workplace accidents or illness. The record keeping is usually the responsibility of HR; OSHA Form 300 is used for reporting purposes.
- OSHA can inspect any site without prior notification. Usually, it will gather information, visit the site, and ask for a representative. The representative is normally the HR person. The site visit will be performed, followed by discussion with the company representative. Within six months of the visit a report and any penalties will be communicated.
- Stress is a major concern for organizations, since it can decrease productivity in the workplace. There are several types of stress.
- *Eustress* is a positive type of stress that can cause people to work harder toward a goal. *Distress*, on the other hand, is a type of negative stress.
- *Acute stress* occurs in short bursts, such as when finishing a project, while *chronic stress* tends to persist for long periods of time.
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- To maintain a healthful working environment, know OSHA policies and make sure people are trained on the policies. Also ensure that specific policies on all areas of health and safety are communicated and employees are trained in those areas where necessary.

Summary

The author provides a video summary of the chapter.



View the video online at: <http://app.wistia.com/embed/medias/caf173a775>

Chapter Case

Bullying Ming

You just ended a meeting with Ming (one of your six employees), who gave you some disturbing information. She feels she is being bullied by one of her coworkers and is seeking your advice on how to handle it. Ming said that Mindy has been saying “good morning” to everyone as she walks by their office but doesn’t say it to Ming. Ming also said that Mindy organized a farewell lunch for one of your departing employees last week and didn’t invite Ming. She also told you of nasty things that Mindy tells other colleagues about her. For example, last month when Ming ran into Mindy at the grocery store, Mindy told everyone the next day the medications that Ming had in her cart, which included medication for irritable bowel syndrome. Ming also showed you an e-mail that Mindy had sent blaming Ming for the loss of one of Mindy’s clients. Mindy had copied the entire department on the e-mail. Ming thinks that other employees have been reluctant to involve her in projects as a result of this e-mail. Ming left your office quite upset, and you think you may need to take some action.

1. Do you think Ming is correct in saying Mindy is bullying her? What are the indications of bullying?
2. What advice would you give to Ming?
3. How would you handle this situation with Mindy, without embarrassing Ming?

Team Activity

1. Calculate the yearly incidence rates for Organic Foods Company:
 - a. 2010: 10 injuries with 300,000 hours worked
 - b. 2011: 5 injuries with 325,000 hours worked
 - c. 2012: 20 injuries with 305,000 hours worked
2. What are some of the possible causes for the increase in incidence rates?

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CHAPTER 14

International HRM

THINGS WEREN'T WHAT THEY SEEMED

When your organization decided to go “global” two years ago, the executives didn’t know what they were getting into. While the international market was attractive for your company’s product, the overall plan wasn’t executed well. The organization was having great success selling its baby bath product in the domestic market, and once that market was saturated, the organization decided to sell the product in South America. Millions of dollars’ worth of research went into product marketing, and great success was had selling the product internationally. It was only when the organization decided to develop a sales presence in Peru and purchase a company there that the problems started. While market research had been done on the product itself, the executives of the company did little research to find out the cultural, economic, and legal aspects of doing business in that country. It was assumed that the Peru office would run just like the US office in terms of benefits, compensation, and hiring practices. This is where the strategy went wrong.

Many cultural aspects presented themselves. When executives visited the Peru office, the meeting was scheduled for 9 a.m., and executives were annoyed that the meeting didn’t actually start until 9:45 a.m. When the annoyed executives started in on business immediately, the Peruvian executives disapproved, but the US executives thought they disapproved of the ideas and weren’t aware that the disapproval came from the fact that Peruvians place a high emphasis on relationships, and it was rude to get down to business right away. When the executives walked around the office and spoke with various employees, this blunder cost respect from the Peruvian executives. Because Peru has a hierarchical structure, it was considered inappropriate for the executives to engage employees in this way; they should have been speaking with management instead.

Besides the cultural misunderstandings, executives had grossly underestimated the cost of compensation in Peru. Peru requires that all employees receive a bonus on the Peruvian Independence Day and another on Christmas. The bonus is similar to the monthly salary. After a year of service, Peruvians are allowed to go on paid vacation for thirty calendar days. Higher benefit costs were also an issue as well, since Peru requires workers to contribute 22 percent of their income to pension plans, and the company is required to pay 9 percent of salaries toward social (universal) health insurance. Life insurance is also required to be paid by the employer after four years of service, and severance payments are compulsory if the organization has a work stoppage or slowdown.

As you wade through the variety of rules and regulations, you think that this could have been avoided if research had been performed before the buyout happened. If this had occurred, your company would have known the actual costs to operate overseas and could have planned better.

Source: Based on information from *CIA World Factbook* and PKF Business Advisors.



International HRM Introduction

The author introduces the chapter on international HRM.



View the video online at: <http://app.wistia.com/embed/medias/bce792a826>

1. OFFSHORING, OUTSOURCING

LEARNING OBJECTIVES

1. Be able to explain the terminology related to international HRM.
2. Define global HRM strategies.
3. Explain the impact of culture on HRM practices.

As you already know, this chapter is all about strategic human resource management (HRM) in a global environment. If this is an area of HRM that interests you, consider taking the WorldatWork Global Remuneration Professional certification (GRP). The GRP consists of eight examinations ranging from global rewards strategy to job analysis in a global setting.^[1]

Before we begin to discuss HRM in a global environment, it is important to define a few terms, some of which you may already know. First, **offshoring** is when a business relocates or moves some or part of its operations to another country. **Outsourcing** involves contracting with another company (onshore or offshore) to perform some business-related task. For example, a company may decide to outsource its accounting operations to a company that specializes in accounting, rather than have an in-house department perform this function. Thus a company can outsource the accounting department, and if the function operates in another country, this would also be offshoring. The focus of this chapter will be on the HRM function when work is offshored.

offshoring

When a business relocates or moves some or part of its operations to another country.

outsourcing

Contracting with another company (onshore or offshore) to perform some business-related task.

1.1 The Global Environment

Although the terms *international*, *global multinational*, and *transnational* tend to be used interchangeably, there are distinct differences. First, a **domestic** market is one in which a product or service is sold only within the borders of that country. An **international** market is one in which a company may find that it has saturated the domestic market for the product, so it seeks out international markets in which to sell its product. Since international markets use their existing resources to expand, they do not respond to local markets as well as a global organization. A **global** organization is one in which a product is being sold globally, and the organization looks at the world as its market. The local responsiveness is high with a global organization. A **multinational** is a company that produces and sells products in other markets, unlike an international market in which products are produced domestically and then sold overseas. A **transnational** company is a complex organization with a corporate office, but the difference is that much of the decision making, research and development, and marketing are left up to the individual foreign market. The advantage to a transnational is the ability to respond locally to market demands and needs. The challenge in this type of organization is the ability to integrate the international offices. Coca-Cola, for example, engaged first in the domestic market, sold products in an international market, and then became multinational. The organization then realized they could obtain certain production and market efficiencies in transitioning to a transnational company, taking advantage of the local market knowledge.

TABLE 14.1 Differences between International, Global, Multinational, and Transnational Companies

Global	Transnational
Centrally controlled operations	Foreign offices have control over production, markets
No need for home office integration, since home office makes all decisions	Integration with home office
Views the world as its market	High local responsiveness
Low market responsiveness, since it is centrally controlled	
International	Multinational
Centrally controlled	Foreign offices are viewed as subsidiaries
No need for home office integration, as home office makes all decisions	Home office still has much control
Uses existing production to sell products overseas	High local responsiveness
Low market responsiveness	

Globalization has had far-reaching effects in business but also in strategic HRM planning. The signing of trade agreements, growth of new markets such as China, education, economics, and legal implications all impact international business.

Trade agreements have made trade easier for companies. A **trade agreement** is an agreement between two or more countries to reduce barriers to trade. For example, the European Union consists of twenty-seven countries (currently, with five additional countries as applicants) with the goal of eliminating trade barriers. The North American Trade Agreement (NAFTA) lifts barriers to trade between Canada, the United States, and Mexico. The result of these trade agreements and many others is that doing business overseas is a necessity for organizations. It can result in less expensive production and more potential customers. Because of this, along with the strategic planning aspects of a global operation, human resources needs to be strategic as well. Part of this strategic process can include staffing differences, compensation differences, differences in employment law, and necessary training to prepare the workforce for a global perspective. Through the use of trade agreements and growth of new markets, such as the Chinese market, there are more places available to sell products, which means companies must be strategically positioned to sell the right product in the right market. High performance in these markets requires human capital that is able to make these types of decisions.

The level of education in the countries in which business operates is very important to the HR manager. Before a business decides to expand into a particular country, knowledge of the education, skills, and abilities of workers in that country can mean a successful venture or an unsuccessful one if the human capital needs are not met. Much of a country’s human capital depends on the importance of education to that particular country. In Denmark, for example, college educations are free and therefore result in a high percentage of well-educated people. In Somalia, with a GDP of \$600 per person per year, the focus is not on education but on basic needs and survival.

Economics heavily influences HRM. Because there is economic incentive to work harder in capitalist societies, individuals may be more motivated than in communist societies. The motivation comes

domestic

A market in which a product or service is sold only within the borders of that country.

international

A company may find that it has saturated the domestic market for the product, so it seeks out international markets in which to sell its product.

global

A type of organization in which a product is being sold globally, and the organization looks at the world as its market.

multinational

A company that produces and sells products in other markets, unlike an international market in which products are produced domestically and then sold overseas.

transnational

A complex organization with a corporate office, but unlike international, global, and multinational companies, much of the decision making, research and development, and marketing is left up to the individual foreign market.

trade agreement

An agreement between two or more countries to reduce barriers to trade.

from workers knowing that if they work hard for something, it cannot be taken away by the government, through direct seizure or through higher taxes. Since costs of labor are one of the most important strategic considerations, understanding of compensation systems (often based on economics of the country) is an important topic. This is discussed in more detail in Section 3.

The legal system practiced in a country has a great effect on the types of compensation; union issues; how people are hired, fired, and laid off; and safety issues. Rules on discrimination, for example, are set by the country. In China, for example, it is acceptable to ask someone their age, marital status, and other questions that would be considered illegal in the United States. In another legal example, in Costa Rica, “aguinaldos” also known as a thirteenth month salary, is required in December.^[2] This is a legal requirement for all companies operating in Costa Rica. We discuss more specifics about international laws in Section 3.

TABLE 14.2 Top Global 100 Companies

Rank	Company	Revenues (\$ millions)	Profits (\$ millions)
1	Walmart Stores	408,214	14,335
2	Royal Dutch Shell	285,129	12,518
3	Exxon Mobil	284,650	19,280
4	BP	246,138	16,578
5	Toyota Motor	204,106	2,256
6	Japan Post Holdings	202,196	4,849
7	Sinopec	187,518	5,756
8	State Grid	184,496	-343
9	AXA	175,257	5,012
10	China National Petroleum	165,496	10,272
11	Chevron	163,527	10,483
12	ING Group	163,204	-1,300
13	General Electric	156,779	11,025
14	Total	155,887	11,741
15	Bank of America Corp.	150,450	6,276
16	Volkswagen	146,205	1,334
17	ConocoPhillips	139,515	4,858
18	BNP Paribas	130,708	8,106
19	Assicurazioni Generali	126,012	1,820
20	Allianz	125,999	5,973
21	AT&T	123,018	12,535
22	Carrefour	121,452	454
23	Ford Motor	118,308	2,717
24	ENI	117,235	6,070
25	J.P. Morgan Chase & Co.	115,632	11,728
26	Hewlett-Packard	114,552	7,660
27	E.ON	113,849	11,670
28	Berkshire Hathaway	112,493	8,055
29	GDF Suez	111,069	6,223
30	Daimler	109,700	-3,670
31	Nippon Telegraph & Telephone	109,656	5,302
32	Samsung Electronics	108,927	7,562
33	Citigroup	108,785	-1,606
34	McKesson	108,702	1,263
35	Verizon Communications	107,808	3,651
36	Crédit Agricole	106,538	1,564
37	Banco Santander	106,345	12,430
38	General Motors	104,589	—
39	HSBC Holdings	103,736	5,834
40	Siemens	103,605	3,097
41	American International Group	103,189	-10,949
42	Lloyds Banking Group	102,967	4,409
43	Cardinal Health	99,613	1,152
44	Nestlé	99,114	9,604

Source: Adapted from *Fortune* 500 List 2010, http://money.cnn.com/magazines/fortune/global500/2010/full_list/ (accessed August 11, 2011).

Rank	Company	Revenues (\$ millions)	Profits (\$ millions)
45	CVS Caremark	98,729	3,696
46	Wells Fargo	98,636	12,275
47	Hitachi	96,593	-1,152
48	International Business Machines	95,758	13,425
49	Dexia Group	95,144	1,404
50	Gazprom	94,472	24,556
51	Honda Motor	92,400	2,891
52	Électricité de France	92,204	5,428
53	Aviva	92,140	1,692
54	Petrobras	91,869	15,504
55	Royal Bank of Scotland	91,767	-4,167
56	PDVSA	91,182	1,608
57	Metro	91,152	532
58	Tesco	90,234	3,690
59	Deutsche Telekom	89,794	491
60	Enel	89,329	7,499
61	UnitedHealth Group	87,138	3,822
62	Société Générale	84,157	942
63	Nissan Motor	80,963	456
64	Pemex	80,722	-7,011
65	Panasonic	79,893	-1,114
66	Procter & Gamble	79,697	13,436
67	LG	78,892	1,206
68	Telefónica	78,853	10,808
69	Sony	77,696	-439
70	Kroger	76,733	70
71	Groupe BPCE	76,464	746
72	Prudential	75,010	1,054
73	Munich Re Group	74,764	3,504
74	Statoil	74,000	2,912
75	Nippon Life Insurance	72,051	2,624
76	AmerisourceBergen	71,789	503
77	China Mobile Communications	71,749	11,656
78	Hyundai Motor	71,678	2,330
79	Costco Wholesale	71,422	1,086
80	Vodafone	70,899	13,782
81	BASF	70,461	1,960
82	BMW	70,444	284
83	Zurich Financial Services	70,272	3,215
84	Valero Energy	70,035	-1,982
85	Fiat	69,639	-1,165
86	Deutsche Post	69,427	895
87	Industrial & Commercial Bank of China	69,295	18,832
88	Archer Daniels Midland	69,207	1,707
89	Toshiba	68,731	-213

Source: Adapted from *Fortune 500 List 2010*, http://money.cnn.com/magazines/fortune/global500/2010/full_list/ (accessed August 11, 2011).

Rank	Company	Revenues (\$ millions)	Profits (\$ millions)
90	Legal & General Group	68,290	1,346
91	Boeing	68,281	1,312
92	US Postal Service	68,090	-3,794
93	Lukoil	68,025	7,011
94	Peugeot	67,297	-1,614
95	CNP Assurances	66,556	1,396
96	Barclays	66,533	14,648
97	Home Depot	66,176	2,661
98	Target	65,357	2,488
99	ArcelorMittal	65,110	118
100	WellPoint	65,028	4,746

Source: Adapted from *Fortune 500 List 2010*, http://money.cnn.com/magazines/fortune/global500/2010/full_list/ (accessed August 11, 2011).



Global HR Trends

Howard Wallack, director of Global Member programs for the Society for Human Resource Management (SHRM), talks about some of the global HR trends and gives tips on how to deal with these trends from the HR perspective.



View the video online at: <http://www.youtube.com/v/JKPJif3ly0>

1.2 HRM Global Strategies

transnational scope

When HRM decisions can be made based on the international scope rather than the domestic one.

transnational representation

When the composition of the firm's managers and executives is a multinational one.

transnational process

Refers to the extent to which ideas that contribute to the organization come from a variety of perspectives and ideas from all countries in which the organization operates.

When discussing HRM from the global perspective, there are many considerations. Culture, language, management styles, and laws would all be considerations before implementing HRM strategies. Beechler et al.^[3] argued that for multinational companies, identifying the best HRM processes for the entire organization isn't the goal, but rather finding the best fit between the firm's external environment (i.e., the law) and the company's overall strategy, HRM policies, and implementation of those policies. To this end, Adler and Bartholomew developed a set of transnational competencies that are required for business to thrive in a global business environment.^[4] A **transnational scope** means that HRM decisions can be made based on an international scope; that is, HRM strategic decisions can be made from the global perspective rather than a domestic one. With this HRM strategy, decisions take into consideration the needs of all employees in all countries in which the company operates. The concern is the ability to establish standards that are fair for all employees, regardless of which country they operate in. A **transnational representation** means that the composition of the firm's managers and executives should be a multinational one. A **transnational process**, then, refers to the extent to which ideas that contribute to the organization come from a variety of perspectives and ideas from all countries in which the organization operates. Ideally, all company processes will be based on the transnational approach. This approach means that multicultural understanding is taken into consideration, and rather than trying to get international employees to fit within the scope of the domestic market, a more holistic approach to HRM is used. Using a transnational approach means that HRM policies and practices are a crucial part of a successful business, because they can act as mechanisms for coordination and control for the international operations.^[5] In other words, HRM can be the glue that sticks many independent operations together.

Before we look at HRM strategy on the global level, let's discuss some of the considerations before implementing HRM systems.

1.3 Culture as a Major Aspect of HRM Overseas

Culture is a key component to managing HRM on a global scale. Understanding culture but also appreciating cultural differences can help the HRM strategy be successful in any country. Geert Hofstede, a researcher in the area of culture, developed a list of five cultural dimensions that can help define how cultures are different.^[6]

The first dimension of culture is **individualism-collectivism**. In this dimension, Hofstede describes the degree to which individuals are integrated into groups. For example, in the United States, we are an individualist society; that is, each person looks after him- or herself and immediate family. There is more focus on individual accomplishments as opposed to group accomplishments. In a collective society, societies are based on cohesive groups, whether it be family groups or work groups. As a result, the focus is on the good of the group, rather than the individual.

individualism-collectivism

One of Hofstede's cultural dimensions; describes the degree to which individuals are integrated into groups.

Power distance, Hofstede's second dimension, refers to the extent to which the less powerful members of organizations accept that power is not distributed equally. For example, some societies may seek to eliminate differences in power and wealth, while others prefer a higher power distance. From an HRM perspective, these differences may become clear when employees are asked to work in cross-functional teams. A Danish manager may have no problem taking advice from employees because of the low power distance of his culture, but a Saudi Arabian manager may have issues with an informal relationship with employees, because of the high power distance.

Uncertainty avoidance refers to how a society tolerates uncertainty. Countries that focus more on avoidance tend to minimize the uncertainty and therefore have stricter laws, rules, and other safety measures. Countries that are more tolerant of uncertainty tend to be more easygoing and relaxed. Consider the situation in which a company in the United States decides to apply the same HRM strategy to its operations in Peru. The United States has an uncertainty avoidance score of 46, which means the society is more comfortable with uncertainty. Peru has a high uncertainty avoidance, with a score of 87, indicating the society's low level of tolerance for uncertainty. Let's suppose a major part of the pay structure is bonuses. Would it make sense to implement this same compensation plan in international operations? Probably not.

Masculinity and femininity refers to the distribution of emotional roles between genders, and which gender norms are accepted by society. For example, in countries that are focused on femininity, traditional "female" values such as caring are more important than, say, showing off. The implications to HRM are huge. For example, Sweden has a more feminine culture, which is demonstrated in its management practices. A major component in managers' performance appraisals is to provide mentoring to employees. A manager coming from a more masculine culture may not be able to perform this aspect of the job as well, or he or she may take more practice to be able to do it.

The last dimension is **long-term–short-term orientation**, which refers to the society's time horizons. A long-term orientation would focus on future rewards for work now, persistence, and ordering of relationships by status. A short-term orientation may focus on values related to the past and present such as national pride or fulfillment of current obligations. We can see HRM dimensions with this orientation in succession planning, for example. In China the person getting promoted might be the person who has been with the company the longest, whereas in short-term orientation countries like the United States, promotion is usually based on merit. An American working for a Chinese company may get upset to see someone promoted who doesn't do as good of a job, just because they have been there longer, and vice versa.

Based on Hofstede's dimensions, you can see the importance of culture to development of an international HRM strategy. To utilize a transnational strategy, all these components should be factored into all decisions such as hiring, compensation, and training. Since culture is a key component in HRM, it is important now to define some other elements of culture.

FIGURE 14.1

One of the factors of culture is nonverbal language, such as the use of handshakes, kissing, or bowing.



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power distance

One of Hofstede's cultural dimensions; refers to the extent to which the less powerful members of organizations accept that power is not distributed equally.

uncertainty avoidance

One of Hofstede's cultural dimensions; refers to how a society tolerates uncertainty.

masculinity and femininity

One of Hofstede's cultural dimensions; refers to the distribution of emotional roles between genders, and which gender norms are accepted by society.

long-term–short-term orientation

One of Hofstede's cultural dimensions; refers to the society's time horizons.

TABLE 14.3 Examples of Countries and Hofstede's Dimensions

Country	Power Distance	Individualism/Collectivism	Masculinity/Femininity	Uncertainty Avoidance	Long/Short Term Orientation
New Zealand	22	79	58	49	30
UK	35	89	66	35	25
United States	40	91	62	46	29
Japan	54	46	95	92	80
Taiwan	58	17	45	69	87
Zambia	64	27	41	52	25
India	77	48	56	40	61
China	80	20	66	40	118
Philippines	94	32	64	44	19
Chile	63	23	28	86	(this dimension was only studied in 23 countries)

Power distance: Refers to the comfort level of power differences among society members. A lower score shows greater equality among levels of society, such as New Zealand.

Individualism/collectivism: A high ranking here, such as the United States, means there is more concern for the individualistic aspects of society as opposed to collectivism. Countries with high scores on individualism means the people tend to be more self-reliant.

Masculinity/femininity: A lower score may indicate lower levels of differentiation between genders. A lower score, such as Chile, may also indicate a more openly nurturing society.

Uncertainty avoidance: Refers to the tolerance for uncertainty. A high score, such as Japan's, means there is lower tolerance for uncertainty, so rules, laws, policies, and regulations are implemented.

Long/short term orientation: Refers to thrift and perseverance, overcoming obstacles with time (long-term orientation), such as China, versus tradition, social obligations.

culture

Refers to the socially accepted ways of life within a society.

norms

Shared expectations about what is considered correct and normal behavior.

values

In a culture, the classification of things as good or bad within a society.

rituals

Scripted ways of interacting that usually result in a specific series of events.

material culture

The items a culture holds important, such as artwork, technology, and architecture.

Culture refers to the socially accepted ways of life within a society. Some of these components might include language, **norms**, **values**, **rituals**, and **material culture** such as art, music, and tools used in that culture. Language is perhaps one of the most obvious parts of culture. Often language can define a culture and of course is necessary to be able to do business. HRM considerations for language might include something as simple as what language (the home country or host country) will documents be sent in? Is there a standard language the company should use within its communications?

Fortune 500 Focus

For anyone who has traveled, seeing a McDonald's overseas is common, owing to the need to expand markets. McDonald's is perhaps one of the best examples of using cultural sensitivity in setting up its operations despite criticism for aggressive globalization. Since food is usually a large part of culture, McDonald's knew that when globalizing, it had to take culture into consideration to be successful. For example, when McDonald's decided to enter the Indian market in 2009, it knew it needed a vegetarian product. After several hundred versions, local McDonald's executives finally decided on the McSpicy Paneer as the main menu item. The spicy Paneer is made from curd cheese and reflects the values and norms of the culture.^[7]

In Japan, McDonald's developed the Teriyaki Burger and started selling green tea ice cream. When McDonald's first started competing in Japan, there really was no competition at all, but not for the reason you might think. Japanese people looked at McDonald's as a snack rather than a meal because of their cultural values. Japanese people believe that meals should be shared, which can be difficult with McDonald's food. Second, the meal did not consist of rice, and a real Japanese meal includes rice—a part of the national identity^[8] and values. Most recently, McDonald's introduced the McBaguette in France to align with French cultural values.^[9] The McBaguettes will be produced in France and come with a variety of jams, a traditional French breakfast. Just like in product development, HRM must understand the differences between cultures to create the best HRM systems that work for the individual culture.

Norms are shared expectations about what is considered correct and normal behavior. Norms allow a society to predict the expected behavior and be able to act in this manner. For many companies operating in the United States, a norm might be to dress down for work, no suit required. But if doing business overseas, that country's norm might be to wear a suit. Not understanding the norms of a culture can offend potential clients, customers, and colleagues.

Values, another part of culture, classify things as good or bad within a society. Values can evoke strong emotional feelings from a person or a society. For example, burning of the American flag results in strong emotions because values (love of country and the symbols that represent it) are a key component of how people view themselves, and how a culture views society. In April 2011, a pastor in Florida burned a holy book, the Koran, which sparked outrage from the Muslim community all over the world. This is an example of a strongly held value that when challenged can result in community rage.^[10]

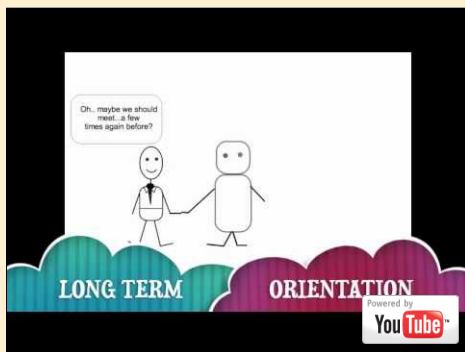
Rituals are scripted ways of interacting that usually result in a specific series of events. Consider a wedding in the United States, for example. The basic wedding rituals (first dance, cutting of cake, speech from best man and bridesmaid) are practiced throughout society. Besides the more formalized rituals within a society, such as weddings or funerals, daily rituals, such as asking someone “How are you?” (when you really don’t want to know the answer) are part of culture, too. Even bonding rituals such as how business cards are exchanged and the amount of eye contact given in a social situation can all be rituals as well.

The material items a culture holds important, such as artwork, technology, and architecture, can be considered material culture. Material culture can range from symbolic items, such as a crucifix, or everyday items, such as a Crockpot or juicer. Understanding the material importance of certain items to a country can result in a better understanding of culture overall.



Cultural Differences

This funny commercial notes examples of cultural differences.



View the video online at: <http://www.youtube.com/v/6gJzRS0I7tA>

Human Resource Recall

Which component of culture do you think is the most important in HRM? Why?

KEY TAKEAWAYS

- *Offshoring* is when a business relocates or moves part of its operations to a country different from the one it currently operates in.
- *Outsourcing* is when a company contracts with another company to do some work for another. This can occur domestically or in an offshoring situation.
- *Domestic* market means that a product is sold only within the country that the business operates in.
- An *international* market means that an organization is selling products in other countries, while a *multinational* one means that not only are products being sold in a country, but operations are set up and run in a country other than where the business began.
- The goal of any HRM strategy is to be transnational, which consists of three components. First, the *transnational scope* involves the ability to make decisions on a global level rather than a domestic one. *Transnational representation* means that managers from all countries in which the business operates are involved in business decisions. Finally, a *transnational process* means that the organization can involve a variety of perspectives, rather than only a domestic one.
- Part of understanding HRM internationally is to understand culture. Hofstede developed five dimensions of culture. First, there is the *individualism-collectivism* aspect, which refers to the tendency of a country to focus on individuals versus the good of the group.
- The second Hofstede dimension is *power distance*, that is, how willing people are to accept unequal distributions of power.
- The third is *uncertainty avoidance*, which means how willing the culture is to accept not knowing future outcomes.
- A *masculine-feminine* dimension refers to the acceptance of traditional male and female characteristics.
- Finally, Hofstede focused on a country's *long-term orientation* versus *short-term orientation* in decision making.
- Other aspects of culture include norms, values, rituals, and material culture. *Norms* are the generally accepted way of doing things, and values are those things the culture finds important. Every country has its own set of *rituals* for ceremonies but also for everyday interactions. *Material culture* refers to the material goods, such as art, the culture finds important.
- Other HRM aspects to consider when entering a foreign market are the economics, the law, and the level of education and skill level of the human capital in that country.

EXERCISE

1. Visit <http://www.geert-hofstede.com/> and view the cultural dimensions of three countries. Then write a paragraph comparing and contrasting all three.

2. STAFFING INTERNATIONALLY

LEARNING OBJECTIVES

1. Be able to explain the three staffing strategies for international businesses and the advantages and disadvantages for each.
2. Explain the reasons for expatriate failures.

One of the major decisions for HRM when a company decides to operate overseas is how the overseas operation will be staffed. This is the focus of this section.

2.1 Types of Staffing Strategy

There are three main staffing strategies a company can implement when entering an overseas market, with each having its advantages and disadvantages. The first strategy is a **home-country national strategy**. This staffing strategy uses employees from the home country to live and work in the country. These individuals are called **expatriates**. The second staffing strategy is a **host-country national strategy**, which means to employ people who were born in the country in which the business is operating. Finally, a third-country national strategy means to employ people from an entirely different country from the home country and host country. Table 14.4 lists advantages and disadvantages of each type of staffing strategy. Whichever strategy is chosen, communication with the home office and strategic alignment with overseas operations need to occur for a successful venture.

TABLE 14.4 Advantages and Disadvantages of the Three Staffing Strategies

	Home-Country National	Host-Country National	Third-Country National
Advantages	Greater control of organization	Language barrier is eliminated	The third-country national may be better equipped to bring the international perspective to the business
	Managers gain experience in local markets	Possible better understanding of local rules and laws	Costs associated with hiring such as visas may be less expensive than with home-country nationals
	Possible greater understanding and implementation of business strategy	Hiring costs such as visas are eliminated	
	Cultural understanding		
	Morale builder for employees of host country		
Disadvantages	Adapting to foreign environment may be difficult for manager and family, and result in less productivity	Host-country manager may not understand business objectives as well without proper training	Must consider traditional national hostilities
	Expatriate may not have cultural sensitivity	May create a perception of “us” versus “them”	The host government and/or local business may resent hiring a third-country national
	Language barriers		Can affect motivation of local workers
	Cost of visa and hiring factors		

home-country national strategy

This staffing strategy uses employees from the home country to live and work in the country.

expatriate

An employee from the home country who is on international assignment in another country.

host-country national strategy

To employ people who were born in the country in which the business is operating.

Human Resource Recall

Compare and contrast a home-country versus a host-country staffing strategy.

2.2 Expatriates

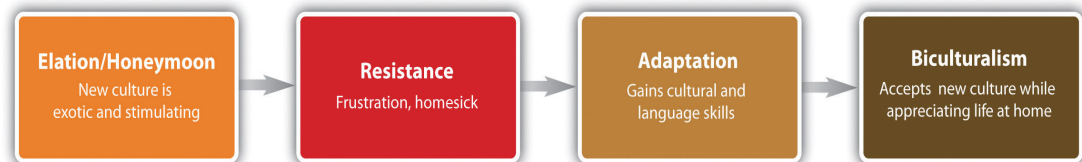
According to Simcha Ronen, a researcher on international assignments, there are five categories that determine expatriate success. They include job factors, relational dimensions, motivational state, family situation, and language skills. The likelihood the assignment will be a success depends on the attributes listed in Table 14.5. As a result, the appropriate selection process and training can prevent some of these failings. Family stress, cultural inflexibility, emotional immaturity, too much responsibility, and longer work hours (which draw the expatriate away from family, who could also be experiencing culture shock) are some of the reasons cited for expatriate failure.

TABLE 14.5 Categories of Expatriate Success Predictors with Examples

Job Factors	Relational Dimensions	Motivational State	Family Situation	Language Skills
Technical skills	Tolerance for ambiguity	Belief in the mission	Willingness of spouse to live abroad	Host-country language
Familiarity with host country and headquarters operations	Behavioral flexibility	Congruence with career path	Adaptive and supportive spouse	Nonverbal communication
Managerial skills	Nonjudgmentalism	Interest in overseas experience	Stable marriage	
Administrative competence	Cultural empathy and low ethnocentrism	Interest in specific host-country culture		
	Interpersonal skills	Willingness to acquire new patterns of behavior and attitudes		

Source: Adapted from Simcha Ronen, *Training the International Assignee* (San Francisco: Jossey-Bass, 1989), 426–40.

Most expatriates go through four phases of adjustment when they move overseas for an assignment. They include **elation/honeymoon**, **resistance**, **adaption**, and **biculturalism**. In the elation phase, the employee is excited about the new surroundings and finds the culture exotic and stimulating. In the resistance phase, the employee may start to make frequent comparisons between home and host country and may seek out reminders of home. Frustration may occur because of everyday living, such as language and cultural differences. During the adaptation phase, the employee gains language skills and starts to adjust to life overseas. Sometimes during this phase, expatriates may even tend to reject their own culture. In this phase, the expatriate is embracing life overseas. In the last phase, biculturalism, the expatriate embraces the new culture and begins to appreciate his old life at home equally as much as his new life overseas. Many of the problems associated with expatriate failures, such as family life and cultural stress, have diminished.

FIGURE 14.2 Phases of Expatriate Adjustment

elation/honeymoon

A phase of expatriate adjustment; the employee is excited about the new surroundings and finds the culture exotic and stimulating.

resistance

A phase of expatriate adjustment; the employee may start to make frequent comparisons between home and host country and may seek out reminders of home. Frustration may occur because of everyday living, such as language and cultural differences.

adaption

A phase of expatriate adjustment; the employee gains language skills and starts to adjust to life overseas. Sometimes during this phase expatriates may even tend to reject their own culture. In this phase, the expatriate is embracing life overseas.

biculturalism

A phase of expatriate adjustment; the expatriate embraces the new culture and begins to appreciate his old life at home as much as his new life overseas. Many of the problems associated with expatriate failures, such as family life and cultural stress, have diminished.



Expatriate Failures

A short discussion on why international assignments fail.



View the video online at: <http://www.youtube.com/v/yWSDhA2mUqM>

2.3 Host-Country National

The advantage, as shown in Table 14.4, of hiring a host-country national can be an important consideration when designing the staffing strategy. First, it is less costly in both moving expenses and training to hire a local person. Some of the less obvious expenses, however, may be the fact that a host-country national may be more productive from the start, as he or she does not have many of the cultural challenges associated with an overseas assignment. The host-country national already knows the culture and laws, for example. In Russia, 42 percent of respondents in an expatriate survey said that companies operating there are starting to replace expatriates with local specialists. In fact, many of the respondents want the Russian government to limit the number of expatriates working for a company to 10 percent.^[11] When globalization first occurred, it was more likely that expatriates would be sent to host countries, but in 2011, many global companies are comfortable that the skills, knowledge, and abilities of managers exist in the countries in which they operate, making the hiring of a host-country national a favorable choice. Also important are the connections the host-country nationals may have. For example, Shiv Argawal, CEO of ABC Consultants in India, says, “An Indian CEO helps influence policy and regulations in the host country, and this is the factor that would make a global company consider hiring local talent as opposed to foreign talent.”^[12]

2.4 Third-Country Nationals

One of the best examples of third-country nationals is the US military. The US military has more than seventy thousand third-country nationals working for the military in places such as Iraq and Afghanistan. For example, a recruitment firm hired by the US military called Meridian Services Agency recruits hairstylists, construction workers, and electricians from all over the world to fill positions on military bases.^[13] Most companies who utilize third-country national labor are not new to multinational businesses. The majority of companies who use third-country national staffing have many operations already overseas. One example is a multinational company based in the United States that also has operations in Spain and transfers a Spanish manager to set up new operations in Argentina. This would be opposed to the company in the United States sending an American (expatriate) manager to Argentina. In this case, the third-country national approach might be the better approach because of the language aspect (both Spain and Argentina speak Spanish), which can create fewer costs in the long run. In fact, many American companies are seeing the value in hiring third-country nationals for overseas assignments. In an *International Assignments Survey*,^[14] 61 percent of United States–based companies surveyed increased the use of third-country nationals by 61 percent, and of that number, 35 percent have increased the use of third-country nationals to 50 percent of their workforce. The main reason why companies use third-country nationals as a staffing strategy is the ability of a candidate to represent the company’s interests and transfer corporate technology and competencies. Sometimes the best person to do this isn’t based in the United States or in the host country.

KEY TAKEAWAYS

- There are three types of staffing strategies for an international business. First, in the *home-country national strategy*, people are employed from the home country to live and work in the country. These individuals are called *expatriates*. One advantage of this type of strategy is easier application of business objectives, although an expatriate may not be culturally versed or well accepted by the host-country employees.
- In a *host-country strategy*, workers are employed within that country to manage the operations of the business. Visas and language barriers are advantages of this type of hiring strategy.
- A *third-country national staffing strategy* means someone from a country, different from home or host country, will be employed to work overseas. There can be visa advantages to using this staffing strategy, although a disadvantage might be morale lost by host-country employees.

EXERCISES

1. Choose a country you would enjoy working in, and visit that country's embassy page. Discuss the requirements to obtain a work visa in that country.
2. How would you personally prepare an expatriate for an international assignment? Perform additional research if necessary and outline a plan.

3. INTERNATIONAL HRM CONSIDERATIONS

LEARNING OBJECTIVES

1. Be able to explain how the selection process for an expatriate differs from a domestic process.
2. Explain possible expatriate training topics and the importance of each.
3. Identify the performance review and legal differences for international assignments.
4. Explain the logistical considerations for expatriate assignments.

In an international environment, as long as proper research is performed, most HRM concepts can be applied. The important thing to consider is proper research and understanding of cultural, economic, and legal differences between countries. This section will provide an overview of some specific considerations for an international business, keeping in mind that with awareness, any HRM concept can be applied to the international environment. In addition, it is important to mention again that host-country offices should be in constant communication with home-country offices to ensure policies and practices are aligned with the organization.

3.1 Recruitment and Selection

As we discussed in Section 2, understanding which staffing strategy to use is the first aspect of hiring the right person for the overseas assignment. The ideal candidate for an overseas assignment normally has the following characteristics:

1. **Managerial competence:** technical skills, leadership skills, knowledge specific to the company operations.
2. **Training:** The candidate either has or is willing to be trained on the language and culture of the host country.
3. **Adaptability:** The ability to deal with new, uncomfortable, or unfamiliar situations and the ability to adjust to the culture in which the candidate will be assigned.

As we discussed earlier, when selecting an expatriate or a third-country national for the job, assuring that the candidate has the job factors, relational dimensions, motivational state, family situation, and language skills (or can learn) is a key consideration in hiring the right person. Some of the costs associated with failure of an expatriate or third-country national might include the following:

1. Damage to host-country relationships
2. Motivation of host-country staff

3. Costs associated with recruitment and relocation
4. Possible loss of that employee once he or she returns
5. Missed opportunities to further develop the market

Because success on an overseas assignment has such complex factors, the selection process for this individual should be different from the selection process when hiring domestically. The process should start with the job analysis, as we discussed in Chapter 4. The job analysis and job description should be different for the overseas assignment, since we know that certain competencies (besides technical ones) are important for success. Most of those competencies have little to do with the person's ability to do the job but are related to his or her ability to do the job in a new cultural setting. These additional competencies (besides the skills needed for the job) may be considered:

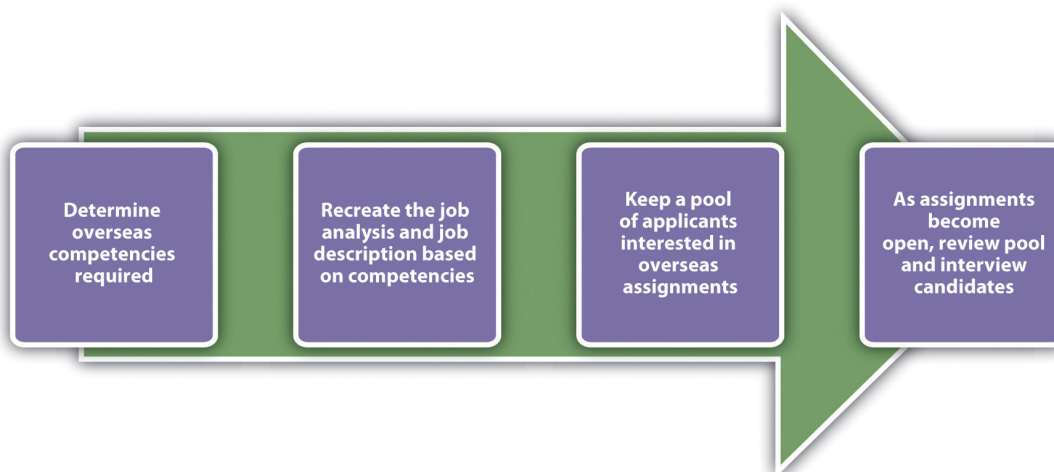
1. Experience working internationally
2. Extroverted
3. Stress tolerance
4. Language skills
5. Cultural experiences

Once the key success factors are determined, many of which can be based on previous overseas assignments successes, we can begin to develop a pool of internal candidates who possess the additional competencies needed for a successful overseas assignment.

To develop the pool, career development questions on the performance review can be asked to determine the employee's interest in an overseas assignment. Interest is an important factor; otherwise, the chance of success is low. If there is interest, this person can be recorded as a possible applicant. An easy way to keep track of interested people is to keep a spreadsheet of interested parties, skills, languages spoken, cultural experiences, abilities, and how the candidates meet the competencies you have already developed.

Once an overseas assignment is open, you can view the pool of interested parties and choose the ones to interview who meet the competencies required for the particular assignment.

FIGURE 14.3 Sample Selection Process for Overseas Assignments



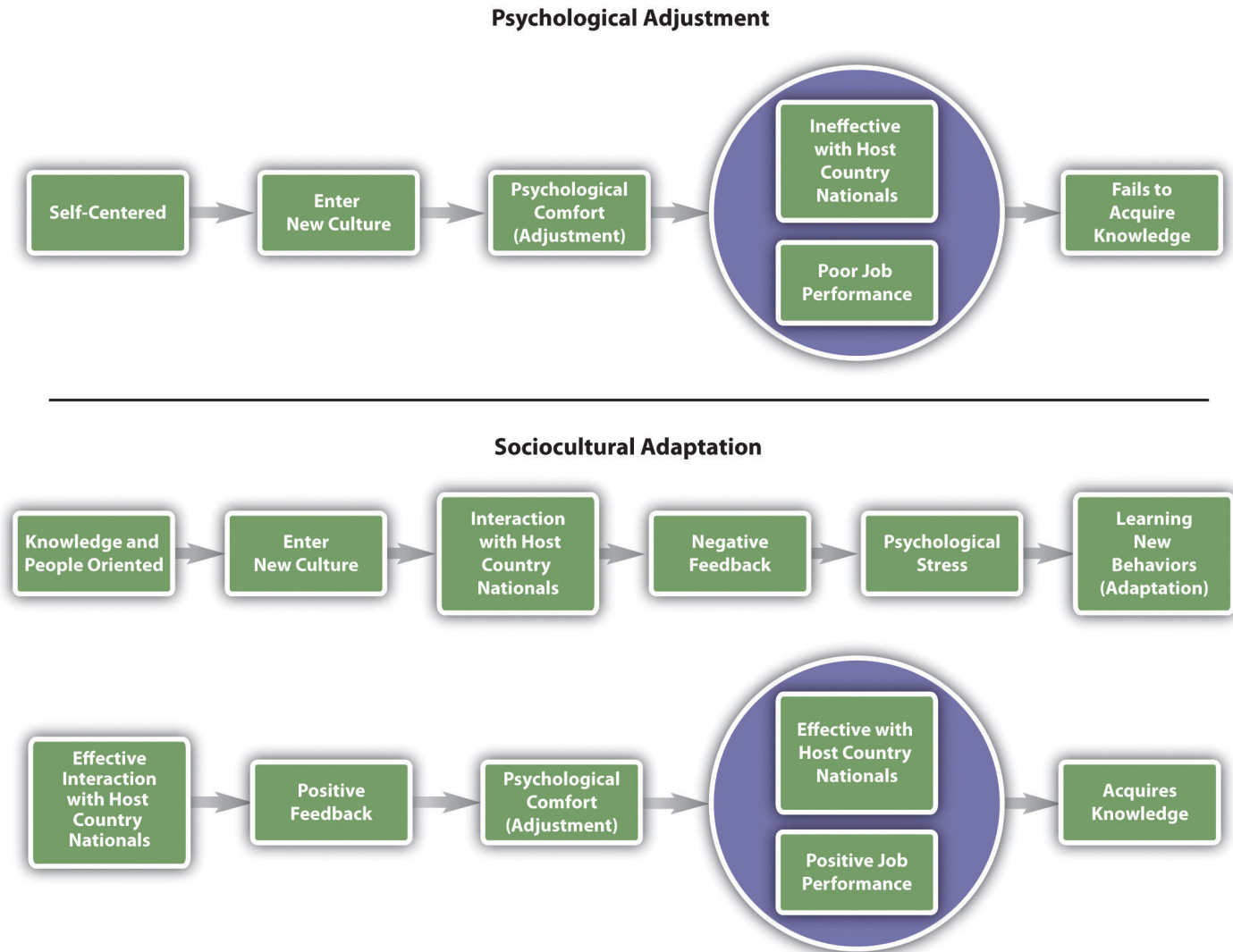
3.2 Training

Much of the training may include cultural components, which were cited by 73 percent of successful expatriates as key ingredients to success.^[15]

Training isn't always easy, though. The goal is not to help someone learn a language or cultural traditions but to ensure they are immersed in the sociocultural aspects of the new culture they are living in. Roger N. Blakeney,^[16] an international business researcher, identifies two main pathways to adapting to a new culture. First, people adjust quickly from the psychological perspective but not the social one. Blakeney argues that adjusting solely from the psychological perspective does not make an effective expatriate. Although it may take more time to adjust, he says that to be fully immersed and to fully understand and be productive in a culture, the expatriate must also have sociocultural adaptation. In other words, someone who can adjust from a sociocultural perspective ends up performing better

because he or she has a deeper level of understanding of the culture. Determining whether your candidate can gain this deeper level would figure in your selection process.

FIGURE 14.4 Blakeney's Model of Psychological versus Sociocultural Adaptation



Source: Roger Blakeney, "Psychological Adjustment and Sociocultural Adaptation: Coping on International Assignments" (paper, Annual Meeting of Academy of Management, Atlanta, GA, 2006).

One of the key decisions in any global organization is whether training should be performed in-house or an outside company should be hired to provide the training. For example, Communicaid offers on-line and on-site training on a variety of topics listed. Whether in-house or external training is performed, there are five main components of training someone for an overseas assignment:

1. Language
2. Culture
3. Goal setting
4. Managing family and stress
5. Repatriation

Training on languages is a basic yet necessary factor to the success of the assignment. Although to many, English is the international business language, we shouldn't discount the ability to speak the language of the country in which one is living. Consider Japan's largest online retailer, Rakuten, Inc. It mandated that English will be the standard language by March 2012.^[17] Other employers, such as Nissan and Sony, have made similar mandates or have already implemented an English-only policy. Despite this, a large percentage of your employee's time will be spent outside work, where mastery of the language is important to enjoy living in another country. In addition, being able to discuss and negotiate in the mother tongue of the country can give your employee greater advantages when working on

an overseas assignment. Part of language, as we discussed in Chapter 9, isn't only about what you say but also includes all the nonverbal aspects of language. Consider the following examples:

- In the United States, we place our palm upward and use one finger to call someone over. In Malaysia, this is only used for calling animals. In much of Europe, calling someone over is done with palm down, making a scratching motion with the fingers (as opposed to one finger in the United States). In Columbia, soft handclaps are used.
- In many business situations in the United States, it is common to cross your legs, pointing the soles of your shoes to someone. In Southeast Asia, this is an insult since the feet are the dirtiest and lowest part of the body.
- Spatial differences are an aspect of nonverbal language as well. In the United States, we tend to stand thirty-six inches (an arm length) from people, but in Chile, for example, the space is much smaller.
- Proper greetings of business colleagues differ from country to country.
- The amount of eye contact varies. For example, in the United States, it is normal to make constant eye contact with the person you are speaking with, but in Japan it would be rude to make constant eye contact with someone with more age or seniority.

The goal of cultural training is to train employees what the “norms” are in a particular culture. Many of these norms come from history, past experience, and values. Cultural training can include any of the following topics:

1. Etiquette
2. Management styles
3. History
4. Religion
5. The arts
6. Food
7. Geography
8. Logistics aspects, such as transportation and currency
9. Politics

Cultural training is important. Although cultural implications are not often discussed openly, not understanding the culture can harm the success of a manager when on overseas assignment. For example, when Revlon expanded its business into Brazil, one of the first products it marketed was a Camellia flower scented perfume. What the expatriate managers didn't realize is that the Camellia flower is used for funerals, so of course, the product failed in that country.^[18] Cultural implications, such as management style, are not always so obvious. Consider the US manager who went to Mexico to manage a production line. He applied the same management style that worked well in America, asking a lot of questions and opinions of employees. When employees started to quit, he found out later that employees expect managers to be the authority figure, and when the manager asked questions, they assumed he didn't know what he was doing.

Training on the goals and expectations for the expatriate worker is important. Since most individuals take an overseas assignment to boost their careers, having clear expectations and understanding of what they are expected to accomplish sets the expatriate up for success.

Because moving to a new place, especially a new country, is stressful, it is important to train the employee on managing stress, homesickness, culture shock, and likely a larger workload than the employee may have had at home. Some stress results from insecurity and homesickness. It is important to note that much of this stress occurs on the family as well. The expatriate may be performing and adjusting well, but if the family isn't, this can cause greater stress on the employee, resulting in a failed assignment. Four stages of expatriate stress identified in the Selyes model, the General Adaptation Syndrome, are shown in Figure 14.5. The success of overseas employees depends greatly on their ability to adjust, and training employees on the stages of adjustment they will feel may help ease this problem.



Cultural Differences

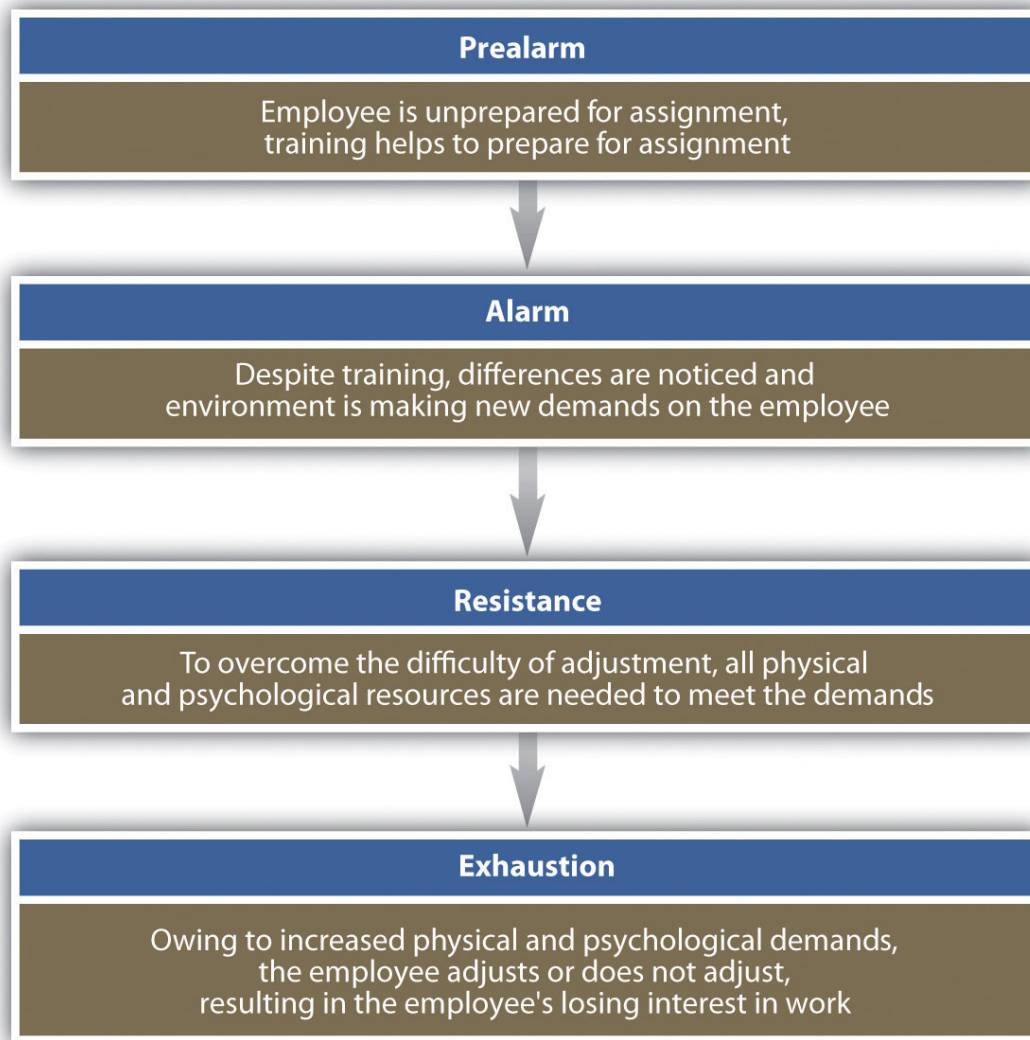
These two videos discuss practical implications of cultural differences.



View the video online at: <http://www.youtube.com/v/jcs8MikmT0w>



View the video online at: <http://www.youtube.com/v/aWtPc3y1wyw>

FIGURE 14.5 General Adaption Syndrome to Explain Expatriate Stress

Source: Bala Koteswari and Mousumi Bhattacharya, "Managing Expatriate Stress," *Delhi Business Review* 8, no. 1 (2007): 89–98.

Spouses and children of the employee may also experience much of the stress the expatriate feels. Children's attendance at new schools and lack of social networks, as well as possible sacrifice of a spouse's career goal, can negatively impact the assignment. Many companies offer training not only for the employee but for the entire family when engaging in an overseas assignment. For example, global technology and manufacturing company Honeywell offers employees and their families a two-day cultural orientation on the region they will be living in.^[19] Some of the reasons for lack of adjustment by family members might include the following:

1. Language issues
2. Social issues
3. Schooling
4. Housing
5. Medical services

The ability of the organization to meet these family needs makes for a more successful assignment. For example, development of an overseas network to provide social outlets, activities, schooling and housing options, assignment of mentors to the spouse, and other methods can help ease the transition.

repatriation

The process of helping employees make the transition to their home country.

reverse culture shock

Refers to the psychological phenomenon that can lead to feelings of fear, helplessness, irritability, and disorientation when an expatriate returns home.

Finally, **repatriation** is the process of helping employees make the transition to their home country. Many employees experience **reverse culture shock** upon returning home, which is a psychological phenomenon that can lead to feelings of fear, helplessness, irritability, and disorientation. All these factors can cause employees to leave the organization soon after returning from an assignment, and to take their knowledge with them. One problem with repatriation is that the expatriate and family have assumed things stayed the same at home, while in fact friends may have moved, friends changed, or new managers may have been hired along with new employees. Although the manager may be on the same level as other managers when he or she returns, the manager may have less informal authority and clout than managers who have been working in the particular office for a period of time. An effective repatriation program can cost \$3,500 to \$10,000 per family, but the investment is worth it given the critical skills the managers will have gained and can share with the organization. In fact, many expatriates fill leadership positions within organizations, leveraging the skills they gained overseas. One such example is FedEx president and CEO David Bronczek and executive vice president Michael Drucker. Tom Mullady, the manager of international compensation planning at FedEx, makes the case for a good repatriation program when he says, “As we become more and more global, it shows that experience overseas is leveraged back home.”^[20]

Repatriation planning should happen before the employee leaves on assignment and should be a continuous process throughout the assignment and upon return. The process can include the following:

- Training and counseling on overseas assignment before leaving
- Clear understanding of goals before leaving, so the expatriate can have a clear sense as to what new skills and knowledge he or she will bring back home
- Job guarantee upon return (Deloitte and Touche, for example, discusses which job each of the two hundred expats will take after returning, before the person leaves, and offers a written letter of commitment.^[21])
- Assigning the expatriate a mentor, ideally a former expatriate
- Keeping communication from home open, such as company newsletters and announcements
- Free return trips home to stay in touch with friends and family
- Counseling (at Honeywell, employees and families go through a repatriation program within six months of returning.^[22])
- Sponsoring brown bag lunches where the expatriate can discuss what he or she learned while overseas
- Trying to place expatriates in positions where they can conduct business with employees and clients from where they lived

It is also important to note that offering an employee an international assignment can help develop that person’s understanding of the business, management style, and other business-related development. Working overseas can be a crucial component to succession planning. It can also be a morale booster for other employees, who see that the chosen expatriate is further able to develop his or her career within the organization.

While the focus of this section has been on expatriate assignments, the same information on training is true for third-country nationals.

If it is decided that host-country nationals will be hired, different training considerations might occur. For example, will they spend some time at your domestic corporate headquarters to learn the business, then apply what they learned when they go home? Or, does it make more sense to send a domestic manager overseas to train the host-country manager and staff? Training will obviously vary based on the type of business and the country, and it may make sense to gain input from host-country managers as opposed to developing training on your own. As we have already discussed in this chapter, an understanding of the cultural components is the first step to developing training that can be utilized in any country.

3.3 Compensation and Rewards

There are a few options when choosing compensation for a global business. The first option is to maintain companywide pay scales and policies, so for example, all sales staff are paid the same no matter what country they are in. This can reduce inequalities and simplify recording keeping, but it does not address some key issues. First, this compensation policy does not address that it can be much more expensive to live in one place versus another. A salesperson working in Japan has much higher living expenses than a salesperson working in Peru, for example. As a result, the majority of organizations thus choose to use a pay banding system based on regions, such as South America, Europe, and North

localized compensation strategy

A international compensation strategy that uses regional or local cost-of-living information to pay employees.

America. This is called a **localized compensation strategy**. Microsoft and Kraft Foods both use this approach. This method provides the best balance of cost-of-living considerations.

However, regional pay banding is not necessarily the ideal solution if the goal is to motivate expatriates to move. For example, if the employee has been asked to move from Japan to Peru and the salary is different, by half, for example, there is little motivation for that employee to want to take an assignment in Peru, thus limiting the potential benefits of mobility for employees and for the company.

One possible option is to pay a similar base salary companywide or regionwide and offer expatriates an allowance based on specific market conditions in each country.^[23] This is called the **balance sheet approach**. With this compensation approach, the idea is that the expatriate should have the same standard of living that he or she would have had at home. Four groups of expenses are looked at in this approach:

1. Income taxes
2. Housing
3. Goods and services
4. Base salary
5. Overseas premium

The HR professional would estimate these expenses within the home country and costs for the same items in the host country. The employer then pays differences. In addition, the base salary will normally be in the same range as the home-country salary, and an **overseas premium** might be paid owing to the challenge of an overseas assignment. An overseas premium is an additional bonus for agreeing to take an overseas assignment. There are many companies specializing in cost-of-living data, such as Mercer Reports. It provides cost-of-living information at a cost of \$600 per year. Table 14.6 shows a hypothetical example of how the balance sheet approach would work.

TABLE 14.6 The Balance Sheet Approach to Compensation

	Chicago, IL	Tokyo	Allowance
Tax rate	30%	35%	5% or \$288/month
Housing	\$1250	\$1800	\$550
Base salary	\$5400	\$5,750	\$350
Overseas premium		15%	\$810
Total allowance			\$1998
Total salary and allowance	\$5400		\$7748

Other compensation issues, which will vary greatly from country to country, might include the following:

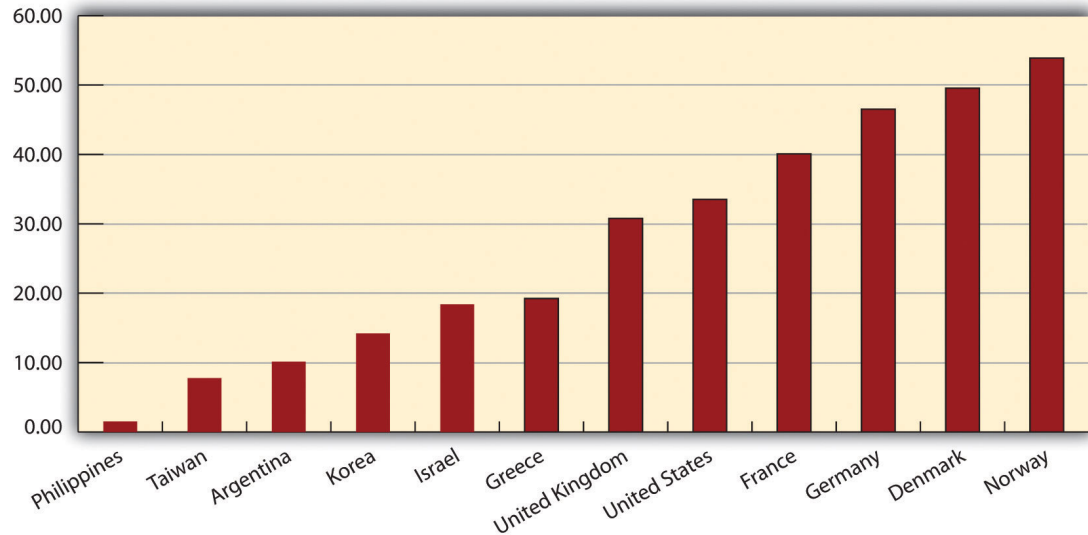
1. **The cost of benefits in another country.** Many countries offer universal health care (offset by higher taxes), and therefore the employee would have health benefits covered while working and paying taxes in that country. Canada, Finland, and Japan are examples of countries that have this type of coverage. In countries such as Singapore, all residents receive a catastrophic policy from the government, but they need to purchase additional insurance for routine care.^[24] A number of organizations offer health care for expatriates relocating to another country in which health care is not already provided.
2. **Legally mandated (or culturally accepted) amount of vacation days.** For example, in Australia twenty paid vacation days are required, ten in Canada, thirty in Finland, and five in the Philippines. The average number of US worker vacation days is fifteen, although the number of days is not federally mandated by the government, as with the other examples.^[25]
3. **Legal requirements of profit sharing.** For example, in France, the government heavily regulates profit sharing programs.^[26]
4. **Pay system that works with the country culture, such as pay systems based on seniority.** For example, Chinese culture focuses heavily on seniority, and pay scales should be developed according to seniority. In Figure 14.6, examples of hourly compensation for manufacturing workers are compared.
5. **Thirteenth month (bonus) structures and expected (sometimes mandated) annual lump-sum payments.** Compensation issues are a major consideration in motivating overseas employees. A systematic system should be in place to ensure fairness in compensation for all expatriates.

balance sheet approach

Expatriates are offered a similar base salary companywide or region wide and are given an allowance based on specific market conditions in each country.

overseas premium

An extra amount paid to an expatriate for accepting an overseas assignment.

FIGURE 14.6 Hourly World Compensation Comparisons for Manufacturing Jobs

Source: Bureau of Labor Statistics, Division of International Labor Comparisons, *International Comparisons of Hourly Compensation costs in Manufacturing, 2009*, <http://www.bls.gov/news.release/ichcc.toc.htm> (accessed September 16, 2011).

3.4 Performance Evaluations

The challenge in overseas performance evaluations is determining who should rate the performance of the expatriate. While it might make sense to have the host-country employees and managers rate the expatriate, cultural differences may make this process ineffective. Cultural challenges may make the host country rate the expatriate more harshly, or in some cases, such as Indonesia, harmony is more important than productivity, so it may be likely an Indonesia employee or manager rates the expatriate higher, to keep harmony in the workplace.^[27]

If the home-country manager rates the performance of the expatriate, he or she may not have a clear indication of the performance, since the manager and expatriate do not work together on a day-to-day basis. A study performed by Gregersen, Hite, and Black suggests that a balanced set of raters from host and home countries and more frequent appraisals relate positively to the accuracy of performance evaluations.^[28] They also suggest that the use of a standardized form relates negatively to perceived accuracy. Carrie Shearer, an international HR expert, concurs by stating that the standardized form, if used, should also include special aspects for the expatriate manager, such as how well the expatriate fits in with the culture and adaptation ability.^[29]

Besides determining who should rate the expatriate's performance, the HR professional should determine the criteria for evaluating the expatriate. Since it is likely the expatriate's job will be different overseas, the previous criteria used may not be helpful in the evaluation process. The criteria used to rate the performance should be determined ahead of time, before the expatriate leaves on assignment. This is part of the training process we discussed earlier. Having a clear picture of the rating criteria for an overseas assignment makes it both useful for the development of the employee and for the organization as a tool. A performance appraisal also offers a good opportunity for the organization to obtain feedback about how well the assignment is going and to determine whether enough support is being provided to the expatriate.

3.5 The International Labor Environment

As we have already alluded to in this chapter, understanding of laws and how they relate to host-country employees and expatriates can vary from country to country. Because of this, individual research on laws in the specific countries is necessary to ensure adherence:

1. Worker safety laws
2. Worker compensation laws
3. Safety requirements
4. Working age restrictions
5. Maternity/paternity leaves

6. Unionization laws
7. Vacation time requirements
8. Average work week hours
9. Privacy laws
10. Disability laws
11. Multiculturalism and diverse workplace, antidiscrimination law
12. Taxation

As you can tell from this list, the considerable HRM factors when doing business overseas should be thoroughly researched.

One important factor worth mentioning here is labor unions. As you remember from Chapter 12, labor unions have declined in membership in the United States. Collective bargaining is the process of developing an employment contract between a union and management within an organization. The process of collective bargaining can range from little government involvement to extreme government involvement as in France, for example, where some of the labor unions are closely tied with political parties in the country.

Some countries, such as Germany, engage in **codetermination**, mandated by the government. Codetermination is the practice of company shareholders' and employees' being represented in equal numbers on the boards of organizations, for organizations with five hundred or more employees. The advantage of this system is the sharing of power throughout all levels of the organization; however, some critics feel it is not the place of government to tell companies how their corporation should be run. The goal of such a mandate is to reduce labor conflict issues and increase bargaining power of workers.

Taxation of expatriates is an important aspect of international HRM. Of course, taxes are different in every country, and it is up to the HR professional to know how taxes will affect the compensation of the expatriate. The United States has income tax treaties with forty-two countries, meaning taxing authorities of treaty countries can share information (such as income and foreign taxes paid) on residents living in other countries. US citizens must file a tax return, even if they have not lived in the United States during the tax year. US taxpayers claim over \$90 billion in foreign tax credits on a yearly basis.^[30] **Foreign tax credits** allow expatriates working abroad to claim taxes paid overseas on their US tax forms, reducing or eliminating double taxation. Many organizations with expatriate workers choose to enlist the help of tax accountants for their workers to ensure workers are paying the correct amount of taxes both abroad and in the United States.

codetermination

The practice and legal requirement of company shareholders' and employees' being represented in equal numbers on the boards of organizations.

foreign tax credit

A tax credit in the United States that allows expatriates working abroad to claim taxes paid overseas on their US tax forms, reducing or eliminating double taxation.

TABLE 14.7 Examples of HRM-Related Law Differences between the United States and China

	United States	China*
Employment Contracts	Most states have at-will employment	Contract employment system. All employees must have a written contract
Layoffs	No severance required	Company must be on verge of bankruptcy before it can lay off employees
	Two years of service required to pay severance; more than five years of experience requires a long service payment	
Termination	Employment at will	Employees can only be terminated for cause, and cause must be clearly proved. They must be given 30 days' notice, except in the case of extreme circumstances, like theft
Overtime	None required for salaried employees	Employees who work more than 40 hours must be paid overtime
Salary	Up to individual company	A 13-month bonus is customary, but not required, right before the Chinese New Year
Vacation	No governmental requirement	Mandated by government:
		First year: no vacation
		Year 2–9: 5 days
		Years 10–19: 10 days
Paid Holidays	None required by law	20 years or more: 15 days
		3 total. Chinese New Year, International Labor Day, and National Day. However, workers must “make up” the days by working a day on the previous weekend
Social Security	Required by law for employer and employee to pay into social security	Greater percentages are paid by employer: 22% of salary paid by employer, 8% paid by employee
Discrimination Laws	Per EEOC, cannot discriminate based on race, sex, age, genetic information, or other protected groups	Laws are in place but not enforced
Maternity Leave	Family and Medical Leave Act allows 12 weeks	90 days' maternity leave
*In China, all employees are covered by the Labor Contract Law.		

Source: Harris and Moure, pllc, “China Employment Contracts, Ten Things to Consider,” China Law Blog, http://www.chinalawblog.com/2010/04/china_employment_contracts_ten.html (accessed August 13, 2011) and Cindy Zhang, “Employment Law in China,” June 21, 2011, <http://www.attorneycz.com/> (accessed August 13, 2011).

3.6 Logistics of International Assignments

As you learned earlier, providing training for the expatriate is an important part of a successful assignment. However, many of the day-to-day aspects of living are important, too.

One of the most important logistical aspects is to make sure the employee can legally work in the country where you will be sending him or her, and ensuring his or her family has appropriate documentation as well. A **visa** is permission from the host country to visit, live, or work in that country. Obtaining visas is normally the job of an HR professional. For example, the US Department of State and the majority of countries require that all US citizens have a valid passport to travel to a foreign country. This is the first step to ensuring your host-country national or third-country national can travel and work in that country.

Next, understanding the different types of visas is a component to this process. For example, the United States offers a **Visa Waiver Program (VWP)** that allows some nationals of thirty-six participating countries to travel to the United States for stays of less than ninety days. Iceland, Singapore, and France are examples of countries that participate in this program. For most host-national assignments, however, this type of visa may not be long enough, which then requires research of the individual country. It is important to mention that most countries have several types of visas, such as the following:

1. Visas for crew members working on ships or airlines
2. Tourist visas
3. Student visas

visa

Permission from the host country to visit, live, or work in that country.

Visa Waiver Program (VWP)

Allows some nationals of thirty-six participating countries to travel to the United States for stays of less than ninety days.

4. Employment visas for long-term employment at a foreign company
5. Business visas

The visa process and time line can vary greatly depending on the country for which the visa is required. For example, obtaining a visa to work in China may take six months or longer. The best place to research this topic is on the country's embassy website.

Besides ensuring the expatriate can legally work in the country, other considerations are worth mentioning as well:

1. **Housing.** Where will I live is one of the most important questions that an expatriate may ask. The HR professional can help this process by outsourcing a leasing or rental company in the city where the expatriate will live to find a rental that meets the expectations of the expatriate. Choosing a place to live ahead of time can reduce stress (one of the causes of failure for assignments) for the expatriate and his or her family. Allowances may be made for housing costs, as discussed in the compensation section.
2. **Moving belongings.** Determination of how belongings left behind will be stored at home or if those items will be brought to the host country is another logistical consideration. If items will be brought, beyond what can be carried in a suitcase, the HR professional may want to consider hiring a moving logistics company that specializes in expatriate moves to help with this process.
3. **The possibility of return trips home.** As part of the initial discussion, the option of offering return trips home can make repatriation and performance reviews with home-country managers easier. This also gives the expatriate and his or her family the opportunity to visit with family and friends, reducing reverse culture shock upon return.
4. **Schooling.** Some organizations may want to provide information on the schooling system to the expatriate, if he or she has children. Schools begin at different times of the year, and this information can make the registration process for school easier on the family.
5. **Spousal job.** We know already from earlier in this chapter that one of the biggest challenges facing expatriates (and reasons for failure) is unhappiness of the spouse. He or she may have had a career at home and given that up while the spouse takes an assignment. HR professionals might consider offering job search services as part of the allowance discussed earlier in this chapter. Lockheed Martin, for example, offers job search services to spouses moving overseas.^[31]

In any situation, support from the HR professional will help make the assignment a success, which shows that HRM practices should be aligned with company goals.



How Would You Handle This?

Visa Blues

Your manager has just notified you that one of your marketing managers has taken an assignment in China to work for one year. You tell your manager you will begin the visa process for employment. She disagrees and tells you it will be quicker to just get a tourist visa. You mention this is illegal and could get the employee and company in trouble, but she insists on your getting a tourist visa so the employee can leave within the month. How would you handle this?

How Would You Handle This?

The author discusses the How Would You Handle This situation in this chapter at: <https://api.wistia.com/v1/medias/1361075/embed>.

KEY TAKEAWAYS

- Personality traits are a key component to determining whether someone is a good fit for an overseas assignment. Since 73 percent of overseas assignments fail, ensuring the right match up front is important.
- The ideal expatriate is able to deal with change, is flexible, and has the support of his or her family. Ideal expatriates are also organized, take risks, and are good at asking for help.
- The adjustment period an expatriate goes through depends on his or her initial preparation. Blakeney said there are two levels of adjustment: psychological adjustment and sociocultural adjustment. Although the psychological may take less time, it is the sociocultural adjustment that will allow the assignment to be successful.
- Training is a key component in the HRM global plan, whether expatriates or host-country nationals are to be hired. Both will require a different type of training. Training can reduce culture shock and stress.
- Consideration of the expatriate's family and their ability to adjust can make a more successful overseas assignment
- Compensation is another consideration of a global business. The *balance sheet approach* pays the expatriate extra allowances, such as living expenses, for taking an international assignment.
- Other considerations such as vacation days, health-care benefits, and profit-sharing programs are important as well.
- Laws of each country should be carefully evaluated from an HRM strategic perspective. Laws relating to disabilities, pregnancy, and safety, for example, should be understood before doing business overseas.
- Labor unions have different levels of involvement in different parts of the world. For example, Germany has *codetermination*, a policy that requires companies to have employees sit on various boards.
- The United States has treaties with forty-two countries to share information about expatriates. The United States offers *foreign tax credits* to help expatriates avoid double taxation. However, US citizens must file taxes every year, even if they have not lived in the United States during that year.
- Logistical help can be important to ensuring the success of an overseas assignment. Help with finding a place to live, finding a job for a spouse, and moving can make the difference between a successful assignment and an unsuccessful one.
- The *Visa Waiver Program (VWP)* is a program in which nationals of thirty-six countries can enter the United States for up to a ninety-day period. This type of visa may not work well for expatriates, so it is important to research the type of visa needed from a particular country by using that country's embassy website.

EXERCISE

1. Research the country of your choice. Discuss at least five of the aspects you should know as an HRM professional about doing business in that country.

4. CASES AND PROBLEMS

Chapter Summary

- *Offshoring* is when a business relocates or moves part of its operations to a country different from the one it currently operates in.
- *Outsourcing* is when a company contracts with another company to do some work for another. This can occur domestically or in an offshoring situation.
- *Domestic* market means that a product is sold only within the country that the business operates in.
- An *international* market means that an organization is selling products in other countries, while a *multinational* one means that not only are products being sold in a country, but operations are set up and run in a country other than where the business began.
- The goal of any HRM strategy is to be transnational, which consists of three components. First, the *transnational scope* involves the ability to make decisions on a global level rather than a domestic one. *Transnational representation* means that managers from all countries in which the business operates are involved in business decisions. Finally, a *transnational process* means that the organization can involve a variety of perspectives, rather than only a domestic one.
- Part of understanding HRM internationally is to understand culture. Hofstede developed five dimensions of culture. First, there is the *individualism-collectivism* aspect, which refers to the tendency of a country to focus on individuals versus the good of the group.

- The second Hofstede dimension is *power distance*, that is, how willing people are to accept unequal distributions of power.
- The third is *uncertainty avoidance*, which means how willing the culture is to accept not knowing future outcomes.
- A *masculine-feminine* dimension refers to the acceptance of traditional male and female characteristics.
- Finally, Hofstede focused on a country's *long-term orientation* versus *short-term orientation* in decision making.
- Other aspects of culture include norms, values, rituals, and material culture. *Norms* are the generally accepted way of doing things, and the *values* are those things the culture finds important. Every country has its own set of *rituals* for ceremonies but also for everyday interactions. *Material culture* refers to the material goods, such as art, the culture finds important.
- Other HRM aspects to consider when entering a foreign market are the economics, the law, and the level of education and skill level of the human capital in that country.
- There are three types of staffing strategies for an international business. First, in the *home-country national strategy*, people are employed from the home country to live and work in the country. These individuals are called *expatriates*. One advantage of this type of strategy is easier application of business objectives, although an expatriate may not be culturally versed or well accepted by the host-country employees.
- In a *host-country strategy*, workers are employed within that country to manage the operations of the business. Visas and language barriers are advantages of this type of hiring strategy.
- A *third-country national staffing strategy* means someone from a country, different from home or host country, will be employed to work overseas. There can be visa advantages to using this staffing strategy, although a disadvantage might be morale lost by host-country employees.
- Personality traits are a key component to determining whether someone is a good fit for an overseas assignment. Since 73 percent of overseas assignments fail, ensuring the right match up front is important.
- The ideal expatriate is able to deal with change, is flexible, and has the support of his or her family. Ideal expatriates are also organized, take risks, and are good at asking for help.
- The adjustment period an expatriate goes through depends on his or her initial preparation. Blakeney said there are two levels of adjustment: psychological adjustment and sociocultural adjustment. Although the psychological adjustment may take less time, it is the sociocultural adjustment that will allow the assignment to be successful.
- Training is a key component in the HRM global plan, whether expatriates or host-country nationals are to be hired. Both will require a different type of training. The expatriate should receive extensive training on culture, language, and adjustment.
- Compensation is another consideration of a global business. Most companies keep a standard regional salary but may offer allowances for some expenses. Cost of living, taxes, and other considerations are important.
- Performance should be evaluated by both host-country and home-country managers and employees. The criteria should be determined ahead of time.
- Laws of each country should be carefully evaluated from an HRM strategic perspective. Laws relating to disabilities, pregnancy, and safety, for example, should be understood before doing business overseas.
- Logistical help can be important to ensuring the successful overseas assignment. Help with finding a place to live, finding a job for a spouse, and moving can make the difference between a successful assignment and an unsuccessful one.
- The *Visa Waiver Program (VWP)* is a program in which nationals of thirty-six countries can enter the United States for up to a ninety-day period. This type of visa may not work well for expatriates, so it is important to research the type of visa needed from a particular country by using that country's embassy website.

Summary

The author provides a video summary of the chapter.



View the video online at: <http://app.wistia.com/embed/medias/ff7b81bb29>

Chapter Case

Fish to Go Is Going Places

Your company, Fish to Go, is a quick service restaurant specializing in fish tacos. Your success in the United States has been excellent, and your company has decided to develop an international strategy to further develop your market share. As the vice president for human resources, you have been asked to develop an international staffing strategy. The organization has decided that it makes the most sense to hire host-country nationals to manage the restaurants. Your current Fish to Go managers earn upwards of \$45,000 per year, plus 2 percent profit sharing. The organization is also looking to you to determine and develop a comprehensive training program for your host-country managers. A training program is also needed for employees, but you have decided to wait and develop this with input from the host-country managers. Fish to Go has identified Mexico and the UK as the first two countries that will be entered. Perform the necessary research to prepare a PowerPoint presentation to the board of directors.

1. What are the advantages of choosing a host-country national staffing strategy?
2. Develop a compensation plan for each of the two countries, revising the current compensation for managers in the United States, if necessary. The compensation plan should include salary, benefits, and any fringe benefits to attract the most qualified people. The plan should also address any legal compensation requirements for both countries.
3. Develop an outline for a training plan, making reasonable assumptions about the information a new manager would need to know at Fish to Go.

Team Activity

1. What are four major considerations for aligning the HRM strategy with an overall globalization strategy? Discuss each and rank them in order of importance.
2. Find a team with an even number of members. Split each team into "reasons for localized compensation" and "reasons for regional or global compensation." Be prepared to debate the issue with prepared points.

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