Human resource case studies

First Last Dr. TeacherFirst TeacherLast February 2009 Case Studies' Questions Application Case 10 Q3: Challenges of Implementing Comparable Worth

As a concept, comparable worth goes a step further than the Equal Pay Act (EPA) amendment of 1963 made to the Fair Labor Standards Act (FLSA) to address sex discrimination in compensation. Both the Act and the recent movement for comparable worth focus on reducing the wage gap between women and men in the job market. While equal pay concentrates on ensuring equal pay for men and women in similar jobs, proponents of comparable worth (also called pay equity) assert that fairness must also be introduced in pays across dissimilar jobs which bring equal value to the employer. Implementation of pay equity legislation for state jobs in some states of US such as Minnesota (Pay Equity and Comparable Worth) as well as some provinces in Canada brought pressure on the human resource managers in private sector to implement similar schemes. The pressure stems from the fact that these companies compete in the same marketplace for human resources. This pressure and its implications in implementation are evident in the discussion between Janet Sawyer and Charles Cooper in the case study.

Two levels of challenges can be identified in comparable worth implementation in an organization. The first is at the planning stage and relates to whether any comparable worth program is actually fair and accurate or not ? The second level is at the implementation stage and questions whether these changes are perceived to be fair ?

Adjusting pay for equally valued jobs lies at the core of the comparable worth concept. While several approaches have been taken, studies show that evaluation procedures to measure inherent worth of jobs do not always produce accurate results nor can be defined objectively (Arnault et al 806-815). It is also claimed that traditional job evaluation systems inherently contain a sex bias (Bose and Spitze 184). Human resource managers face their first challenge in ensuring that their measurement of value for jobs is accurate and fair, free of bias, and must select the right parameters, studies and consultants to reach their conclusions.

The second challenge arises once the program is being implemented. While the program is aimed at bringing equity in compensation for a disadvantaged group, changes in the usual wage increase patterns may introduce a perception of inequitable distribution in other groups (Koziara 14). For instance, Koziara notes that higher paid groups may perceive that any wage increases for women are being made at the cost of their potential wage increase or that they may even face pay cuts.

Application Case 11-1: Q2: Individual Performance Modifier

The individual performance modifier identified by the Towers Perrin survey reflects the attempt by organizations to address the complex subject of linking performance management with organizational goals and introduce an individual’s own performance in the equation to assess total compensation. For an organization to perform effectively and profitably, each layer of its human assets need to act in unison and achieve common organizational goals through individual and team successes. The exercise is easier stated than done. In the past, simpler individual based variable pay schemes, particularly those based on annual appraisals, resulted in discontent. The difficulty of identifying the right fit of schemes and their implementation resulted in systems where the employee was singularly focused on the specified performance goal rather than meeting overall performance and behavior expectations. Deming, quoted in the case study, also said that traditional individual performance management “ nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork, nourishes rivalry and politics” (Deming 98). The answer found by management theorists and practitioners was to link organizational success into the individual compensation schemes. However, presence of these wider organizational goals created the issue of lack of “ line of sight” in lower tiers of employees who could not link their own performance or role in achieving them. The solution pursued by companies is creating a mix of incentives awarded as a component of a broader performance management system (Houldsworth and Jirasinghe 105-107). The employees are given goals and incentives at individual, team and organizational level and weights assigned according to the employee’s level in the hierarchy within the organization, thus ensuring a clear line of sight for achieving these goals and also a sense of involvement for the employee. The individual performance modifier ensures that the individual is awarded the overall company and team incentives in a ratio comparable with his or her own achievement of individual goals.

Application Case 12-1: Q1: Ethics of Promising Benefits and Reneging Later

Reneging on the promise of providing retirement benefits is not only unethical, it shows the dangerous potential of putting a debilitating strain on the social security system in coming years. A comment (GJMcG) at the New York Times website by an affected reader, “ My former company made a contract with me! How is it now possible that it means NOTHING?”, epitomizes this ethical debate. This employee claimed that he took up an early retirement offer with benefits in lieu of the alternate of continuing the job with much reduced benefits. But, having made the choice, he is being denied these benefits and placed in a paradoxical situation.

The fact that a corporation does not have enough assets to pay for its retirement benefit liabilities can not be a good enough reason to go back on its promise to provide the funds in the first place. The situation at United Airlines discussed in the case study shows flaws in the airline's own estimations while making the promise which resulted in the eventual situation where PBGC was forced to get involved. While making the promise, UAL clearly did not take into account the ethical imperative that all their decisions must be backed by a study of the impact they would have on those affected (Freeman 409-421). Effectively studying the impact of future promises in view of future financial situation is essential to building trust in employees. From the human resource perspective, it should also be evident to such organizations that broken promises can come full circle and affect their ability to attract good employees.

Works Cited

Arnault, E. J., Gordon, L., Joines, D. H., Phillips, G. M. " An experimental study of job evaluation
and comparable worth". Industrial and Labor Relations Review 54. 4 (2001): 806-815.

Bose, C. E., Spitze, G. D. Ingredients for Womens Employment Policy. Albany, NY: SUNY Press, 1987

Deming, W. E. Out of the Crisis, Cambridge, MA: MIT Press, 1986.

Freeman, R. E. (1994). " The politics of stakeholder theory: Some future directions".

Business Ethics Quarterly 4. 4 (1994): 409-421.

GJMcG. “ I worked 25 years for the same…”. Reader Comment. 4 January 2008.

" U. S. Ruling Backs Benefit Cut at 65 in Retiree Plans". Robert Pear.

New York Times. 4 February 2009 Houldsworth, E., and Jirasinghe, D.

Managing & Measuring Employee Performance.

London: Kogan Page, 2006.

Koziara, K. S. “ Comparable worth: organizational dilemmas”.

Monthly Labor Review 108(12) (1985): 13-16.

3 February, 2009 < http://www. bls. gov/opub/mlr/1985/12/art3full. pdf> Pay Equity & Comparable Worth. Minnesota Management & Budget Agency.

February 3, 2009 Arnault, E. J., Gordon, L., Joines, D. H., Phillips, G. M. “ An experimental study of job evaluation
and comparable worth”. Industrial and Labor Relations Review 54. 4 (2001): 806-815.