REBALANCING THE ROLE OF HUMAN RESOURCES

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Introduction

Over the long run, the influence of human resources (HR) rises and falls depending on how well professionals in this field anticipate and respond to changing external and internal forces that shape the employment relationship. The key external labor market forces affecting the role of human resources historically have been the tightness of labor markets, the influence of government policies regulating employment relations, and the strength or threat of unionization or other forms of worker unrest (Kochan & Cappelli, 1984; Jacoby, 1985; Baron, Dobbins, & Jennings, 1986). In recent years, these forces have taken a back seat to the product market competitiveness pressures and the increased activity and power of shareholders and financial institutions. Chief executive officers (CEOs) and line managers were the first to feel these pressures and they in turn demanded significant changes in employment practices that would increase productivity, quality, customer responsiveness, and adaptability while simultaneously controlling compensation costs, restructuring, downsizing, and outsourcing work not deemed to fall within the organization’s main mission or “core competencies.” As a result, the human resource profession has been preoccupied with efforts to become a more strategic resource to senior and line management. This has led the profession to turn somewhat inward and, in view of one leading professional, to behave as “perfect agents” of top management (Doyle, 1993). The major question facing the profession today is whether this internal orientation has now become myopic and disconnected from the changing realities of today’s workplace and tomorrow’s employment problems and challenges.

I believe it has and that the profession either will undergo dramatic shifts in the years ahead or will lose even more influence both within the managerial community and in the broader society it is expected to serve. I will lay out the reasons for this view and then propose the shifts in perspective and approach that will be needed for human resources to play a more influential and constructive role in the future.

Professional Myopia

Table I illustrates the current myopia among opinion leaders in the human resource profession. It lists the seven most significant business challenges facing organizations today compiled from a survey of top HR professionals (executives, consultants, and academicians) in 1994 (Eichinger & Ulrich, 1995). Table II then reports the seven top priorities these opinion leaders say HR executives should be addressing today. Both lists validate Doyle’s basic point: HR executives see their job largely as focusing on making their individual enterprises more competitive. These are laudable and important objectives but, unfortunately, reflect only the internal roles of the HR profession.

Contrast this perspective to the goals for the future that come from examining the employment relationship from a public policy point of view. Table III reports the “Goals for the 21st Century Workplace” contained in the final report of the Commission on the Future of Worker Management Relations. Or consider the comments of a mixed group of HR exec-
utives and other employment experts expressed in the 1996 Human Resource Outlook (Freedman and Associates, 1996). The excerpts from this report, summarized in Table IV, depict a group that is concerned about the growing anxiety and tension in the workplace and a declining confidence in all employment institutions—firms, government, and unions, and a growing divisiveness among interest groups in society. The bottom line of this group is that the world in which positive employee relations and organizational performance could be bought with job security is over, however, how to achieve these objectives in today’s economy is yet to be determined.

This latter group agrees with those who argue that the implicit social contract that governed employment relations over the three decades following World War II and that allowed the workforce, economy, and industry to prosper together is now broken. That contract essentially had two components. First, hourly employees could expect to exchange a fair eight hours of work for eight hours pay, and white-collar workers and managers who performed well and remained loyal to the firm were rewarded with long term employment security. Second, gradual improvements in productivity of the economy and profitability of individual enterprises produced improvements in real earnings. We all know the trends of the past two decades. Real earnings of the majori-

### TABLE I
**The Seven Most Significant Business Challenges Facing Organizations Today.**

1. Building and operating an effective customer responsive organization
2. Gearing up for becoming an effective global competitor
3. Competing profitably with low cost (product and service) providers
4. Transitioning from a profit through cost cutting to a revenue growth environment
5. Effectively taking advantage of new information technology
6. Attracting, developing, and retaining top talent
7. Operating internationally with the lack of a competitive, pro-business industrial policy matching those of foreign competitors


### TABLE II
**The Seven Top Priorities HR Executives Should Be Addressing Today.**

1. Helping their organization reinvent/redesign itself to compete more effectively
2. Reinventing the HR function to be a more customer focused, cost justified organization
3. Attracting and developing the next generation—21st century leaders and executives
4. Contributing to the continuing cost containment/management effort
5. Continuing to work on becoming a more effective business partner with their line customers
6. Rejecting fads, quick fixes and other HR fads; sticking to the basics that work
7. Addressing the diversity challenge


### TABLE III
**Goals for the 21st Century Workplace.**

1. Expand coverage of employee participation and labor-management partnerships to more workers and more workplaces and to a broader array of decisions
2. Provide workers an uncoerced opportunity to choose, or not to choose, a bargaining representative and to engage in collective bargaining
3. Improve resolution of violations of workplace rights
4. Decentralize and internalize responsibility for workplace regulations
5. Improve workplace safety and health
6. Enhance the growth of productivity in the economy as a whole
7. Increase training and learning at the workplace and related institutions
8. Reduce inequality by raising the earnings and benefits of workers in the lower part of the wage distribution
9. Upgrade the economic position of contingent workers
10. Increase dialogue and learning at the national and local levels

ty of the workforce have stagnated and failed to rebound even in the 1990s in manufacturing industries where productivity and profitability growth have been relatively good. Income inequality has increased. Restructuring has broken the loyalty for security commitment between white collar workers and managers and large employers. Hourly workers can no longer expect to be paid well simply for “eight hours” of physical work. To do well in today’s labor market they need to bring similar levels of psychological commitment, technical skill, and analytical ability to their work as do managers and other professionals. Together, these changes have produced what many believe is a growing anxiety in the workforce and a decline in confidence in employers, government, unions, and other labor market institutions.

Under these circumstances, business must become concerned that the general tension can easily pollute the working environment as well. The tone of working and public life seems to have acquired the unpleasant sound of hard individualism; you can’t rely on government, or extended family and social groups—or depend on career employers. When politicians’ rhetoric is focused on cutting entitlements, even in private employment there is talk of reducing “the expectations” that grew from employer paternalism during the post-World War II era. The message to the public and to employees now seems to be: Expect only that you must make your own way.


Overcoming the Inward Focus

Human resource professionals will continue to be buffeted by both internal and external pressures. All the forces leading HR professionals to try to become more knowledgeable and skilled in managing change, contributing...
to strategic planning and decision-making, and updating their technical skills and knowledge will be as important in the future as they are today. This is, however, only part of the challenge. These skills will need to be complemented by the ability to negotiate, to build coalitions, and to solve problems with multiple internal and external interests and organizations including professionals in other firms, government, educational institutions, labor unions, and professional associations. The primary reason for this shift in focus is that solving many of today's most critical workplace problems lies beyond the capabilities of any single firm. Indeed, acting in isolation may even put an individual firm at a cost disadvantage in the short run if its actions are not matched by its competitors. This is the type of classic market failure situation that requires coordinated efforts among all key actors and institutions affecting employment policies and practices. A look at the critical challenges facing employment relationships today will illustrate why I believe this shift in perspective and approach is necessary.

Reversing Trends in Earnings and Inequality
From 1973 to 1994 real earnings of non-supervisory workers declined by approximately one percent per year. American workers are now (hopefully) ending the longest period of stagnant real earnings ever recorded (Thurow, 1996). Family earnings have not fallen as far because of the increased labor force participation of women, however, this cannot continue to grow indefinitely. Earnings differentials increased primarily because of the declining earnings of those without college or technical education and skills and because of the escalation in earnings of very high level executives and professionals. While researchers do not fully agree on the relative weights to assign to causal factors such as changes in technology, international trade, declining union coverage, etc., there is general consensus that reversing these trends will require both increased investments in education and training and changes in compensation structures to reward more people for increasing their skills, contributing to improved productivity and profitability, and being willing and able to move and adapt to where the new job opportunities are found (Freeman & Katz, 1994).

Designing Portable Benefits
If employment security is no longer part of the implicit contract, portability of benefits will become increasingly important to the long-term employment and income security of both the workforce and the overall population. In recent years no issue has generated more bipartisan support more quickly than the call for greater portability of pensions and health insurance. Many companies are also acting quickly by, among other things, shifting from defined benefit to defined contribution, cash balance, and 401(k) saving and pension plans and including health care coverage as part of severance and early retirement packages. The biggest problems in the benefits area lie with workers employed in small and medium-sized firms and those in the contingent or otherwise high-turnover segment of the workforce. These labor force participants have a much lower probability of being covered by a pension or a health insurance plan than do those employed in larger enterprises. Proposals have been advanced in Congress and within the executive branch to make it easier for small enterprises to adopt 401(k) plans and to increase vesting and portability of pensions and to allow workers to continue their health coverage (by purchasing it) when laid off. These policy proposals and private company actions all appear sensible on the surface but may have significant second-order effects on existing pension and health insurance plans and on the incentives and costs facing employers. HR professionals need to analyze the costs and
benefits of these and other proposals to all the interests at stake and continue to search for the most efficient way to attend to the long-term income and health security arrangements for their individual employees and for the overall labor force.

**Treating Employees as Stakeholders**

Historically, workers have turned to the labor movement, and society has endorsed collective bargaining as the preferred means for providing workers a voice in decisions that affect their interests; it has also provided a strategy for balancing the power of employers and distributing profits between shareholders and the labor force. As is well known, however, unionization continues its forty-year decline and now has reached the same level in the private sector (approximately 10 percent) as it was prior to the Great Depression and the sudden explosion and rise of industrial unionism. Yet there is no evidence that workers have lost their desire for a voice on their job or for effective forms of independent representation. Consistently, one-third of the nonrepresented labor force expresses a desire to join a union if given the chance (Kochan, 1979; Farber & Krueger, 1993; Freeman & Rogers, 1995). An even larger number—over 70 to 80 percent of the workforce—express a desire for a more direct opportunity to participate in decisions affecting their work, their employment rights, and their long-term economic and employment security (Freeman & Rogers, 1995). Yet our prevailing labor laws fail workers (and employers) on both accounts (Commission on the Future of Worker Management Relations, 1994); and business, labor, and government leaders remained locked in a twenty year stalemate over how to modernize labor laws and institutions to fix the problem.

There is no single, quick fix to this problem. The diversity of worker preferences and employment settings demands that our law, institutions, and management practices allow and support a variety of options for employee participation and representation including traditional unions and collective bargaining, broad based labor–management partnerships, employee stock ownership plans, direct employee participation on workplace and production/quality issues, and employee representation in corporate governance structures and processes. All of these have a place in a modern, diverse economy, yet most of these are discouraged or blocked by an outdated labor law. HR professionals face a choice as to how to respond to this stalemate. They can continue to oppose efforts to update labor law in a comprehensive fashion and support only those changes that would relax the provisions limiting direct employee participation, or they can look at the full set of facts and support a comprehensive overhaul and modernization of labor law. Maintaining the prevailing political and ideological positions means that the HR profession will once again be in a reactive mode if (I believe it is actually when) pressures mount sufficiently to break this political stalemate.

**Managing Diversity and Resolving Workplace Conflicts**

The majority of employment conflicts no longer conform to the labor versus management dichotomy anticipated by labor and employment law. Instead, conflict takes a variety of subtle, suppressed, and overt forms that, if not managed and resolved effectively, imposes significant personal and organizational costs on those involved. Globalization increases diversity of the workforce along a number of personal dimensions and thereby further raises the potential for workplace conflict. In response, there is a growth in interest and experimentation with diversity programs and in various alternative dispute resolution (ADR) techniques and procedures both within individual firms (Bencivenga, 1996) and in regulatory agencies (Dispute Resolution Journal, 1995). Agencies such as OSHA are experimenting with partnership plans that offer workplaces that have comprehensive safety and health management systems (that include employee and where present union participation) lower exposures to inspections and fines, and more of an opportunity to internalize responsibility for enforcing government regulations. These efforts have yet, however, to gain the confidence of the workforce necessary for their long run effectiveness. Women’s, labor, and civil rights’ organizations remain skepti-
cal, fearing ADR will reinforce rather than overcome the power imbalances experienced by individual workers who challenge their employers. To make these systems credible and effective HR professionals will need to work cooperatively and negotiate effectively with professionals in government, labor, and in this case women’s and civil rights organizations. Once again, a more external orientation will be called for in this substantive arena.

Learning from Past Experience

How might the HR profession go about taking up these challenges in a constructive way without losing the support of the other stakeholders to whom HR professionals must also remain accountable—senior executives, customers, shareholders, etc.? A few examples from the past might help show the way. During what Strauss and Feuille (1978) referred to as the “Golden Age of Industrial Relations,” that is, from the 1940s to the early 1970s, HR professionals had to be more externally oriented and involved in a more diverse professional community. They had to develop constructive dialogue with both union leaders and government policy makers since both groups were initiating changes (e.g. Title VII of the Civil Rights Act, employment and training policies, the Occupational Safety and Health Act, etc.) through collective bargaining and active government policy making on employment issues. Labor relations and human resource professionals were active in a wide range of public and quasi-public bodies such as the National Manpower Policy Task Force; The National Commission on Employment Policy; the National Labor–Management Advisory Committees established by Presidents Kennedy, Johnson, and Nixon; state level Committees and Task Force established to shape recommendations for Public Sector Labor Relations Statutes; state level Human Rights and/or Discrimination Commissions, etc. Through their involvement in these groups HR professionals provided well-grounded practical input needed to translate the goals of public policy into administrative practices and rules that reflected the needs and realities of the modern workplace. More recently, reflecting the increased polarization of national politics, policy development and legislation have become more partisan and polarized, with little room for or interest in professional dialogue, analysis, or compromise.

Changing this state of affairs will require leadership from many quarters, including the HR profession. For example, the new welfare legislation will place significant demands on employers to absorb an influx of relatively low-wage workers in need of training, flexible work schedules, and practices that allow them to balance their work roles with diverse family responsibilities. A multitude of state-level experiments is about to unfold providing opportunities to learn from different experiences. While no single HR professional or single employer has a big self-interest in working with government agencies and welfare advocates, collectively the self and societal interests are clear. The leadership must come from and through HR professional associations and groups. Local, state, and national HR professional groups such as the Society for Human Resource Management, the Human Resource Planning Society, or the Industrial Relations Research Association might therefore do well to mobilize and bring together the diverse professional talent needed to make these new policies work for all stakeholders involved.

Achieving the Right Balance

I believe the workplace tensions discussed above will, one way or another, occupy increasingly prominent positions on the future agenda of HR professionals. How the profession responds to these tensions will affect its influence and stature both inside the corporation and in society. In responding to these external pressures, however, HR professionals must be careful not to lose the support of top management. Tilting too far in the direction of becoming an advocate for employee concerns would do little other than remarginalize the HR function within the management structure. This was the ultimate fate of the labor relations professionals who failed to respond in the latter 1970s and 1980s to growing market pressures to improve productivity and break out of the rigid patterns of work organization and traditional collective bargaining that they had become accustomed to and successful at
managing. The underlying challenge facing human resource professionals in the coming years lies in finding the right balance between building coalitions with other professionals who share responsibility and influence over employment relations and deepening efforts to make human resources a strategic asset for their firms.

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ENDNOTE

1. Prepared for a special issue of the Human Resource Management Journal devoted to “The Future of Human Resources.” Funds for this work are provided by the Alfred P. Sloan Foundation. The views expressed are solely those of the author.