

## 1.4: Human Resources Today

### Learning Outcomes

- Describe the role of human resources
- Discuss the trends shaping HRM



At a macro level, the role of human resources is to ensure that an organization has the talent—the right combination of skills, knowledge, aptitude and attitude—to achieve its strategic goals. In addition, human resource management is responsible for developing people-related structures, policies and procedures. This process role includes ensuring compliance with internal policy—for example, the policies outlined in an Employee Handbook and HR-related union contract provisions—and relevant federal and state legislation such as the Equal Employment Opportunity Act, the Occupational Safety and Health Act and minimum wage laws. This compliance role can lead to a perception of human resource staff as “enforcers.” However, a more apt categorization is both guardian and champion, practicing and promoting the type of behavior that contributes to a healthy and productive culture. We will discuss these roles further in Module 15: Corporate Social Responsibility.

### Practice Question

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## Trends in Human Resources Management

The trends shaping HRM are the trends shaping business in general. As we enter the next industrial age, a business’s survival will largely depend on the ability of its human resource management to adapt the organization—and transform itself—to a new operating reality. Let’s take a look at some of the macro trends shaping HRM today.

### Changes in Workforce Composition

In a *Wall Street Journal* briefing, advisory firm Deloitte observes, The “flexible workforce”—crowd-sourced networks, outsourced teams, independent contractors, freelancers and gig workers—“has joined the mainstream,” adding that the ability to “manage this diverse talent segment will become essential to business growth in the years ahead.”<sup>[1]</sup> Deloitte notes that the alternative workforce can be a long-term solution to tight labor markets—driving business growth and extending workforce diversity—if managed strategically; that is, if organizations adopt a source-blind approach to deploying talent and ensure that both alternative and traditional workers “be treated with respect with regard to culture, inclusion, and work assignments—and that perceptions on all sides reflect these values.”

### Increasing Workforce Diversity

The labor force is not only generationally diverse, it’s becoming more racially and ethnically diverse, driven largely by immigration thanks to the U.S.’s relatively low population growth and labor participation rate.<sup>[2]</sup>

### Increased Employee Expectations of Employers

Given the tight labor market, employees are demanding a more personalized work experience, a more flexible, equitable and inclusive culture, and social advocacy on the part of employers. In their Global Talent Trends 2019 report, LinkedIn observed that “Employees expect more transparency, flexibility, and accountability from the companies that hope to attract and retain them.”<sup>[3]</sup> We’ll discuss these points further in future modules.

## Changes in Societal Expectations



As Deloitte notes in their Human Capital Trends report, “Organizations are no longer assessed based only on traditional metrics such as financial performance, or even the quality of their products or services. Rather, organizations today are increasingly judged on the basis of their relationships with their workers, their customers, and their communities, as well as their impact on society at large—transforming them from business enterprises into social enterprises.”<sup>[4]</sup> We’ll discuss this further in Module 15: Corporate Social Responsibility.

### Infrastructural Obsolescence

Labor market dynamics, employee expectations and technological changes will require fundamental changes in the organization’s structure and culture and associated HR systems, policies and procedures. For perspective on the challenge, KPMG reports that 70% of human resource executives who participated in the advisory firm’s 2019 Future of HR survey confirmed the need for workforce transformation. However, as noted in the Why It Matters section, only about a third (37%) indicated that they feel “very confident” about HR’s ability to effect this transformation.

### Changes in the Nature of Work

Automation is expected to significantly shift the division of labor between human and machine, changing job profiles and workforce planning, among other factors. As the World Economic Forum senior writer Sean Fleming phrases it: “The world of work is going through a period of arguably unprecedented change at the hands of machines; automation and artificial intelligence (AI) are the new kids on the employment block.” In their 2019 Talent Trends Report, PwC refers to this trend as “workforce rebalancing,” noting that “jobs are being unbundled into tasks that could be offshored, automated, augmented with technology or rebundled into new roles as organisations analyse how work gets done.”<sup>[5]</sup>

### Market and Industry 4.0

Multiple recent studies have identified soft skills as a critical complement to functional skills related to automation and AI. Specifically, these studies identified people-oriented skills such as communication, empathy and leadership—as well as an agile, continuous-learning mindset—as essential to take full advantage of new technologies. This is particularly true given the rapid pace of technological change and the associated devaluation of skills.

### Changes in the Evaluation and Valuation of Talent

As mentioned above, the change in required skills and abilities will require human resource management to change policies, procedures and programs that define how candidates (internal and external) and employees are evaluated, compensated and developed.

### “A Reskilling Imperative”

As we will discuss further in Module 7: Onboarding, Training, and Development, the skills gap has become mission critical, with 79% of CEOs viewing the lack of skills as a threat to their businesses. Indeed, with emerging trends and technologies accelerating skills obsolescence, re-skilling and upskilling will become the new normal. According to the World Economic Forum, 35% of the skills that workers need—regardless of industry—will have changed by 2020.” To put that in perspective, the WEF projects that by 2022, more than 50% of employees will require significant re- and upskilling.<sup>[6]</sup>

### Increasing Geopolitical Risks



Huawei's CFO Meng Wanzhou, Vladimir Putin, and Andrei Kostin speaking at *Russia Calling!* investment forum.

HR executives responding to WEF's The Future of Jobs survey cited increasing geopolitical volatility as "the greatest threat to employment and job creation at the global level." We've seen this playing out over the last few years with tariff wars impacting global supply chains and markets. In September of 2018—arguably before the Trump administration's tariff wars became intense—the nonpartisan policy research organization The Cato Institute compiled a list of over 200 companies that had been negatively impacted by the administration's trade policies. The companies represent a cross-section of American businesses from start-ups to *Fortune* 500 companies, and industries including craft stores, distilleries, media, technology start-ups and manufacturers. One company profiled, Rhode Island yacht maker MGM Yachts, lost a \$2.2 million sale to a Monaco buyer because of retaliatory tariffs. The company noted that the income from that one sale would have supported four families for a year. These examples are in addition to the record number of bankruptcy filings—twice the number than during the Great Recession—in states that account for approximately half of U.S. agriculture production.<sup>[7]</sup> Diplomatic tensions have also impacted Chinese investment in American businesses. The *New York Times* reported Chinese direct investment "plummeting by nearly 90 percent since President Trump took office," dropping from \$46.5 billion in 2016 to \$5.4 billion in 2018.<sup>[8]</sup>

The risk extends beyond economic impacts. In December 2018, Canada arrested Chinese technology firm Huawei's CFO Meng Wanzhou at the request of the U.S. Justice Department, which is seeking her extradition.<sup>[9]</sup> Within days of Canada's decision to move forward with an extradition hearing, China detained two Canadians—a former diplomat and an entrepreneur—on charges of espionage.<sup>[10]</sup> As diplomatic tensions escalate, it appears that both American executives and Canadian citizens are being targeted as political pawns.

### ? Practice Question

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As Deloitte notes in their Human Capital Trends report, "we are witnessing seismic changes in the workforce, the workplace, and the technologies used in the world of work."<sup>[11]</sup> The upside, for those with a tolerance for uncertainty and risk, is the human resources profession has the opportunity to shape the future of the business, with significant human, organizational and, by extension, societal impacts.

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