

STRATEGIC ASPECTS OF RESOURCING



THE OBJECTIVES OF THIS CHAPTER ARE TO:

- 1 REVIEW KEY CONTEMPORARY LABOUR MARKET TRENDS
- 2 DESCRIBE DIFFERENT WAYS IN WHICH LABOUR MARKETS CAN BE USEFULLY ANALYSED
- 3 EXPLAIN DIFFERENT TYPES OF FLEXIBLE WORKING
- 4 DEBATE THE MERITS OF MOVING TOWARDS A HIGHER DEGREE OF ORGANISATIONAL FLEXIBILITY
- 5 ASSESS DIFFERENT STRATEGIES TO USE IN ORDER TO MOBILISE A WORKFORCE

'Angela's leaving – quick, we must make sure to get the ad in this month's journal.'
'It's hopeless – they all leave just as soon as we've trained them. What's the point?'
'It's not my fault – we just can't get the staff. No wonder quality is so poor.'
'That's it. The results are so bad we'll have to let some of them go. Tony, draw up a shortlist of possibles and we'll try and get it sorted this week.'

All too often employee resourcing is a reactive activity, without any link to organisational strategy and without internal coherence. To bridge this gap we suggest a range of aspects which together can form the framework for a resourcing strategy to facilitate the future direction of the business. Each of these aspects offers choices for managers.

RESPONDING TO LABOUR MARKET TRENDS

The starting point for all strategic activity in HRM is to understand the environment in which an organisation operates. It is only possible to formulate the most appropriate policies and practices once its key features have been identified and their importance grasped. In the field of employee resourcing the environment with which we are concerned is the labour market, the pool of available talent in which employers compete to recruit and subsequently retain staff. Later we look at different types of labour market and their implications for employers. Here we focus on three major trends in the UK labour market as a whole and look at how they are affecting decision making in organisations.

Demographic developments

In 2003 the UK's population numbered 59.25 million, of whom just under half (27.9 million) were in work. Both figures are projected to rise marginally during the coming decade. The overall population is increasing, despite falling birth rates, because of lengthening life expectancy. The number of people who are economically active is increasing largely because of women spending a greater proportion of their lives in paid work than has been the case historically. Over the longer term, however, the proportion of the population that is of working age will shrink in comparison with the total population as more and more people live longer after reaching retirement age. This process has already begun in countries such as Japan and Germany with significant implications for the provision of care and pensions for the growing number of elderly people. In the UK there are currently 21 people over the age of 65 for every 100 people of working age. After 2010 this number will start to rise significantly. By 2030 more than a quarter of the population will be over 65. The coming years will therefore see a substantial change in the age profile of the workforce, as the population as a whole gets older and a greater proportion of young people remain in full-time education for longer.

There are two major implications for employers. First, because their numbers will fall, it will be progressively harder to recruit and retain the more talented younger workers. Organisations that have sought to resource their organisations by recruiting and training new graduates or school leavers will either have to work a good deal

harder at competing for them or have to bring in older people in their place. Second, there are implications for the capacity of the state to provide a reasonable level of pension for so many retired people. Increasingly, therefore, people are likely to look at the nature of occupational pension being provided by employers when deciding on their career options. Organisations offering good, well-communicated pension benefits will be better placed than others to attract and retain the employees they need.

WINDOW ON PRACTICE

Global demographic trends vary considerably from region to region. According to United Nations statistics, many major European countries can expect to see an overall fall in their populations over the next fifty years. The biggest projected falls are in Eastern Europe. Russia, for example, can anticipate a fall in its population of 30 per cent before 2050, while the highest figure of all (a 52 per cent population fall) is projected in Estonia. Substantial population falls are also predicted for Italy (22 per cent), Switzerland (19 per cent) and Poland (15 per cent). These figures partly reflect low birth rates, but also the likelihood that more people will emigrate from than immigrate into these economies.

Where birth rates are high and where the likelihood of net immigration is also relatively high, population rates are projected to increase. One such country is the United States of America, where fertility rates (i.e. number of children born per couple) are currently running at 2.11 and around two million immigrants settle each year (many illegally). As a result, the US population will overtake that of the EU in the 2030s, passing 400 million by 2050.

Diversity

According to the most recent government figures 84 per cent of men and 73 per cent of women are either in work or actively seeking work in the UK (Hibbett and Meager 2003). Increased female participation in the workforce has been one of the most significant social trends over recent decades. In 1980 the employment rate for women of working age was 59 per cent, since when the figure has risen steadily, while that for men has declined somewhat. This has happened as more women with young children have opted to work while more men have taken early retirement. As a result there has been some decline in the number of workplaces where women are heavily outnumbered by men and an increase in the number where men are outnumbered by women. Although the vast majority of management posts are still held by men, we have also seen a substantial increase in the number of women occupying such positions – another trend that is going to continue in the years ahead. Despite these developments there remain many areas of work which are dominated by either men or women and a continued substantial gender gap in overall pay levels (women's average salary is 82 per cent of that for men). A trend which has been identified in many surveys is the growth in the number of part-time workers in the UK. They now

account for over a quarter of the total workforce and over 80 per cent of them are women. Representation of ethnic minorities has also increased over recent years. In the early 1980s around 4.5 per cent of employees came from ethnic minorities. Twenty years on the figure is 6.5 per cent. Whereas in 1980 two-thirds of workplaces employed no one from an ethnic minority, over half now do (Millward *et al.* 2000, p. 43). Increases in representation have occurred across the industrial sectors.

Taken together, these various trends mean that the workforce is steadily becoming more diverse in its make-up. While there remains a strong degree of segregation in terms of the types of work performed, the trend is towards heterogeneity at all organisational levels. There are a number of important implications for human resource managers:

- In order to attract and retain the best employees it is necessary to take account of the needs of dual-career families. The law now requires employers to offer a measure of support with recent measures on parental leave, the right to time off for family emergencies, and the right to request flexible working, but there is a great deal more that can be done. Career-break entitlements, crèches and job-share schemes are the most common initiatives. (See Chapter 32 for more on work-life balance issues.)
- There is a heightened need for awareness of the possibility of discrimination against any group which is underrepresented in the workplace. The perception of inequity, however justifiable in practice, is all that is needed for staff turnover rates to increase and for an employer to gain a poor reputation in its labour markets.
- Employers are required to pay more serious attention to the issue of sexual and racial harassment in a workplace characterised by diversity than in one which is less heterogeneous. It is advisable to have written policies covering such matters and to ensure that line managers are fully aware of the developing law on harassment.

Skills and qualifications

The third major development in the labour market is the changing occupational structure, leading to a greater demand for skilled staff. In recent decades the chief job growth areas have been in the managerial and professional occupations, and in service industries such as retailing, security and catering. By contrast there has been an ongoing decline in demand for people to work in the manufacturing and agricultural sectors (Office for National Statistics 2003). While technical skills are not required for all the new jobs, social skills are necessary, as is the ability to work effectively without close supervision.

The past two decades have also seen a strong increase in demand for graduates. Over 400,000 now graduate from universities in the UK every year, including 260,000 with first degrees. Unemployment among this group is considerably lower than for the rest of the population whatever the economic conditions, indicating a capacity on the part of employers to absorb the growing numbers into their labour forces. However, despite the increasing numbers of people gaining formal qualifications at all levels, there remain skills shortages. When the economy is performing well these can be significant. The annual CIPD Labour Turnover Survey for 2003 reported that 70 per cent of employers had had problems filling vacancies (CIPD 2003), while surveys of graduate recruiters found that 53 per cent of public sector

organisations and 44 per cent of private sector companies have problems filling their vacancies (Graduate Market Trends 2003). There are still too few people with high-level IT and scientific qualifications entering the labour market and far too many people lacking basic numeracy and literacy skills. It is estimated that 20 per cent of adults in the UK are innumerate and unable to read beyond the most basic level (Department for Education and Employment 2000).

Policy initiatives are in place to improve skills levels at both ends of the scale, but it will take a number of years before the effects are apparent in the labour market. Until then employers have to devise strategies to deal with skills shortages in key areas. One approach is simply to work harder at recruiting and retaining employees. Another is to find ways of reducing reliance on the hard-to-recruit groups by reorganising work and dividing tasks up differently so that people with particular skills spend 100 per cent of their time undertaking the duties for which only they are qualified. A third response is to look overseas for recruits interested in working in the UK. Where skills shortages are particularly acute there is also the possibility of re-locating one or more organisational functions abroad. Finally, of course, it is possible to recruit people without the required skills and to provide the necessary training and development opportunities.

ANALYSING LABOUR MARKETS

While the general trends outlined above have significant implications for employers, more important for individual organisations are developments in the particular labour markets which have relevance to them. An understanding of what is going on in these can then form the basis of decision making across the employee resourcing field. There are several different ways in which labour markets vary.

Geographical differences

For most jobs in most organisations the relevant labour market is local. Pay rates and career opportunities are not so great as to attract people from outside the district in which the job is based. The market consists of people living in the 'travel to work area', meaning those who are able to commute within a reasonable period of time. In determining rates of pay and designing recruitment campaigns there is a need to compare activities with those of competitors in the local labour market and to respond accordingly. Skills shortages may be relieved by increases in the local population or as a result of rival firms contracting. New roads and improved public transport can increase the population in the travel to work area, with implications for recruitment budgets and the extent to which retention initiatives are necessary. For other jobs, usually but not always those which are better paid, the relevant labour market is national or even international. Here different approaches to recruitment are necessary and there is a need to keep a close eye on what a far larger number of rival employers are doing to compete for staff.

Tight v. loose

A tight labour market is one in which it is hard to recruit and retain staff. Where the labour market is loose, there are few problems finding people of the required calibre.

Labour market conditions of this type clearly vary over time. The higher the rate of unemployment in an area, the looser the labour market will be. However, some labour markets always remain tight whatever the economic conditions simply because there are insufficient numbers of people willing or able to apply for the jobs concerned. In recent years, even at the depths of the recessions of the 1980s and 1990s, it has been difficult to find good IT staff and effective sales people.

A number of researchers have looked at the responses of employers faced with either loose or tight labour markets. Windolf (1986) identified four types of approach used in the UK and Germany which varied depending not only on the tightness of the market, but also on the capacity of the organisation to respond intelligently to the situation. He found that many organisations with high market power (that is, faced with a relatively loose labour market) made little effort at all in the employee resourcing field. They simply took the opportunity to spend as little as possible on recruitment and selection and waited for people to come to them. When there was a vacancy it tended to be filled by a similar person to the one who had left, thus maintaining the status quo. According to Windolf, the more intelligent organisations took the opportunity afforded by favourable labour market conditions to seek out people with the capacity to innovate and who would develop their roles proactively. All available recruitment channels were used, leading to the development of a richly diverse and creative workforce. A similar dichotomy was identified in the case of tight labour markets. Here many organisations simply 'muddled through', finding people where they could, giving them training and hoping that they would stay long enough to give a decent return on the investment. By contrast, the more intelligent organisations were looking at restructuring their operations, introducing flexible working patterns and devising ways of reducing their reliance on people who were difficult to recruit.

Occupational structure

Labour markets also differ according to established behavioural norms among different occupational groups. The attitudes of people to their organisations and to their work vary considerably from profession to profession, with important implications for their employers. A useful model developed by Mahoney (1989) illustrates these differences. He identifies three distinct types of occupational structure: craft, organisation career and unstructured. In craft-oriented labour markets, people are more committed over the long term to their profession or occupation than they are to the organisation for which they work. In order to develop a career they perceive that it is necessary for them to move from employer to employer, building up a portfolio of experience on which to draw. Remaining in one organisation for too long is believed to damage or at least to slow down career prospects. Examples include teaching, where there is often a stronger loyalty to the profession as a whole than towards the employing institution. By contrast, an organisation-career occupation is one in which progress is primarily made by climbing a promotion ladder within an organisation. People still move from employer to employer, but less frequently, and will tend to stay in one organisation for as long as their careers are advancing. Mahoney's third category, the unstructured market, consists of lower-skilled jobs for which little training is necessary. Opportunities for professional advancement are few, leading to a situation where people move in and out of jobs for reasons which are not primarily career related.

To an extent employers can seek to influence the culture prevailing among members of each type of occupational group. There is much to be gained in terms of employee retention, for example, by developing career structures which encourage craft-oriented workers to remain for longer than they otherwise would. However, a single employer can have limited influence of this kind. It is therefore necessary to acknowledge the constraints associated with each labour market and to manage within them. Different areas of HR activity have to be prioritised in each case. It is necessary to work harder at retaining people in craft-oriented labour markets than in those which are organisation oriented, because people will be more inclined to stay with one employer in the latter than in the former. Recruitment and selection will be different too. Where career advancement is generally achieved within organisations, as in banking or the civil service, there is a good case for giving a great deal of attention to graduate recruitment. It is worth spending large sums to ensure that a good cohort is employed and subsequently developed because there is likely to be a long period in which to recoup the investment. The case is a good deal weaker in craft-oriented labour markets where there is less likelihood of a long association with individual employees.

Generational differences

Employee resourcing practices should also be adapted to take account of variations in the age profile of those whom the organisation is seeking to employ. While it is clearly wrong to assert that everyone of a certain age shares the same attitudes and characteristics, broad differences between the generations can be identified. Sparrow and Cooper (2003), in their review of recent research in this area, argue that there are good reasons for believing that the workforce of the future (i.e. made up of young people currently in full-time education) will have decidedly different 'work values' from those of the current workforce. This is because the shared experiences which shape the attitudes and expectations of each generation are different. Evidence suggests that future employees will be less trusting of organisations, more inclined to switch jobs, and more prepared to relocate, and indeed emigrate, than is the case today.

Research on generational differences from a management perspective remains underdeveloped, but a number of writers have put forward interesting ideas. Zemke *et al.* (2000), for example, identify four groups defined by their dates of birth. They go on to argue that each must be treated rather differently if they are to be successfully managed. The four categories are Veterans (born before and during the Second World War), Baby Boomers (late 1940s and 1950s), Generation X (1960s and 1970s) and a group labelled 'Nexters' (born after 1980). Some of the points made about each are as follows:

- Veterans are attracted to workplaces which offer stability and which value experience.
- Boomers place a high value on effective employee participation.
- Xers enjoy ambiguity and are at ease with insecurity.
- Nexters are wholly intolerant of all unfair discrimination.
- Boomers do not object to working long hours.
- Xers require a proper 'work-life balance'.

- Veterans are loyal to their employers and are less likely to look elsewhere for employment opportunities than younger colleagues.
- Xers are strongly resistant to tight control systems and set procedures.
- Nexters, being serious minded and principled, prefer to work for ethical employers.
- Xers and Nexters work more easily with new technology than veterans and boomers.

Where a workforce is dominated by a particular age group, it makes sense to manage the workers in a way with which they feel comfortable. Organisational performance as well as turnover rates improve as a result. Similarly, where a recruitment drive is aimed at a particular age group, it is important to give out appropriate messages about what the organisation is able to offer.

ACTIVITY 4.1

Zemke and his colleagues developed their theories of intergenerational difference in the context of labour markets in the USA. Their analysis is based on the idea that successive generations of Americans have been shaped by shared formative influences.

In what ways has the historical experience of these generational groups differed in the UK or in other EU countries?

What implications might such differences have from an employer's perspective?



FLEXIBLE RESOURCING CHOICES

Understanding the dynamics of the organisational environment is only one part of taking a strategic approach to employee resourcing. Having gained an understanding one must decide how the organisation can best interact with its environment to maximise its performance. One set of key choices concerns the extent to which the organisation can aspire to flexibility and in what ways this can be achieved. Three types of flexibility are often identified in the literature: numerical flexibility, temporal flexibility and functional flexibility. A fourth type, financial flexibility, is discussed in Chapter 28.

Numerical flexibility

Numerical flexibility allows the organisation to respond quickly to the environment in terms of the numbers of people employed. This is achieved by using alternatives to traditional full-time, permanent employees. The use, for example, of short-term contract staff, staff with rolling contracts, staff on short-term, government-supported training schemes, outworkers, and so on, enable the organisation to reduce or expand the workforce quickly and cheaply.

Atkinson is one of a number of commentators who has described the way in which firms may develop flexibility in their approach to employment, as shown in

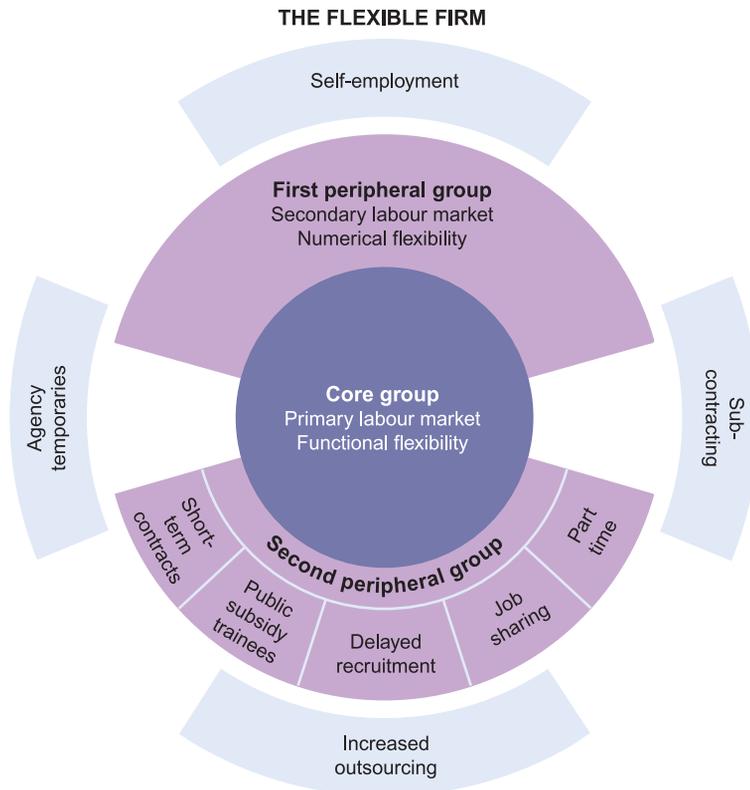


Figure 4.1 Atkinson's model of the flexible firm (Source: J. Atkinson (1984) 'Manpower strategies for flexible organisations', *Personnel Management*, August. Used with the permission of the author.)

Figure 4.1. The flexible firm in this analysis has a variety of ways of meeting the need for human resources. First are core employees, who form the primary labour market. They are highly regarded by the employer, well paid and involved in those activities that are unique to the firm or give it a distinctive character. These employees have improved career prospects and offer the type of flexibility to the employer that is so prized in the skilled craftworker who does not adhere rigidly to customary protective working practices.

There are then two peripheral groups: first, those who have skills that are needed but not specific to the particular firm, like typing and word processing. The strategy for these posts is to rely on the external labour market to a much greater extent, to specify a narrow range of tasks without career prospects, so that the employee has a job but not a career. Some employees may be able to transfer to core posts, but generally limited scope is likely to maintain a fairly high turnover, so that adjustments to the vagaries of the product market are eased.

The second peripheral group is made up of those enjoying even less security, as they have contracts of employment that are limited, either to a short-term or to a part-time attachment. There may also be a few job sharers and many participants on government training schemes find themselves in this category. An alternative or additional means towards this flexibility is to contract out the work that has to be done, either by employing temporary personnel from agencies or by subcontracting the entire operation.

A slightly different version of the peripheral workforce is the way in which the organisation boundary may be adjusted by redefining what is to be done in-house and what is to be contracted out to various suppliers.

Temporal flexibility

Temporal flexibility concerns varying the pattern of hours worked in order to respond to business demands and employee needs. Moves away from the 9–5, 38-hour week include the use of annual hours contracts, increased use of part-time work, job sharing and flexible working hours. For example, an organisation subject to peaks and troughs of demand (such as an ice cream manufacturer) could use annual hours contracts so that more employee hours are available at peak periods and less are used when business is slow. Flexitime systems can benefit the employer by providing employee cover outside the 9–5 day and over lunchtimes, and can also provide employee benefits by allowing personal demands to be fitted more easily around work demands.

The research evidence suggests increased usage of all forms of temporal flexibility in recent years. Longer opening hours in retailing and the growth of the leisure sector means that many more people now work in the evening (17 per cent) and at night (6 per cent) than used to be the case. The proportion of jobs that are part time also continues to rise, albeit at a slower rate than in the 1970s and 1980s, while the length of the working week for full-time workers has increased by three hours on average during the past decade. There has also been some growth in the use of annual hours (IRS 2002), but these arrangements have not become as widespread as was predicted in the early 1990s. The vast majority of employers have not chosen to adopt this approach.

Functional flexibility

The term ‘functional flexibility’ refers to a process in which employees gain the capacity to undertake a variety of tasks rather than specialising in just one area. Advocates of such approaches have been influenced by studies of Japanese employment practices as well as by criticisms of monotonous assembly-line work. Horizontal flexibility involves each individual employee becoming multiskilled so that they can be deployed as and where required at any time. It is often associated with shop-floor manufacturing work, but can be applied equally in other workplace settings. Vertical flexibility entails gaining the capacity to undertake work previously carried out by colleagues higher up or lower down the organisational hierarchy.

The primary purpose of functional flexibility initiatives is to deploy human resources more efficiently. It should mean that employees are kept busy throughout their working day and that absence is more easily covered than in a workplace with rigidly defined demarcation between jobs. Another source of efficiency gains arises because employees are more stretched, fulfilled and thus productive than is the case in a workplace with narrowly defined jobs. Despite its potential advantages research suggests that employers in the UK have been less successful than competitors elsewhere in Europe at developing functional flexibility. According to Blyton (1998, p. 748), this is primarily because of a reluctance to invest in the training necessary to support these new forms of working. By contrast, Reilly (2001, p. 132) points to employee resistance and the increased likelihood of errors occurring when functional flexibility programmes are introduced.

Debates about flexibility

The growth in flexible working arrangements combined with their promotion by governments since the 1990s has led to the development of robust debates about their desirability and usage in practice. As much controversy has centred on the Atkinson model of the flexible firm as on the rather different elements that go to make it up. There has been a continuing debate, for example, about whether the model of core and periphery is a description of trends or a prescription for the future. Two streams of research have flowed from these interpretations. The first concerns the extent to which the model has been adopted in practice, the second focuses on the advantages and disadvantages of the model as a blueprint for the future organisation of work.

Evidence on the first of these questions is patchy. There is no question that rhetoric about flexibility and the language of flexibility is increasingly used. The flexible firm model appears to be something that managers aspire to adopt, but the extent to which they have actually adopted it is questionable. In many organisations the drive for economies of scale means that far from becoming more flexible, organisations are just as likely to introduce bureaucratic systems and standardised practices in response to competitive pressures. And yet we also have seen for a long period now increased use of part-time workers, consultants, subcontractors, agency workers and of moves towards multiskilling. Karen Legge's (1995) conclusion that flexibility is used in a pragmatic and opportunistic way rather than as a strategic HRM initiative thus seems to hold true today.

On the question of the desirability of flexibility a number of views have been expressed. The theoretical advantages for organisations arise from productivity gains. In different ways each type of flexibility aims to deploy employee time and effort more efficiently so that staff are only at work when they need to be and are wholly focused on achieving organisational objectives throughout that time. However, the extent to which this is achieved in practice is not clear. Many writers equate the term 'flexibility' with 'insecurity' and argue that the consequences for organisations in terms of staff commitment and willingness to work beyond contract are damaging. Staff turnover is likely to increase in response to the introduction of flexible working practices, while recruitment of talented people will be harder too. In short it is plausibly argued that the flexible firm model, at least as far as the 'peripheral' workforce is concerned, is incompatible with best practice approaches to HRM which seek to increase employees' commitment. Sisson and Storey (2000, p. 83) make the further observation that too much 'hollowing out' can impair organisational learning and lead to the loss of expertise, a loss from which it is difficult to recover. These unintended consequences, it is argued, can worsen rather than improve an organisation's competitive position. Others (*see* Heery and Salmon 2000 and Burchell *et al.* 2002) see too much flexibility as having damaging longer-term economic consequences. For example, it can lead to a reduced willingness on the part of employers to invest in training, the absence of which creates skills shortages that hold back economic development. It can also lead to a situation in which managers exploit the vulnerability of peripheral workers by intensifying their work to an unacceptable degree. Finally, it can be argued that in dividing people into 'core' and 'peripheral' groups, flexible firms perpetuate inequality in society more generally and that this leads to poverty, crime, family breakdown and political alienation.



WINDOW ON PRACTICE

Tuselmann (1996) argues that a high degree of interdependence exists between the different forms of flexibility, that there are costs and benefits of each, and that organisations choose an optimal mix dependent on their market conditions and the country in which they operate. He suggests that a high degree of functional flexibility may be generally inconsistent with a high degree of numerical or financial flexibility. It has been argued that while Britain pursues numerical flexibility, in an unregulated and decentralised labour market, there is a greater emphasis in other parts of Europe on functional flexibility. In particular Germany has successfully followed this route within a highly regulatory framework with a high degree of centralisation and industrial relations consensus. Tuselmann notes that this framework also constrains organisations' pursuit of numerical, temporal and financial flexibility, and that as Germany experiences increasing competitive pressures, their model of labour flexibility is at a crossroads.

There are other balances in resourcing strategy that can be addressed, for example the balance between numbers of permanent staff employed and the hours that each employee works. In November 1993 Volkswagen in Germany announced that in their current poor financial situation they were employing too many people. In order to avoid redundancies they agreed with the workforce that hours would be reduced by 20 per cent so that they worked a four-day week, and that wages would be reduced by 10 per cent. There is a good deal of emphasis in Europe on reducing the working week to help reduce redundancies, unemployment and absence levels, and to improve family life.

ACTIVITY 4.2



What evidence can you find in your organisation to support a more flexible approach to resourcing? What were the driving forces behind these changes?

How have employees responded and why?

READY MADE OR HOME GROWN?

Organisations have a choice whether to depend extensively on the talent available in the external labour market or to invest heavily in training and development and career systems to exploit the potential in the internal labour market. Some organisations thrive despite having high levels of staff turnover, while others thrive on the development of employees who remain with the organisation in the long term. The emphasis on either approach, or a balance between the two, can be chosen to support organisational strategy.

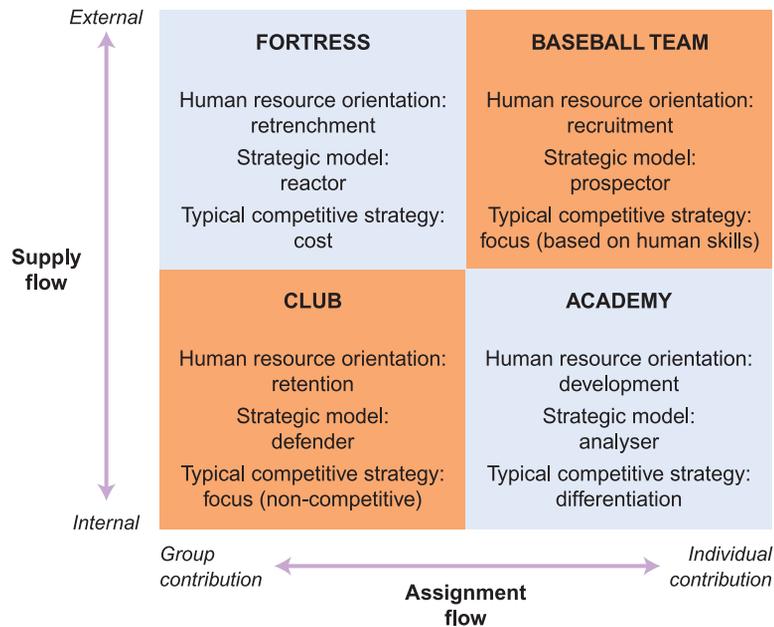


Figure 4.2 A typology of career systems (Source: J.A. Sonnenfield *et al.* (1992) 'Strategic determinants of managerial labour markets', *Human Resource Management*, Vol. 27, No. 4. Copyright © 1992 John Wiley and Sons, Inc. Reproduced with permission of John Wiley and Sons, Inc.)

Sonnenfield *et al.* (1992) propose a model which relates entry and exit of staff with promotion and development of staff in the organisation. One axis of the model is supply flow. They argue that, strategically, organisations that focus on internal supply tend to see people as assets with a long-term development value rather than costs in terms of annual expenditure. The other axis is labelled the assignment flow, which describes the basis on which individuals are assigned new tasks in the organisation. The criteria for allocation may be in terms of individual contribution to organisational performance, or on group contribution – which Sonnenfield *et al.* identify as factors such as loyalty, length of service and support of others. They argue that, strategically, organisations that emphasise individual contribution expect individuals to provide value on a continuous basis, whereas those that emphasise group contribution see employees as having intrinsic value.

The model proposed describes the combination of these two aspects of resourcing and results in four typical 'career systems' as shown in Figure 4.2. In each box alongside the career system label (academy, club, baseball team and fortress) Sonnenfield *et al.* identify the strategic organisation model and the competitive strategy which are most likely to drive each career system. They also identify the likely orientation of the human resource function. In this chapter we are concerned with the characteristics of the career systems, which are discussed below.

Academies

In academies there is a heavy emphasis on individual contribution, in terms of reward and promotion. They are characterised by stability and low turnover of staff, with many employees remaining until retirement. There is an emphasis on development and often competitions for promotion and barriers to leaving the organisation.

Examples of typical industries where academies operate are pharmaceuticals and automobiles.

Clubs

Again there is a heavy emphasis on the internal labour market, but promotion in clubs is more likely to be based on loyalty, length of service, seniority and equality rather than individual contribution. There is an emphasis on staff retention. Sectors where this type of system is likely to operate include public bodies, although the introduction of competitive forces will mean that a different career system may be appropriate.

Baseball teams

Organisations characterised as baseball teams use external labour sources at all levels to seek the highest contributors. There is an emphasis on recruitment to maintain staffing levels. Employees will tend to identify with their profession rather than the organisation, and examples given are advertising, accountancy and legal firms.

Fortresses

Fortress organisations are concerned with survival and cannot afford to be concerned with individuals, in terms of either reward or promotion. They are more likely to depend on external recruitment, often for generalists who meet the needs of a retrenchment or turnaround situation. Examples given are publishing, retailing and the hotel sector.

ACTIVITY 4.3

Which of the four career systems in the Sonnenfield *et al.* model typifies your organisation? What characteristics lead you to this conclusion?

How does this career systems strategy fit with your organisational strategy and organisational mission (either explicitly stated or implicit)?



SUMMARY PROPOSITIONS

- 4.1 A strategic approach to resourcing requires that account is taken of the changes taking place in the labour market.
- 4.2 Individual labour markets vary in key respects. These too need to be taken into account when formulating resourcing policy.

- 4.3 Models incorporating numerical, temporal and functional flexibility have been influential determinants of HRM thinking in recent years, leading to their adoption in many organisations.
- 4.4 The extent to which increased flexibility is evidence of a strategic approach to employee resourcing is a matter of debate. The extent to which such approaches are desirable in the long term is also open to question.
- 4.5 Organisations have strategic choices concerning the use they make of their internal and external labour market.

GENERAL DISCUSSION TOPICS

- 1 In times of high unemployment, many employers still continue to experience skills shortages. What steps can employers take to alleviate this situation? What steps might the government take?
- 2 Discuss the claim that flexible resourcing strategies should be welcomed by the individual as they provide new areas of opportunity rather than a threat.

FURTHER READING

Brown, P., Green, A. and Lauder, H. (2001) *High Skills: globalization, competitiveness and skill formation*. Oxford: Oxford University Press

The authors draw on the results of a large international study to compare and contrast the different approaches being used around the globe to promote skills acquisition and to create a high-skill labour force. Their analysis focuses in particular on the impact of economic globalisation on skills development.

IRS (2002) 'Internal applicants – handle with care', *IRS Employment Review*, 25 March

This article focuses on the practical implications that arise when organisations opt to recruit and promote staff internally rather than sourcing new people from the external labour market. The article draws on a recent study by researchers at the Institute of Employment Studies to set out best practice guidelines.

Pollert, A. (1988) 'The flexible firm: fixation or fact?' *Work, Employment and Society*, Vol. 2, No. 3, pp. 281–316

Although published some years ago, this article is the best and most coherent critique of Atkinson's model of the flexible firm and the management trends it has influenced for two decades.

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An extensive range of additional materials, including multiple choice questions, answers to questions and links to useful websites can be found on the Human Resource Management Companion Website at www.pearsoned.co.uk/torrington.

