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THE U.S. WORKFORCE

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CHAPTER 1:

The U.S. Workforce

Second chapter (follows introductory chapter) of draft text on "Human Resource Management: An Economic Approach."

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CHAPTER 1: THE U.S. WORKFORCE

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CHAPTER 1: THE U.S. WORKFORCE

For most of this century, the federal government has provided data on the makeup of the U.S. labor force. Today, it is possible to obtain detailed information on the occupational, demographic, and industrial composition of employment. Such information is compiled on an aggregate basis and gives a picture of the employment environment in which each firm must make its HRM decisions.

Each employer, of course, will have its own, unique workforce characteristics; there is no "average" firm which looks exactly like the aggregate in miniature. But starting with averages and aggregates will help pinpoint major HRM issues. Depending on their workforce composition, individual firms may be more concerned about some issues than others.

Although information about the American workforce is widely available, many managers (those in the HRM field as well as others) do not take advantage of this important data source. Thus, this chapter has two goals. The first, of course, is to familiarize readers with the characteristics of the workforce and to draw out their implications for HRM. And the second is to acquaint the reader with available information sources.

I. Management Personnel.

Often, the field of human resource management is thought to focus on nonsupervisory employees -- people who "take orders" from others. The historical focus on the "labor problem," discussed in the introductory chapter, fostered this view. When the field of "industrial relations," "labor relations," or "employee relations," was originally created, most of the analytical attention was centered on blue-collar, factory workers who were seen as prone to form unions, engage in strikes, and adopt other behaviors top management saw as threatening. As will be seen below, however, factory workers now constitute a distinct minority of the workforce.

As a result of the original concentration on factory workers, viewing management itself as a human resource is a more recent phenomenon. Thus, it is not uncommon for that component of the HRM function dealing with executives to be separated administratively from other elements of the HRM apparatus. "Executive development" is often seen as a distinct field from the rest of HRM.

i. The Size of the Managerial Workforce.

Since, in virtually all firms, management is at the top of the authority pyramid, starting an examination of the U.S.

Figure 1

EXAMPLES OF EXECUTIVE, ADMINISTRATIVE, AND MANAGERIAL OCCUPATIONS

Accountants and Auditors

Personnel Specialists

Purchasing Agents

Underwriters

Top Executives such as CEOs

Public Administrators

workforce with managerial occupations is quite appropriate. But providing a precise definition of "management" is difficult. In general terms, managerial employees are thought to be those involved in the development and execution of firm policy. For statistical purposes, the government defines a variety of occupations as falling into the classification "executive, administrative, and managerial." As shown on Table 1, based on U.S. Bureau of Labor Statistics data and projections, this group accounts for about a tenth of total employment, a relatively small proportion. Moreover, even though it is growing rapidly, the executive, administrative, and managerial classification will still be at roughly that percentage of the workforce in the year 2000.[1]

It is well to emphasize the relative smallness of the managerial group of occupations as compared with the rest of the workforce. Often, schools of management put great emphasis in courses on organizational behavior and development which are basically "managerial relations" classes. The intent is to train future managers in how to lead, motivate, and coordinate other managers. Yet, as important as these skills are, Table 1 makes clear that they fail to involve the bulk of the firm's human resources. While the managerial interaction is certainly crucial, even in firms where that interaction is in some sense optimal, most HRM problems will not be solved unless other occupational groups are included.

Table 1

TRENDS IN OCCUPATIONAL EMPLOYMENT

Occupational Group	Percent of Workforce: 1986	Percent of Workforce: Projected 2000	Percent Change in Employment: 1972-86	Percent Change in Employment: 1986-2000
White Collar:				
Executive, administrative & managerial	9.5%	10.2%	73.7%	23.7%
Professionals	12.1	12.9	57.5	27.0
Technicians, salesworkers, & administrative support	32.4	32.8	45.5	20.5
Blue Collar:				
Precision production, craft, & repair workers	12.5	11.7	29.6	12.0
Operators, fabricators, & laborers	14.6	12.6	-1.3	2.6
Service Workers (except private household)	14.8	16.5	45.9	32.7
Other Groups:				
Private household workers	.9	.7	-31.9	-2.6
Farming, forestry, & fishing workers	3.2	2.6	-10.4	-4.6
Total Employment	100.0	100.0	33.4	19.2

Source: U.S. Bureau of Labor Statistics data apppearing in Bureau of National Affairs, Inc., Daily Labor Report, June 26, 1987, p. B7. Data for 1972-86 growth rates from Employment and Earnings,

Table 1 -- continued

vol. 31 (January 1984), p. 14, and vol. 34 (January 1987), p. 177. (Note: Data for 1972-86 are not entirely consistent with those for 1986-2000).

In the introduction, the discrepancy between financial and commodity markets and the labor market was noted. In the latter, there is substantial concern about issues such as "fairness," turnover costs, and the like. How these concerns are met is typically the responsibility of management employees (who, of course, also have many other responsibilities concerning the firm's performance). But the relative smallness of the managerial group, and the historic separation of management development from the rest of HRM, raises important questions about the unilateral ability of management to carry out the HRM function.

ii. Compensation.

Members of the "executive, administrative, and managerial" grouping earn about 40% more than other full-time workers, as can be seen from Table 2. But even this figure is misleading since pay rises with authority, and top managerial officials account for only a small portion of the grouping. At the very top echelons of management, compensation levels are likely to dwarf those of non-managerial employees. Thus, management perceptions about the importance of pay, pay changes, fringe benefits, and the continuity of such payments through job security may be very different from those of the average employee. A potential communications and understanding gap exists.

Table 2

MEDIAN WEEKLY EARNINGS OF FULL-TIME WAGE AND SALARY WORKERS BY OCCUPATION, 1986

Occupational Group	Median Weekly Earnings
Executive, administrative, & managerial	$511
Professional	500
Technical, sales & administrative support	320
Service workers	223
Precision production, craft, & repair	408
Operators, fabricators, & laborers	301
All Employees[1]	358

[1]Includes occupations not shown.

Source: Employment and Earnings, vol. 34 (January 1987), pp. 221-222.

Several areas of difference can be highlighted. Executive pay commonly consists of two elements: a salary and a bonus which often is determined in relation to the economic performance of the firm. Table 3 shows the importance of bonus plans by various industrial sectors for top executives. Bonuses as a proportion of salaries range from about one third in banking to over one half in manufacturing. Although there is much to be said for extending the concept of variable bonuses to broader groups of employees (a topic discussed in subsequent chapters), current practice is that such bonuses are substantially less common for the average worker than for top executives.

The use of bonuses related to firm performance means that executive pay may be more variable from year to year than the pay of ordinary employees. Two factors can be cited as explanations for this difference. First, the overall economic performance of the firm is more closely related to the performance of top executives than it is to the efforts of individual, nonsupervisory employees. Recent economic theory emphasizes the potential tension between "principals" and "agents."[2] In this case, the principals are the firm's stockholders and their agents are management officials. By linking executive pay to firm performance, shareholders hope to provide incentive for better managerial decision making. This desire of the principals

Table 3

IMPORTANCE OF EXECUTIVE BONUS PLANS, MAY 1985

Sector	Percent of Surveyed Companies with bonus plans
Manufacturing	92%
Construction	91
Retail trade	81
Commercial banks	81
Insurance	67
Gas & Electric Utilities	36

Source: Harland Fox and Charles A. Peck, _Top Executive Compensation, 1986 Edition_, report no. 875 (New York: The Conference Board, 1986), p. 2.

(stockholders) is usually put forth as the demand side of the executive pay story.

Second, on the supply side, the higher pay levels of executives make them less risk averse than other employees. They can "afford" more income fluctuation without severe consequences to their accustomed living standards.[3] Generally, even during periods of low bonus payments, higher income executives will have greater personal assets on which to draw and easier access to loan markets.

Because of their higher income levels, managerial employees tend to be in higher income tax brackets. They will place greater value of forms of compensation which avoid or defer tax liabilities. For example, when capital gains were taxed at lower rates than ordinary income, i.e., until 1987, use of stock option arrangements (which provided income in the form of capital gains if the firm's stock rose in value) were particularly popular. To some extent, stock option plans also meet the principals and agents problem, since stock price appreciation partly reflects managerial quality and serves the interests of stockholders.

Various "perks" provided to executives such as company cars, legal consultations, expense accounts, club memberships, and the like also reflect tax incentives. Many of these do not fit neatly into the principals and agents rationale and exist only for tax reasons. The perks have the side effect, however, of making the form of executive pay quite different from the compensation package offered ordinary employees. Advocates of reducing the apparent gap between the treatment of executives and other workers -- often on the grounds that excessive perks adversely affect non-executive productivity -- often fail to perceive the impact of the tax code in fostering such arrangements.[4]

iii. Are the Principals Well Served by Executives?

The compensation of top executives inevitably sparks public interest. Various surveys -- such as the annual listing of top executive pay by the magazine Business Week -- respond to this public curiosity. Questions are often raised about whether top executives are really worth the high salaries, benefits, and perks they receive.

In part, this questioning is no different from the critical approach taken to the high salaries received by superstar athletes and entertainers. Some see it as immoral that a baseball player -- however talented -- should be paid more than a physicist. The only answer that can be given is that the labor market places a high value on an athlete who can draw substantial public interest and enthusiasm. Team owners, in bidding for players, make such calculations.

The questioning of executive pay levels, however, often involves a deeper issue of possible market failure. In the case of professional sports, it is ultimately the team owners and managers who make the decision concerning how much they are willing to pay for a given player. Players can demand what they like, but their demands are evaluated in terms of benefits and costs from a commercial viewpoint. In the case of top executives, however, the charge is that the executives themselves are setting their own pay (or controlling the process by which it is set). In other words, the agents are suspected of making decisions which run counter to the interests of the shareholders (principals).

To some extent, financial markets may mitigate this problem. If executives operate contrary to the interests of owners, they may cause the firm's stock to be undervalued and invite takeovers, unfriendly mergers, and their eventual replacement by more responsive managers. Indeed, those who argue for relative unfettered takeover activity often do so on the grounds that it is a check against abusive management actions.[5]

However, the market for corporate control is itself imperfect since takeover bids involve considerable potential transactions costs. Indeed, actions by corporate management to discourage unfriendly takeovers through "poison pills" and other such devices have triggered the same sort of debate that has previously centered on executive pay. Thus, the question of appropriate executive pay will inevitably remain more controversial as compared with pay levels for other employees.

iv. The Gap Between Managers and Other Employees.

Managers are likely to be separated from other employees by virtue of their pay levels, authority, and discretion. They may therefore have a hard time obtaining accurate information about the concerns and performance of those they supervise. In addition, management productivity may be much more difficult to measure than that of non-managers. To the extent that managers are supervising non-managers, how may these problems be overcome? Various HRM techniques have been developed to obtain the needed information.

For example, firms can collect various statistical indicators which point to problems in the management of nonsupervisory employees. Sometimes HRM departments develop survey instruments to obtain direct information on employee attitudes about their jobs and work situations. Employee committees may be formed for similar purposes. Careful monitoring of employee grievances can be undertaken in firms which have formal grievance mechanisms.

Finally, there are symptoms of employee discontent -- which may point to poor management -- that can be (and should be) routinely obtained from payroll records. These measures include quit rates and absenteeism rates. A high quit rate may mean simply that pay needs to be raised relative to competitors in the labor market. But it may also mean that employees are reacting to poor supervision by seeking work elsewhere. Absenteeism problems can have a similar interpretation.

v. Managers in Unionized Firms.

In some countries, unionization of the workforce may extend up through the middle management level. But such unionization is virtually nonexistent in the U.S. in the private sector, although their are some examples in government. Most typically, therefore, management will be nonunion -- along with other white collar employees -- and the union workers (if any) will be blue collar. Thus, there is likely to be a considerable gap between rank and file union workers and managers in terms of pay, social background, education, and attitude toward the firm.

By the mid 1980s, the proportion of private sector employees represented by unions had fallen to about 16%, although in the public sector the figure was over 40%. Thus, many managers are employed in firms which do not deal with unions. For those that do find themselves in unionized firms, however, the presence of unionization poses a special challenge. Although unions and bargaining form the subject of a later chapter, it is useful to list some of the issues raised by unionization for management at this point.

Inevitably, unionization involves a constraint on the decision making authority of management officials. Some managers are better equipped than others to deal with such constraints. Traditionally, collective bargaining and its related processes have involved conflict or potential conflict. Again, some managers are personally better able to handle the stresses of conflict than others. Thus, when a nonunion facility becomes unionized, a turnover of local management personnel sometimes results from the new pressures.

American management has generally resisted unionization whenever possible. As will be discussed in a later chapter, some of this resistance stems from the added labor costs which unionization entails. But some resistance may also stem from a desire on the part of management to avoid the stresses of conflict and shared authority. As in the compensation area, this aspect of management behavior raises an interesting principals and agents problem. Are the resources which management devotes to remaining nonunion always commensurate with shareholder costs and benefits? Or does management "overspend" in this area to maintain its own comfort level?[6]

vi. Job Security.

Although news accounts of corporate restructurings often give the impression that managerial job loss has become a major factor, the impression is misleading. In 1986, when the overall civilian unemployment rate was 7.0%, the rate for executive, administrative, and managerial personnel was only 2.6%. At the bottom of the economic slump of the early 1980s, the overall unemployment rate reached 9.7% in 1982. But the rate for the executive group was only 3.3%. The fact is that the managerial group does not seem to be at untoward risk in the labor market.

A survey of employees displaced during 1981-85 by plant closings, moves, slack work, or the abolishment of positions or shifts found that executives, administrators, and managers were not disproportionately displaced during this periods of well publicized restructurings. Those who were displaced seemed to find new employment at a faster rate than other employees.[7] It is not true that executives are immune from layoff during hard times. But it is also not true that as a group their higher pay and benefits relative to other employees reflects greater job uncertainty, although this may be the case at the very top echelons of corporate management.

Labor market figures also suggest that hours reductions due to slack work are not typically experienced by executives. Their employment hours are not tightly tied to the ups and downs of production, compared with other workers. In contrast, blue collar employees may be put on part-week schedules, or temporarily laid off, during business downturns.[8]

II. Professional Personnel.

The professional worker category, like the managerial, encompasses a broad range of skills and responsibilities. Under this grouping fall such diverse occupations as engineers, lawyers, writers, doctors, economists, and registered nurses. As Table 1 shows, about 12% of the workforce comes under the professional classification. The group tends to be higher paid than average and to have or require higher levels of educational attainment.

i. Allies of Management?

Although management may see professionals as "natural" allies, professional employees do not necessarily have managerial authority in the firm. They do not make company policy, and are often simply hired for their expertise in a particular field. Professional employees, therefore, are <u>employees</u> in the usual sense of that word. If their needs and interests are not

Figure 2

EXAMPLES OF PROFESSIONAL OCCUPATIONS

Engineers

Architects

Biologists

Economists

Lawyers

Physicians

Writers and Editors

sufficiently attended, they may exhibit the classic symptoms of other dissatisfied workers: increased turnover, reduced productivity, and hostility toward management.

As already noted, management personnel in the U.S. are virtually never unionized, especially in private employment. But professionals sometimes are. For example, various engineering associations in the aerospace industry negotiate with the managements of major firms such as Lockheed. It is true that professionals often see themselves as a different class of employee from other workers. And, indeed, American labor law makes special provision for them to unionize <u>separately</u> from other employees. Thus, conflict with management is possible--particularly after a period of layoffs and "hard times."

Professional employees, may well have special concerns about their employment situation which go beyond immediate pay and conditions of work. Some may have ambitions to move into managerial roles eventually. Opportunity for such advancement (or lack thereof) can be an issue. But other professionals may simply feel that they are entitled to a significant degree of deference and consultation. They may desire academic-style "collegiality" in the workplace, a desire to which some corporate cultures respond and others do not. Economic theory suggests that employers should consider both pay and working conditions as part of the "package" they offer employees. Thus, responding to the collegial desires of professionals can be good business.

ii. Human Capital Considerations.

Since professional employees are likely to have learned their occupational skills through higher educational institutions, they may feel a need for skill updating through seminars and similar programs. Fear of becoming technically outdated fosters this demand. Thus, employee benefits which involve educational opportunities are likely to be important to professionals. An interesting question is the value of providing such opportunities to the employer.

Human capital theory makes a distinction between general training and specific training.[9] The former is the acquisition of a skill which is of broad use to many employers in the labor market; the latter involves acquiring a skill useful only to a single employer. In making the distinction, economists have argued that employers will provide only specific training at their own expense since the return on investment in general training is likely to be captured by the employee, not the employer.

For example, if an employer were to put an employee through engineering school, the employer would have no guarantee that the employee would actually come back to work for the firm at the end of the training. And even if the employee did return, he or she would be able to demand a higher salary (comparable to what competing firms were paying). The return on the human capital investment would, thus, go to the employee. In contrast, if an employee is trained in techniques used only by the particular employer, there is no opportunity to exploit the skills anywhere except within the firm. Thus, the return on investment can be captured by the employer in the form of higher productivity without increased wage costs.

While the general/specific distinction is useful, its consequences for human resource management -- particularly as applied to professionals -- is more complex than the simple example suggests. As stressed in the introduction, labor markets differ from financial and commodity markets. Employees tend to remain with their employers and employers tend to follow practices which encourage such loyalty. Although employers are unlikely to provide initial general training, e.g., putting someone through engineering school, they might well provide general training to employees who have been with the firm for some time as an educational benefit. Moreover, the employer might well capture some of the return on this benefit due to employee immobility.

Indeed, for professional workers, continued employment in their field is almost inevitably a form of on-the-job general training. Outside firms will pay more for experienced lawyers, engineers, and other professionals than for novices, on the assumption that work experience involves acquisition of valuable skills. The line between specific and general skills is often vague in any case since most learning is at least partially transferable.

iii. Pay and Performance.

Professional employees and managerial employees share some common characteristics in the compensation field. The higher pay of both groups means that both will be especially interested in benefit plans which escape or defer taxes (such as pensions, health insurance, and life insurance) or which create vehicles for tax-deferred saving. Firms with substantial professional workforces need to pay special attention to their benefit programs.

But aside from simply providing an income, compensation generally functions as a reward system for employee performance. In the case of professionals, there are often difficult problems in measuring productivity, since the employee's output is typically a service (such as research, advice, or design) rather than a tangible product. Measurement of productivity and performance is thus especially subjective for professionals. Yet in a professional-intensive firm, performance appraisal is a matter of critical importance.

iv. Job Security.

Professional workers share with executives and managers the characteristic of very low unemployment rates compared with other employees. And they were substantially less likely to be displaced during the first half of the 1980s than their proportion of the overall workforce would suggest.[10] Of course, some professionals have been displaced by business cycle pressures. For example, an economic downturn in aerospace in the early 1970s produced well-publicized job losses among engineers. Still, to the extent that professional embody a stock of expertise and research and development which the firm has built up, layoffs will reduce that stock (and make it available to competitors). Thus, mass termination of professionals may not be good HRM policy for employers, even in the face of very adverse economic conditions.

III. Technical, Clerical, and Sales Personnel.

Professional and managerial employees form less than half of the white collar portion of the workforce. Almost 6 out of 10 white collar workers (who now, in turn, form over half of the

Figure 3

EXAMPLES OF TECHNICAL, SALES, AND ADMINISTRATIVE SUPPORT OCCUPATIONS

Drafters

Computer Programmers

Emergency medical technicians

Cashiers

Retail salesclerks

Real estate agents

Bill collectors

Telephone operators

Hotel desk clerks

Secretaries

Messengers

overall workforce) fall into the technical and administrative support group (including clericals) and into the sales group. Although technicians earn above-average incomes, the sales and administrative support occupations do not.

Until the 1970s, the application of technology to raise productivity was seen largely as factory oriented. Office productivity had not undergone a technological revolution since the invention of the typewriter. However, the introduction of word processing and data processing equipment has substantially altered that picture. Displacement by labor saving device became a possibility in the office for the first time. But along with the displacement threat came the opportunity for skill enhancement, i.e., training to operate the new equipment. The upshot is that human resource management problems of technical, administrative, and sales workers now more closely resemble those of blue collar workers in the past.[11]

Women are heavily concentrated in the administrative support group. They are also somewhat more represented in the technical occupations (especially those related to health care) and in the sales occupations (especially in the lower paid areas) than elsewhere in the workforce. Part-time work is more common in these fields than in others, partly reflecting the sex composition of the workforce.

i. Flexibility and Temporary Work.

In recent years, employers have sought greater "flexibility" in the use of their non-professional and non-managerial white collar workforces. There has been, for example, an upsurge in the use of temporary employees, either hired through commercial employment services or through in-house arrangements. Temporaries typically receive lower benefits that regular workers as do part-timers. And they are less likely to be included in any job security arrangements the employer may offer.

The general/specific skill distinction, cited earlier, helps explain this phenomenon. To the extent that the skills possessed are reasonably standard, turnover costs will not be a major consideration to employers in establishing pay levels, benefits, or other conditions of work.[12] In addition, if skill levels are readily measured, e.g., tests of typing speed, the risk to employers of mistakes in hiring are lessened. Thus, it is not surprising that the demand for employer flexibility finds special expression among these occupational groups.

In the past, unions have made relatively few inroads in the non-professional, non-managerial white collar groups in the private sector. Yet there are some notable exceptions, e.g., supermarket clerks. But the same groups have been receptive to unionization in the public sector and in quasi-public health care institutions. Thus, to the extent that the push for flexible working arrangements in private employment is more a matter of employer than employee preferences, employers may eventually experience a backlash.

ii. Comparable Worth.

One area in which tensions arose in the 1970s was the so-called comparable worth issue. Proponents of comparable worth argued that jobs with heavy concentrations of female workers were systematically underpaid relative to "male" jobs. They argued for paying jobs in accordance with their comparable worth to the employer. Although this issue will be discussed in a subsequent chapter, it is important to note here that it is most commonly applied to clerical occupations.

Most of the litigation that grew out of the comparable worth question arose from the public sector. During the 1980s, however, the major court decisions in the area did not favor the concept. Nevertheless, the 1980s also saw an upgrading of female pay levels relative to male in private employment, suggesting that employers may have altered their pay policies in response to the comparable worth issue. That is, even though the employer position -- that comparable worth should not be imposed by law-- was prevailing in court cases, employers may have found it prudent to defuse the issue internally by modifying their pay setting practices.

IV. Blue Collar Occupations.

Blue collar workers accounted for a little over one fourth of the overall workforce in the mid 1980s. But because they are more likely to be unionized than others, however, the concerns of blue collar workers have often received substantial popular attention. Dramatic bargaining sessions and strikes occur only where unions are involved; nonunion workers may also have complaints but they usually lack a formal mechanism by which to voice these complaints collectively (and publicly).

Still another reason for the focus on blue collar employment is economic. Unemployment rates for blue collar workers are higher than for other groups. Thus, the threat of layoffs and plant closings is usually pictured in the media as a blue collar issue, although, of course, displacement can occur throughout the workforce.

i. Innovations in HRM and the Blue Collar Worker.

Many of the innovations in human resource management in the past have, in fact, come from the blue collar area, mainly because of the concentration of unions in this sector (or the

Figure 4

EXAMPLES OF BLUE COLLAR OCCUPATIONS[1]

Carpenters

Electricians

Data processing equipment repairers

Aircraft mechanics

Butchers and meatcutters

Tool and die makers

Upholsterers

Sewing machine operators

Bus drivers

Laborers

[1]Blue collar occupations are not defined in the Census or similar surveys. As a proxy, the classifications "precision production, craft, and repair workers" and "operators, fabricators, and laborers" have been used.

threat of unionization as perceived by management). The widespread use of fringe benefits, for example, spread from the union sector to other employees in the 1940s and 1950s.

Perhaps more fundamentally, the field of human resource management has its historical roots in the labor problems of the late 19th and early 20th century, as factory work became more common. Since factory workers were often immigrants during this period, tensions over absorption of foreigners and of importation of foreign radical ideas mixed with ordinary industrial relations issues, sometimes in an explosive manner.

Even in recent years, blue collar problems continue to attract attention and spawn innovations. The quality of working life movement of the 1970s -- with its quality circles and related devices -- largely revolved around blue collar, manufacturing workers. A shift in public policy toward occupational safety and health in the 1970s also had its origins in blue collar employment. What started as concern for such issues as exposure to cancer-causing asbestos in blue collar manufacturing and construction eventually widened into issues such as possible eye strain or other adverse effects from video display terminals in white collar settings.

ii. Location in Key Sectors.

One factor in the seemingly-disproportionate concern over the HRM problems of blue collar employment is the importance of blue collar intensive sectors of the economy. Although manufacturing employment as a proportion of the workforce has historically declined, manufacturing <u>output</u> relative to overall output has shown little trend. In the mid 1980s, for example, manufacturing accounted for between a fifth and a fourth of gross output, approximately the same percentage as in the early 1960s.[13] More rapid productivity growth in manufacturing relative to other sectors permitted relative employment to shrink while relative output remained steady.

Manufacturing industries loom particularly large in the international economic relations of the U.S. Manufactures account for about three-fourths of merchandise exports. Other blue collar using sectors (such as construction, utilities, railroads, trucking, and mining) also are key to American economic performance. Thus, if HRM's focus on blue collar issues has seemed disproportionate in the past, it is likely to remain so in the future -- and with good reason.

Yet, between management and blue collar workers there is an especially wide social distance. At the time of the 1980 Census, for example, close to 40% of all persons falling into the executive, administrative, and managerial occupations had completed college. But only about 5% of workers in the more skilled blue collar categories had finished college, and even lower rates were reported for semi-skilled and unskilled occupations. Thus, management is today, as it was in the past, the furthest removed from those occupational groups where concerns over productivity and competitiveness have been most commonly centered.

Lower educational attainment among blue collar workers poses problems for implementation of some of the more innovative schemes in employee participation in decision making. Such participation may well require facility to assimilate and interpret quantitative information, accounting data, and the like. Sometimes, it proves necessary to provide training in these areas before such innovative techniques can be applied.

V. Service Workers.

Service workers accounted for over 1 out of 7 jobs by the mid-1980s. However, there is often confusion in discussions of labor force trends between service workers and the service industries. Service <u>industries</u> can be very broadly defined to include all industries which do not produce goods. Under this extensive definition, the service sector covers such diverse industries as railroads, construction, banking, advertising

Figure 5

EXAMPLES OF SERVICE WORKER OCCUPATIONS

Janitors

Bartenders

Short order cooks

Waiters and waitresses

Nursing aids

Ticket takers

Guards

Firefighters

agencies, and supermarkets. More conventionally, service industries are defined as a narrower group covering such personal services as laundries, hotels, and health care, and such business services as computer consultants and credit rating bureaus.

Service <u>workers</u>, in contrast, include occupations such as nursing aids, cooks, barbers, guards, and dental assistants. Some of these occupations are typically employed in service industries (such as nursing aids in health care). But others (such as guards) are employed in many sectors of the economy.

With the exception of protective service jobs (often associated with public employment) such as police officers and firefighters, service occupations tend to be heavily female. The service occupations also tend to command lower-than-average wages. And they often involve either low skill levels or general (rather than specific) skills. Thus, many of the same sorts of HRM issues that revolve around administrative support occupations also arise in services, i.e., comparable worth, high turnover, and use of temporaries.

In the private sector, service workers are rarely represented by unions. They tend to be found in industries with low unionization rates. In one case -- plant guards -- U.S. labor law acts to discourage unionization by requiring such workers (who are few in number and often geographically dispersed within firms) to form separate unions. But there are exceptions, such as the heavily unionized flight attendants occupation. In the public sector, however, service workers are about as prone to unionization as blue collar employees.

VI. Trends in the Occupational Composition of the Workforce.

Table 1, presented earlier, shows both the past trend and the projected trend in occupational mix. Past trends, of course, are easy to ascertain from the historical record. Projections are a more complicated matter and involve the uncertainty always entailed in predictions. The most prominent forecaster in the employment area is the U.S. Bureau of Labor Statistics (BLS), a division of the Department of Labor.

To make its projections, the BLS starts with a general forecast of the economy. It breaks this aggregate forecast into detailed industries and then uses data on employment per unit of output by industry to project job growth. In turn, data on the occupational composition of each industry's workforce -- combined with information on such factors as technological displacement of certain kinds of jobs -- can be used to project the future occupational composition of employment.

Some observers have cited the BLS projections as reasons for concern over the future shape of American income distribution. A crude version of this concern notes the rapid growth of low paying service jobs and asserts that average wages will fall as Americans increasingly end up flipping hamburgers as an occupation. During the early 1980s, there did seem to be a tendency for much job creation to occur in lower paid occupations.[14] However, the BLS projections do <u>not</u> necessarily support such a scenario over the long run. The future trends shown on Table 1 include both growth and the upper end of the income scale (executives, professionals) and at the lower end (service occupations). Growth of the higher paid groups offset the downward pull of service worker wages.

A more sophisticated version of the concern over income distribution involves income inequality rather than income trends. Analysts note that the fast growing occupations tend to be at both the higher income levels and at the lower income levels. This pattern leaves a "hole in the middle" consisting of better paying blue collar jobs, according to some economists which will widen income inequality and which could produce social tensions. Such considerations opened up a substantial debate over the "declining middle class" in the mid 1980s.[15]

There is some truth to the "hole in the middle" view, but the effect is quantitatively small. Even with the diverse occupational trends, Table 1 shows that the proportions of workers in the different occupational groups in the year 2000 will look much like those of the mid-1980s. Thus, any tendency toward income inequality is bound to be small. The labor force generally changes form slowly. There is always a large stock of workers in any broad occupational group compared to the relatively small incremental trends, even for periods as along as a decade.

Hidden under the aggregate data are individual workers or groups of workers whose economic situation has worsened, or will worsen due to economic trends. For example, the American steel industry fell into a deep recession in the early 1980s and even after the rest of the economy began to recover, steel's economic situation worsened. Displaced steel workers, who have -- or will have -- difficulty finding new jobs at wage and benefit levels comparable to their old jobs will clearly be worse off. But, at the same time, in other industries and occupational groups, other workers are experiencing improved job opportunities.

VII. Labor Force Demographics.

Up to this point, the focus has been primarily on employment by occupation. An alternative view of the job market can be obtained by analyzing the demographic elements of the labor force. For example, what proportion of the labor force is male or female, white or black, young or old? As the demographic mix in the labor force changes, HRM challenges are presented to managers who must accommodate the needs of the new employees.

The labor force consists of two components: the employed (the group discussed so far) and the unemployed. Employment is an easy concept to understand; it means having a job. A few job holders are not actually at work -- some are on vacation, sick leave, or on strike. But most are actually working. In contrast, the unemployed are defined as individuals who are seeking work, who are on layoff awaiting recall, or who are waiting to report to a new job within 30 days. About 65% of the population aged 16 and over was in the labor force in the mid 1980s, the vast majority being employed. Those not in the labor force (the remaining 35%) consisted of such groups as retirees, invalids, homemakers, and full-time students.

i. Women in the Labor Force.

The phenomenon of women in the labor force is hardly new. In the early part of the 19th century, for example, women were extensively used in the textile industry, the "high-tech" sector of that era. What is comparatively new is the widespread participation of <u>married</u> women in the labor force. Up until World War II, working women were predominantly single. Often-- as in the case of those textile workers -- they were teenage girls or young women awaiting marriage.

Social norms until quite recently did not emphasize job orientation for women. Until the 1960s, various protective state laws (considered as progressive reforms when they were originally passed in the early part of the century) limited hours of work or type of work for female employees. The growth in the female workforce tended to be in certain types of jobs. In the professions, for women looking for careers, there were jobs emphasizing children, families, or health care. These included such occupations as elementary school teachers (85% female in 1986), social workers (65%), and registered nurses (94%). Outside the professions, jobs often involved food handling (85% of the category "waiters and waitresses" were female in 1986) or lower paid sales jobs. Finally, the invention of the typewriter in the late 19th century brought women into office/clerical jobs such as secretaries (99% female).[16]

Economists often use the participation ratio or participation rate to illustrate the attachment of a group to the labor market. The participation rate is simply the proportion of a particular group which is in the labor force (employed plus unemployed) in a particular time period. A projection of the participation rate, combined with a projection of the underlying population, permits a projection of the number of persons in the target group who will be members of the labor force. Thus, the BLS projects that in 1995 the number of women in the population aged 16 or older will be 101.8 million. It further projects that the participation rate for women in that year will be 58.9%. Thus, its prediction for the female labor force is that it will consist of 101.8 x .589 = 60 million women.[17]

Table 4 shows the participation rates for female workers as compared with males over the period 1960-1995, and the proportion of the labor force which was, or will be, female. The upward trend in the propensity of women to join in the labor force is apparent. Also apparent is a reverse trend for males due to such factors as enhanced opportunities for retirement and disability income (through private pension and benefit programs and Social Security). Thus, as in the past, the proportion of women in the labor force will be growing.

This growth will focus attention on certain issues in the workplace. A later chapter will discuss these in more detail but it is well to preview them here. In the compensation area, the comparable worth question -- to which reference has already been made -- will continue to arise, especially in relation to the large bloc of clerical employees. Issues also arise in connection with the structure of fringe benefits which sometimes continue to reflect the stereotype of a male breadwinner supporting a non-working wife.

Table 4

LABOR FORCE TRENDS, 1960-1995

Year	All Workers	Males	Females	Married Females[1]	Whites	Blacks	Ages 16-24
	Participation Ratio:						
1960	59.4%	83.3%	37.7%	31.9%	58.8%	*	56.4%
1972	60.4	78.9	43.9	41.4	60.4	59.9%	61.8
1986	65.3	76.3	55.3	55.0[2]	65.5	63.3	68.6
Projected 1995	66.6	75.3	58.9	n.a.	66.8	65.9	69.5
	Percentage of the Civilian Labor Force:						
1986	100%	55.5%	44.5%	23.4%	86.4%	10.8%	19.8%
Projected 1995	100	53.6	46.4	n.a.	85.2	11.5	15.6

[1]With husbands present.
[2]Figure refers to wives not living alone or with nonrelatives or wives where the husband is in the Armed Forces.

*Data are not available for the black category prior to 1972. Prior to that year, the category "nonwhite" was used which includes other groups, chiefly Asians.

Note: Blacks and whites do not sum to 100% because of the presence of other omitted groups, chiefly Asians, in the aggregate data.

Source: Employment and Earnings, vol. 33 (January 1987), pp. 156--66; U.S. Bureau of Labor Statistics, Handbook of Labor Statistics, bulletin 2217 (Washington: GPO, 1985), pp. 8-23; U.S. Bureau of Labor Statistics, Employment Projections for 1995: Data and Methods, bulletin 2253 (Washington: GPO, 1986), pp. 100-102.

Time spent at work will also receive greater attention. Because married women with children are increasingly employed, issues such as provision of child care arrangements, leaves in connection with childbearing, and flexible work hours which coordinate with school hours will be increasingly raised. Sometimes, such matters are raised in legal and legislative forums. But accommodating such needs may well be advantageous to employers as a recruitment incentive.

The growth of the two-earner family has implications for male employees as well as female. There is evidence to suggest that men with working spouses may prefer to reduce hours, e.g., working less overtime, or otherwise reduce the intensity of their work commitment. For professional/managerial families, issues arise over who moves when one spouse is transferred or has an opportunity for advancement in another geographic area. Such issues, in turn, become the concerns of human resource managers who may find that policies requiring geographic mobility may lead to quits of valuable employees whose family situations do not permit such moves.

Similarly, job assignments that require substantial travel can play havoc with employee family responsibilities. Restructuring of such jobs, or simply more use of telephones and written communication, may be required. Note that for management personnel -- who were exhorted in the 1980s to get out of their offices and engage in "walking around" at distant company sites[16] -- such family/work conflicts can be especially pressing.

ii. Minority Employees in the Labor Force.

The proportion of minority employees in the labor force has been growing, and will continue to grow. Table 4 compares black versus white participation rates and shows that although overall participation of both groups has been rising, black participation has slipped relative to white. This relative slippage seems to reflect adverse labor market conditions for blacks, especially high rates of unemployment, which discourage labor force participation.

Information on minority groups other than blacks is sparser, but underlying population trends suggest that minority representation generally will rise. Hispanics, for example, constituted over 6% of the labor force in 1986, most falling in the "white" classification of Table 4. Asians and Pacific islanders constituted about 1.9% of the labor force at the time of the 1980 Census of Population and American Indians and related groups about 0.7%.[17]

During the 1960s and 1970s, there was a substantial upsurge in "equal employment opportunity" (EEO) legislation and litigation affecting minorities in the workplace (and also revolving around sex-related issues). Questions of employment discrimination, use of "affirmative action" programs, became the focus of social and political attention, and significantly affected workplace practices. Employers who were charged with discriminatory practices regarding hiring, testing, promotions, layoffs, and other standard HRM activities typically could best defend themselves by showing they used formalized, centralized, impartial HRM decision processes. Thus, EEO pressures produced an unexpected byproduct: a strengthening of the HRM function within firms.

The 1980s saw a variety of steps on the part of the Reagan administration to reduce the federal role in EEO matters. However, because the judiciary is heavily involved in EEO, these initiatives -- particularly in the area of affirmative action-- were blunted. With continued steady increases in the minority component of the labor force, it is likely that EEO will remain an important area for HRM managers for the balance of this century. But it seems unlikely to effectuate further dramatic change in the status of the HRM function; EEO has already left its mark.

iii. The Age Composition of the Labor Force.

Although Table 4 shows that the 1995 and 1986 labor forces will be similar in most respects, there is one notable exception.

The proportion of young people will decline dramatically by 1995. This reduction is not due to expected changes in labor force participation propensities of the young. Rather, due to the "baby bust" (drop in birth rates) during the 1960s -- which followed the baby boom of the post-World War II period -- there will simply be fewer young people available.

Some observers in the 1970s, foreseeing this demographic trend, predicted that there would be a labor shortage at the entry level in the 1980s. Employers would find themselves bidding up the wages of young people in a desperate effort to find new recruits. But, because the first half of the 1980s were characterized by deep recession and later relative high unemployment, no such shortages developed. Also, to some extent, the increasing participation of women and migration into the U.S. (legal and illegal) provided a substitute for young entrants.[20]

There was a tendency during the 1970s, when baby boomers crowded the entry levels of the labor force, for wages of young people to decline relative to those of older workers. Such a tendency could well reverse itself, if the labor market were to "tighten" in the future, i.e., if unemployment declines. To the extent that younger worker preferences become more important to employers, the mix of compensation might also be affected. Younger workers will typically be less interested in deferred benefits such as pensions, for example. And, since they are more mobile than there elders, they are likely to resent contributing directly or indirectly into benefit plans which primarily are targeted at employees who stay with the employer for a prolonged period.

Young workers have been less likely to be represented by unions than their elders in recent years. This is because the young have a tendency to be found in newer industries which were expanding at the time they entered the labor market. Unions have been notably unsuccessful at penetrating newer industries, ranging from fast food to high tech. However, surveys indicate that nonunion younger workers are, paradoxically, more willing to join unions than older workers.[21] The decline in the proportion of younger workers in the labor force therefore makes new organizing more difficult for unions.

Age demographics will eventually play another role after the turn of the century. At that time, the baby boomers will near or reach retirement age. Issues such as Social Security payments and taxes and the status of private retirement plans will become more important in the HRM field. As the labor force ages, and average mobility declines, concerns about job security will be heightened. There are already trends in some states for courts to protect employees from "wrongful" discharges and various proposals have been made for legislation limiting discharges, plant closings, and layoffs. Presently, the push for such legislation comes primarily from the liberal end of the political spectrum. But an aging workforce could put the issue into the center of politics, adding new pressures on the HRM function.

VIII. HRM and Internal Employment Planning.

This chapter has reviewed labor force trends and characteristics at an aggregate, national level. Often, however, firms will find it useful to look at their <u>own</u> workforce characteristics and trends. What kinds of employees will be available for hiring in the future? What tendencies are evident within the firm such as aging of the workforce, a greater proportion of women, etc.? Do the firm's existing benefit plans match the needs of its changing workforce?

What kinds of skills will be used by the firm in the future? Will the skills be of the general variety, easily obtained from the external labor market, or will they have to be developed by the firm? If not easily obtained, should the firm undertake the needed training in its own facilities? Or can it work with local community colleges and vocational schools to provide training? In the event that the external political climate imposes constraints on the firm's current HRM practices (say, with regard to discharges and layoffs), can these practices be readily adapted to meet those constraints?

Figure 6

DATA SOURCES FOR LABOR MARKET ANALYSIS AND HRM PLANNING

U.S. Bureau of Labor Statistics:

Bulletins:

Handbook of Labor Statistics
Occupational Outlook Handbook
Employment Projections
Occupational Projections and Training Data
Occupational Employment (various sectors)

Journals:

Employment and Earnings
Monthly Labor Review

U.S. Bureau of the Census:

Census of Population 1980 (many volumes)
County Business Patterns
Census of Manufactures (and periodic censuses of other sectors)

U.S. Bureau of Economic Analysis:

Data from the national income accounts relating to employment and pay by detailed industry appear in the Survey of Current Business along with other information relating to employment.

Obviously, firm size will contribute to the firm's ability to undertake such HRM planning reviews. However, even smaller firms may find such planning can be undertaken jointly through trade associations and similar groups. In the past, firms have often neglected the wealth of data on labor force characteristics and trends available at nominal cost from government agencies such as the Bureau of Labor Statistics and the Bureau of the Census. Now, however, the advent of the computers and the ability to acquire government data on diskettes and tapes makes analysis much easier.

Government data are most helpful in analyzing the supply side of the labor market. Given a projection from within the firm of its future occupational needs, the availability of such labor can be analyzed using official data sources. However, the internal projection with regard to employment patterns can be made only if the firm has made projections of its likely production patterns. What kinds of products or service will the firm be selling? Will it be producing these products or services directly, or obtaining them from other suppliers? HRM planning cannot be isolated from general strategic planning of the enterprise.

Labor force information, combined with the firm's production intentions, is also important in such questions as site selection. The firm's occupational needs might be better met in some locations than others. Often, even for relatively small geographic areas, data from the <u>Census of Population</u> can give some indication of employee availability. Other sources can provide information on typical wage levels, the status of labor-management relations, and the mix of employers already in the area. To the extent that a firm locates a facility in an area where the local labor force does not match its needs (say, because access to raw materials, tax incentives, or distance to markets were dominant considerations), it may have to plan on importing labor and providing housing and other social amenities. Thus, HRM planning is required even when HRM considerations are not the primary motivation behind a managerial decision.

FOOTNOTES

1. As noted, the data of Table 1 come from the U.S. Bureau of Labor Statistics (BLS). BLS is the pre-eminent source of American labor statistics. It produces a vast array of monthly, quarterly, and annual data on employment, unemployment, wages, and other labor market characteristics. Also collected are data on prices and inflation. Originally, the BLS was created in the 19th century as a social uplift organization; it was assumed that bringing forth information on labor problems would lead to their solution. The modern BLS is a professional organization whose key employees are statisticians, economists, and other technicians. It maintains offices around the country and has its headquarters in Washington. These offices can provide labor market information by telephone. Information is also produced in publications, press releases, and on computer diskettes. For further information, see Joseph P. Goldberg and William T. Moye, The First Hundred Years of the Bureau of Labor Statistics (Washington: GPO, 1985).

2. John W. Pratt and Richard J. Zeckhauser, eds., Principals and Agents: The Structure of Business (Boston: Harvard Business School Press, 1985).

3. Income security does not logically have to be an inferior good, i.e., one which (other things equal) the consumer wants less of as income reasons. Common sense, however, suggests that it is likely to be so.

4. The lowering of marginal tax brackets enacted in 1986 might conceivably have some impact on the quest for non-taxable perks. However, even with the lower brackets, there is still considerable incentive for tax avoidance, especially when state income tax rates are added to federal.

5. U.S. President, Economic Report of the President, February 1985 (Washington: GPO, 1985), pp. 187-189.

6. Ouchi and others have noted a tendency of American management to be especially concerned and disturbed about dealing with unions. But as he points out, the Japanese firms, which are often held out as models of managerial behavior for Americans, seem to deal with unions without the same level of disturbance. See William G. Ouchi, Theory Z: How American Business Can Meet the Japanese Challenge (New York: Avon Books, 1982), pp. 97-100.

7. Francis W. Horvath, "The Pulse of Economic Change: Displaced Workers of 1981-85," Monthly Labor Review, vol. 110 (June 1987), pp. 3-12, especially p. 6. The survey covered only employees with a tenure of 3 or more years on the job from which they were displaced. About 5.1 million employees were found to be

displaced by the definitions used in the study.

8. Relatively few individuals in the executive classification report that they are working part time involuntarily, i.e., less than 35 hours per week, when the Bureau of Labor Statistics and the Bureau of the Census conduct their monthly survey of the population.

9. The issue of education and training is taken up in detail in a later chapter. It is discussed here, however, because of its close link to professional occupations.

10. Horvath, "The Pulse of Economic Change," _op. cit_., p. 6.

11. It is important to note, however, that there is still substantial disagreement among those who attempt to project economic change about the eventual impact of such computer-based innovations as word processing on office productivity. See H. Allan Hunt, "Technological Change and Employment: Fears and Reality" in Barbara D. Dennis, ed., _Proceedings of the Thirty-Ninth Annual Meeting_, Industrial Relations Research Association, December 28-30, 1986 (Madison, Wisc.: IRRA, 1987), pp. 447-454.

12. The relationship between turnover costs and pay and other HRM decisions is discussed in a later chapter.

13. U.S. President, _Economic Report of the President, January 1987_ (Washington: GPO, 1987), pp. 26-27.

14. Barry Bluestone and Bennett Harrison, _The Great American Job Machine: The Proliferation of Low Wage Employment in the U.S. Economy_, a study prepared for the U.S. Joint Economic Committee of Congress, available from the Committee, December 1986.

15. Frank Levy, "The Middle Class: Is It Really Vanishing?," _The Brookings Review_, vol. 5 (Summer 1987), pp. 17-21. See also the symposium on "Increasing Economic Inequality in the U.S.? Alternative Views" in Barbara D. Dennis, ed., _Proceedings of the Thirty-Ninth Annual Meeting_, _op. cit_., pp. 331-357.

16. Data on the proportion female in various occupations are taken from _Employment and Earnings_, vol. 34 (January 1987), pp. 179-183.

17. U.S. Bureau of Labor Statistics, _Employment Projections for 1995: Data and Methods_, bulletin 2253 (Washington: GPO, 1986).

18. Thomas J. Peters and Robert H. Waterman, Jr., _In Search of Excellence: Lessons from America's Best-Run Companies_ (New York: Warner Books, 1982), pp. 288-290.

19. U.S. Bureau of the Census, General Social and Economic Characteristics: United States Summary, PC80-1-C1, 1980 Census of Population (Washington: GPO, 1983), Table 144.

20. In 1987, as unemployment rates fell below 7%, and as a new immigration law came into effect, reports of labor shortages at the unskilled end of the labor market began to be heard.

21. Richard B. Freeman and James L. Medoff, What Do Unions Do? (New York: Basic Books, 1984), p. 29.

EXERCISE FOR THE STUDENT

Select an industry, e.g., banking, steel manufacturing, retail foodstores, or trucking. A good place to start is the monthly journal Employment and Earnings published by the U.S. Bureau of Labor Statistics. The journal will give you a listing of the many U.S. industries in its tables on employment and pay.

Develop a human resource profile of the industry using the data sources suggested in this chapter. Consider such factors as the demographic composition of the industry's workforce, its occupational mix, and its age and education. What challenges do these characteristics pose to HRM professionals in the industry? Examine projections about the industry's likely employment growth (or decline). What HRM issues do the projections raise?