Human Resources Management for Public and Nonprofit Organizations

Second Edition

Joan E. Pynes

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Thank you,

Joan E. Pynes

Human Resources Management for Public and Nonprofit Organizations

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Indiana University

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Preface

The conceptual foundation of the first edition of this book was strategic human resources management (SHRM). SHRM is the integration of human resources management with the strategic mission of the organization. It adapts human resources policies and practices to meet the challenges faced by agencies today, as well as those they will face in the future. What was written then and is even more important today is the necessity that human resources departments take a proactive role in guiding and supporting agency efforts to meet the changing demands of their environments.

Government and nonprofit organizations are facing many challenges. They are confronted with tight budgets brought about by tax cuts provided in the early 2000s, the loss of approximately 2.6 million private sector jobs since 2001, concerns over terrorism, and the war and subsequent obligations in Iraq. Reductions in public dollars and private donations have led public and nonprofit organizations to lay off staff even as demands for services are increasing. These changes have occurred simultaneously with increasing demands for efficient and effective services.

The new public service has become more diverse. Changing demographics have resulted in an increase in the numbers of employees who are women, members of ethnic and racial minorities, and persons with disabilities. Graduates of schools of public policy and administration are likely to take jobs in the nonprofit sector and show a greater interest in seeking employment opportunities in the private sector. Today's graduates are moving across the three sectors, looking for challenging work and the opportunity to learn new skills. The challenge for public and nonprofit organizations is to design a human resources management (HRM) system that keeps them motivated and able to make a difference through their work.

Changes in information technology and automation led to the restructuring of many public and nonprofit agencies. Advances in technology have enabled employees to work from their homes, provided opportunities for more flexible work hours, and increased the employment options for disabled individuals. Computer networks and videoconferencing have changed communication patterns. Information technology is being used not only to automate routine tasks but also increasingly to restructure and integrate service delivery procedures and programs.

Organizations must do more than just adapt to internal changes. They must also seek better ways to meet the expectations of citizens, clients, funding sources, foundations, elected officials, boards of directors, interest groups, and the media.

The public sector is becoming less involved in direct service delivery. Government at all levels is increasingly relying on nonprofit and private sector organizations to provide services. Government work is being implemented through a network of contracting, intergovernmental grants, vouchers, tax credits, regulations, and other indirect administrative approaches. While the federal government in particular is reducing the number of individuals it employs directly, it continues to need a sizable "shadow" to accomplish its mission (Light, 1999). These employees are part of the shadow that is created when public goods and services are provided through private, nonprofit, or state and local entities. According to Paul Light, many of the nation's most challenging public service jobs are now found outside the federal government, not inside (1999, pp. 3–4). Donald Kettl (2002, p. 120) notes the following:

> Government has come to rely heavily on for-profit and nonprofit organizations for delivering goods and services ranging from antimissile systems to welfare reform. These changes have scarcely obliterated the role of Congress, the president and the courts. State and local governments have become even livelier. Rather, these changes have layered new challenges on top of the old ones, under which the system already mightily struggles. New process-based problems have emerged as well: How can hierarchical bureaucracies, created with the presumption that they directly deliver services, cope with services increasingly delivered through multiple (often nongovernmental) partners? Budgetary control processes that work well for traditional bureaucracies often prove less effective

> in gathering information from nongovernmental partners or in shaping their incentives. Personnel systems designed to insulate government from political interference have proven less adaptive to these new challenges, especially in creating a cohort of executives skilled in managing indirect government.

Declining revenues combined with demographic changes, changes in employees' values, and the need to retain effective workers are some of the forces that have compelled public and nonprofit organizations to become concerned with their survival. These changes require a more flexible and more skilled workforce. To survive, organizations need employees with new skills. *Hard Truths/Tough Choices* (National Commission on the State and Local Public Service, 1993) identified five skill areas that are needed by the new public manager: competency in team building, competency in communication, competency in involving employees, commitment to cultural awareness, and commitment to quality. These skills have HRM implications for employee recruitment, selection, and training. Public and nonprofit sector jobs are increasingly professional in nature, requiring higher levels of education. At the same time, there has been a decrease in jobs that are physically demanding. Employees in public and nonprofit agencies often deal with a variety of people, many of whom have a stake in the agency. Taxpayers, clients, customers, elected officials, donors, contractors, board members, and special interest groups are just some of the stakeholders concerned about agency performance. Employers must ask themselves how to meet the public's objectives and satisfy the organization's stakeholders.

More recently, there has been an emphasis on human capital, recognizing that employees are an agency's most important organizational asset. Workers define its character, affect its capacity to perform, and represent the knowledge base of the organization. Despite this acknowledgment, little strategic human capital management is being conducted in federal agencies. Reports indicate that the following activities are lacking: (1) leadership, continuity, and succession planning; (2) strategic human capital planning and organizational alignment; (3) acquiring and developing staffs whose size, skills, and use meet agency needs; and (4) creating results-oriented organizational cultures. All have been identified as challenges facing the federal government (General Accounting Office, 2001a, 2001c, 2002b). State and local governments and nonprofit and for-profit organizations are facing these same human capital challenges as well (Beatty, Craig, & Schneier, 1997; Hays & Kearney, 2001; Hinden & Hull, 2002; Light, 1998, 2000a, 2000b; Ulrich, 1997, 1998; Walters, 2000b).

To be strategic partners, HRM departments must possess high levels of professional and business knowledge. HRM must establish links to enhancing organizational performance and be able to demonstrate on a continuing basis how HRM activities contribute to the success and effectiveness of the organization.

Public and nonprofit agencies must be flexible and attuned to the needs of society. They must seek to improve the quality of their services by engaging in strategic human resources management. Recruitment and selection strategies must be innovative, career development opportunities must be provided, work assignments must be flexible, and policies must reward superior performers and hold marginal employees accountable. These policies must be developed and administered according to the principles of equity, efficiency, and effectiveness. Performance standards must be designed to promote the goals and values of organizations.

Historically, HRM has been seen as a Cinderella—on the periphery, not integrated into the core of agency functions. Fitz-enz (1996, p. 3) notes that historically, personnel departments were either dumping grounds for "organizational casualties"—likable employees who were not proficient at other tasks—or were staffed with employees from line functions, neither of whom had any formal education in personnel administration. He also attributes the peripheral relationship of HRM departments to other functional departments to the fact that for years it was believed that organizations could not measure or quantify what the HRM department accomplished or contributed to the organization's bottom line. HRM departments did not speak in financial terms, the common denominator of business language, nor were they very good at communicating the relationship between successful HRM programs and organizational success. As a result, most HRM departments were denied access to the organization's strategic planning processes and forced into reactive activities instead of being allowed to collaborate with the other management teams to formulate policies and determine future objectives. This approach has been a mistake. Research in the private sector has found that returns on wise HRM policies can surpass returns from other resources (Cascio, 2000; Fitz-enz, 1996, 2000). In the public and nonprofit sectors, where 60 to 80 percent of expenditures are for personnel, SHRM is even more important than in the private sector.

Purpose and Audience

This book addresses HRM issues that arise in nonprofit and public agencies. Although there are many textbooks on public personnel management, none address the nonprofit sector, thus omitting a significant partner that provides services that benefit society. Topics such as recruiting and managing volunteers or working with a board of directors have not been addressed. There are other omissions as well, such as a discussion of nonprofit labor relations. For example, nonprofit labor relations are governed by the amended National Labor Relations Act (the Labor-Management Relations Act), while most federal employees fall under the Federal Service Labor-Management Relations Statute (Title VII of the Civil Service Reform Act of 1978), and state and local government employees are guided by their respective public employee relations statutes. In the public sector, an applicant's or employee's religion is irrelevant, and discrimination because of religion is prohibited. However, religiously affiliated nonprofits that provide services of a religious nature may in special circumstances discriminate against applicants or employees on the basis of their religion.

Because service provider nonprofits are typically the recipients of government contracts and grants, a new intergovernmental environment has emerged as nongovernment organizations have increasingly been used to implement public policy. Kramer and Grossman (1987) and Salamon (1995, 1999) refer to this new interorganizational environment as the "new political economy," the "contract state," or "nonprofit federalism," while Light (1999) refers to it as "shadow government."

The emphasis in this book will be on nonprofits that are closely associated with providing a public benefit or service or with solving a problem on behalf of the public interest. It will focus on nonprofits that are responsible for delivering health care, social services, education, arts, and research. The objectives of these nonprofits often parallel those of many government agencies in terms of the individual and community services they provide.

Public organizations and nonprofits are similar in that they define themselves according to their missions or the services they offer. These services are often intangible and difficult to measure. The clients receiving public or nonprofit services and the professionals delivering them make very different judgments about the quality of those services. Both sectors are responsible to multiple constituencies: nonprofits are responsible to supporters, sponsors, clients, and government sources that provide funding and impose regulations; and public agencies are responsible to their respective legislative and judicial branches and to taxpayers, cognate agencies, political appointees, clients, the media, and other levels of government (Kanter & Summers, 1987; Starling, 1986). Lipsky and Smith (1989–1990) comment that public and private service organizations share many characteristics: the need to process clients through systems of eligibility and treatment, the need to maintain a competent staff to be effective, and the need to account for financial expenditures. These organizations are also expected to be fair (equitable), to accommodate likely and unanticipated complexities (responsive), to protect the interests of sponsors in minimizing costs (efficient), to be true to their mandated purposes (accountable), and to be honest (fiscally honorable) (pp. 630–631).

The conceptual foundation of this book is strategic human resources management. SHRM is the integration of human resources management with the strategic mission of the organization. It adapts human resources policies and practices to meet the challenges agencies face today, as well as those they will face in the future. Human resources departments must take a proactive role in guiding and supporting agency efforts to meet the changing demands of their environments. The information provided in this book is to be used to improve the effectiveness of HRM activities.

In many organizations, HRM policies and practices develop on an ad hoc basis, with little integration of the organization's future needs. Often policies are developed to solve an immediate problem, with no thought to their long-term implications. Such policies and practices lock the agency into inflexible modes of operation, leaving them unable to see that other strategies might be more appropriate.

This book emphasizes the importance of HRM functions, revealing them as major contributors to the accomplishment of the agency's mission both in the present and as the agency changes. The purpose of the book is to provide practitioners, policymakers (such as elected officials), and board members of local, state, federal, and nonprofit organizations with an understanding of the importance of SHRM in managing change. It provides the guidance necessary to implement effective HRM strategies.

The book was also written to be a textbook for use in public administration and nonprofit management graduate programs that offer courses in personnel administration, human resources management, strategic planning, and nonprofit management. Although the literature on nonprofit management has increased in recent years, little of that information addresses nonprofit HRM concerns. This book should help fill that void. As more public administration programs offer a specialization in nonprofit management, it is important that resources be available that target the challenges faced by both the public and nonprofit sectors.

Overview of the Contents

Part One introduces the context and environment of human resources management. Chapter One discusses how society and workplaces have changed and the HRM implications of those changes. Chapter Two explains why SHRM and human resources planning are imperative if agencies are going to remain competitive and be able to accomplish their missions; it also discusses how the role of human resource specialists have to change as well. Chapter Three discusses strategic human management and information technology. Chapter Four presents the legal environment of equal employment opportunity, and Chapter Five discusses the importance of valuing and managing diversity if organizations expect to prosper. The importance of managing volunteers and how SHRM practices can assist in making the volunteer experience productive for the agency and satisfying to the volunteers are discussed in Chapter Six.

Part Two presents the techniques and functional areas of human resources management. Examples are provided in each chapter. Chapter Seven explains the importance of job analysis before executing HRM policies or developing job descriptions, performance appraisal instruments, training and development programs, and recruitment and selection criteria. A variety of job analysis techniques are discussed. In Chapter Eight, recruitment and selection techniques are explained. Drug testing, physical ability tests, psychological examinations, and other selection techniques used in the public and nonprofit sectors are summarized. At the end of the chapter, important psychometric concepts are explained. New to this edition is the introduction of practical intelligence, emotional intelligence, adaptability, multiple intelligences, and organizational citizen performance behaviors. Performance management and evaluating employees' performance is the focus of Chapter Nine. Different performance appraisal techniques are explained, and their strengths and weaknesses are identified. The importance of rater training and documentation is noted. Ethical issues in performance appraisal are discussed, as are merit pay and 360-degree evaluations. Chapter Ten identifies the internal and external factors that influence compensation policies and practices. The techniques used to develop pay systems are discussed. Examples of job evaluation systems are provided, and nontraditional pay systems are explained. In Chapter Eleven, employer-provided benefits and pensions are discussed.

The focus of Chapter Twelve is training and development activities. Changes in technology and demographics and the development of new responsibilities and expectations have made training and career development more important than ever. Identifying training needs, developing training objectives and the curriculum, and the evaluation of training are explored. Different training formats are summarized. The chapter concludes with examples of management training and career development programs. Chapter Thirteen discusses collective bargaining in the public and nonprofit sectors. The legal environment of labor-management relations for nonprofit, federal, state, and local employees is explored. Definitions and explanations are provided for concepts such as unit determination, union security, unfair labor practices, management rights, impasse resolution, and grievance arbitration. The reasons that unions exist in the public and nonprofit sectors are examined. The final chapter provides an overall conclusion. It summarizes the key lessons presented in the book, which I hope will have convinced public and nonprofit administrators of the importance of strategic HRM.

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—J.E.P.

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Joan E. Pynes is professor of public administration and director of the public administration program at the University of South Florida. She received her B.A. degree (1979) in public justice from the State University of New York at Oswego and her M.P.A. degree (1983) and Ph.D. degree (1988) in public administration from Florida Atlantic University. She is the author of articles and chapters on public and nonprofit human resources management. Her article "Are Women Underrepresented as Leaders of Nonprofit Organizations?" was named the best article published in *Review of Public Personnel Administration* for 2000 by the American Society for Public Administration's Section on Personnel and Labor Relations (SPLAR).

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