

**Labor and Personnel Management
in the Agri-Food System**
(First Draft of Textbook for AFRE 315)

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Part I

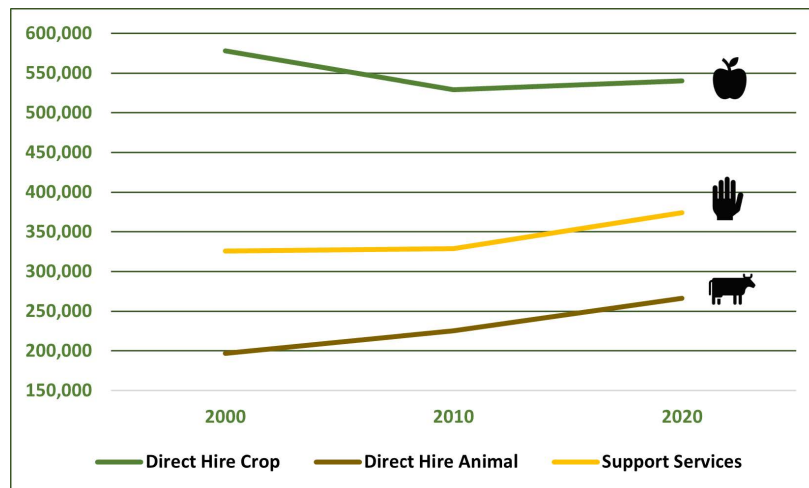
INTRODUCTION AND HISTORY

Chapter 1

Introduction

Agricultural production in the United States (US) is very diverse. Farmers produce hundreds of different commodities for sale in domestic and international markets. In 2021, farmers in the United States received \$278 billion in cash receipts from sales of agricultural good (USDA-ERS, 2024). The leading commodities were corn and soybeans, which brought farmers \$87 billion and \$61 billion in sales, respectively. Fruits and nuts generated \$27 billion in sales, while vegetables and melons generated \$25 billion. Animal production generated \$196 billion in farm gate revenue with cattle bringing in \$73 billion, followed by poultry and eggs (\$46 billion), dairy (\$42 billion), and hogs (\$28 billion).

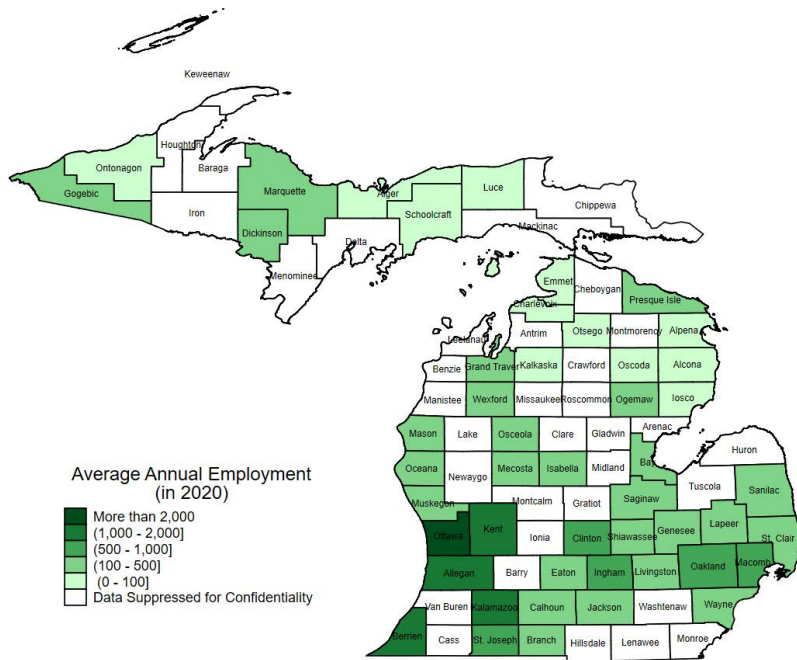
Figure 1.1: Profile of US Average Monthly Agricultural Employment



The agricultural sector is a major employer of hired labor in the United States. There are roughly 1.2 million jobs on the books of agricultural employers in an average month of the year (see Figure 1.1). Most agricultural employees are directly hired by crop and animal farmers, but almost a third are brought to farms by contractors who are hired by farmers to perform certain tasks such as harvesting, tilling, and post-harvest activities. Due to seasonality and job turnover, there could be as many as 2.5 million workers working in the agricultural sector over the course of a year. In the food processing sector, there are about 1.7 million jobs on the books of employers in an average month.

The state of Michigan produces over 300 commodities, and farmers sell \$12 billion of dollars worth of agricultural products each year (University of Arkansas, 2024). In terms of the economic impacts, dairy, corn, soy, sugar beets, apples, and cherries are the leading commodities (Michigan Farm Bureau, 2024). According to University of Arkansas (2024), Michigan has 9.5 million acres of farm land where 45,000 farms operate, and the average farm size is 210 acres. Most of Michigan’s agricultural employment takes place in the western part of the lower peninsula, where a significant share of the hand-harvested fruits and vegetables are grown (see Figure 1.2).

Figure 1.2: Concentration of Michigan’s Non-H-2A Agricultural Employment



Employees supply their labor to the market because they want to earn money to pay for rent, housing, food, and other needs and wants. Employee compensation may come in the form of wages, benefits, and other perks that help meet their needs. In the private sector, employers hire workers because consumers demand their goods and services, and they want to sell them to make a profit. Employers have to compensate employees and adhere to numerous federal and state labor laws, as well as those that pertain to safety and health at the workplace.

With so many workers in the agri-food system, someone has to manage them. Managing employees is a complex job with numerous considerations. Managers have to recruit, hire, supervise, discipline, and fire employees. Employees have different personality types, and managers have to navigate their supervision duties while balancing the needs employees and the company they work for. Employees come from a diverse set of backgrounds, and many workers are immigrants who do not have legal authorization to work in the United States, and they may not speak English.

Managers have to do their jobs by engaging in ethical practices, and there are a number of legal issues that may arise over the course of a manager’s career. Businesses may change their

organizational structure, which means employees may take on different roles, and managers have to implement those changes while keeping employees productive and making sure the business succeeds. Employees may form unions, which have special rights under federal laws, so managers and the companies they work for need to understand what they are up against if they face a situation where their employees are organizing.

Employee retention is a major problem in the agri-food system, and workers may quit to find better pay or working conditions in other sectors of the economy. Managers and the companies they work for have to take steps to make sure worker turnover is kept to a minimum while making sure that employees stay productive and meet the company's standards. Employees may need managerial input to stay motivated, and managers can take active steps to understand the needs of their employees and help them stay focused on meeting company goals.

Managers are also leaders, and everyone has their own leadership style. Some leadership styles are better suited to certain jobs, and not everyone should be a manager. Conflicts may arise at the place of work, and managers have a role in helping resolve them. They also have a duty to report certain violations to the company owners and law enforcement. Employers and employees also have rights, and managers need to understand them so they can ensure they are following the law. Some employers hire foreign-born workers through visa programs, which have their own sets of rules, and managers need to know those rules to make sure the company is in compliance.

This textbook will dive into these topics and others to provide information to get started as a manager in the agri-food system. The following chapters are short, but they cover the basics on a series of topics that will help you learn how to navigate labor and personnel management in the agri-food system.

Chapter 2

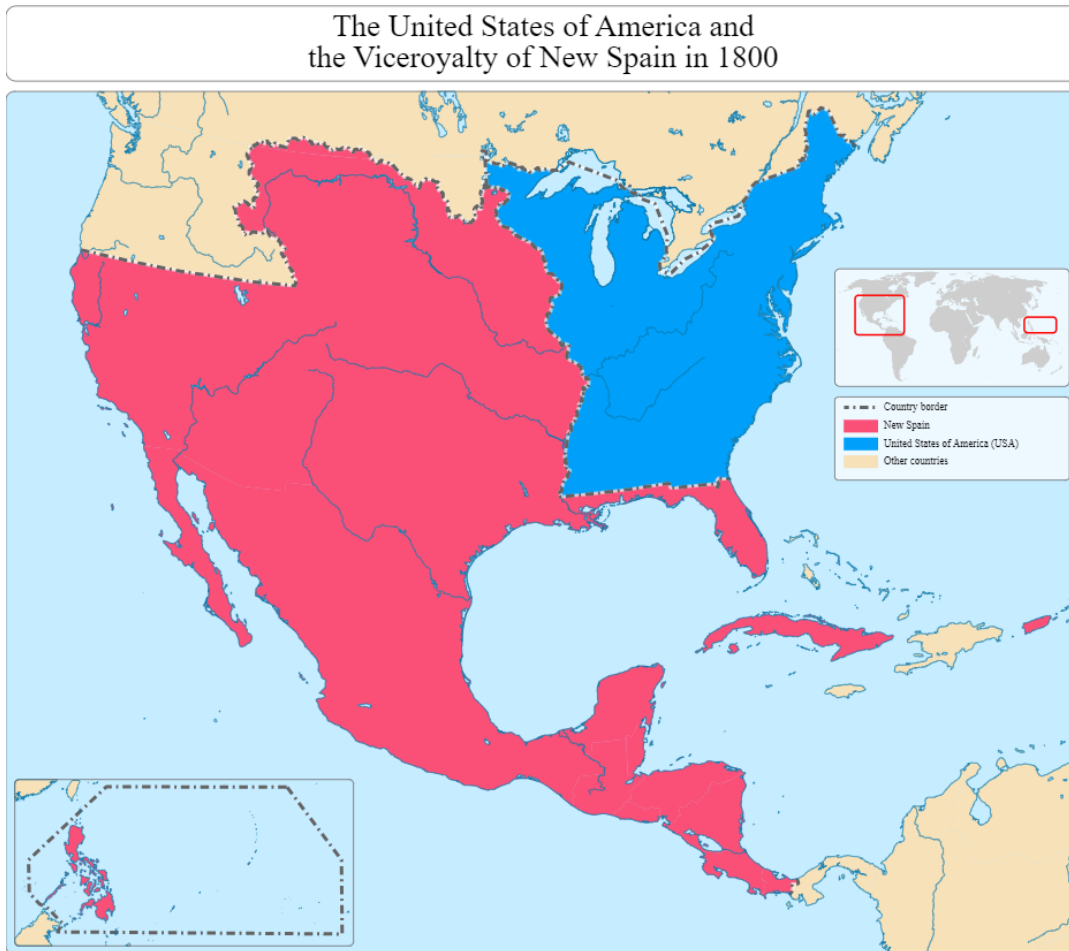
A Brief History of Agricultural Labor

2.1 Spain, Mexico, and the United States

Native Americans inhabited North America for thousands of years before European settlers discovered the continent. After arriving on North American soil, settlers battled with Native Americans and eventually took their land. In the 1600's about 90% of the settlers farmed for subsistence. Many settlers came as indentured servants who entered into agreements to work on settlers' farms between three and seven years for room, board, and passage across the Atlantic Ocean. Between 1650 and 1860, African people were enslaved and brought to North America to work on southern plantations. As the colonies expanded, farming operations became larger.

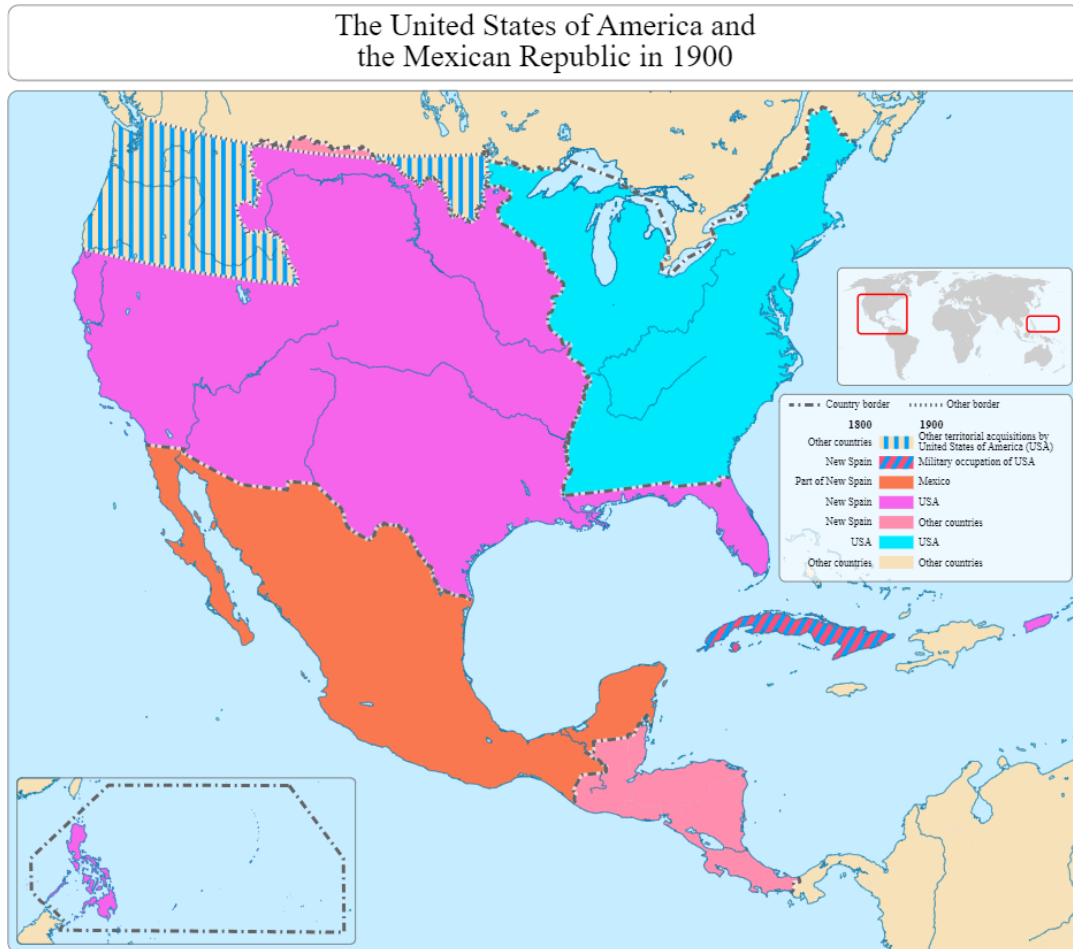
In 1521, Spain conquered Mexico. Spain subsequently built missions in the area known as "Alta California," where they intended to assimilate natives into the Spanish empire (see Figure 2.1). This area was known for its cattle ranching and farming of European foods. In 1821, Mexico gained independence from Spain and regained the territory that now covers modern day California, New Mexico, Arizona, and Texas. The United States of America expanded into the western part of North America, which led to the Mexican-American war. The United States defeated Mexico. A map of North America in 1900 can be seen in Figure 2.2, where the United States gained a large share of the land that was previously occupied by the Spanish and Mexicans.

Figure 2.1: Spanish Territory Before Mexican Independence



Source: Wikipedia.org: https://upload.wikimedia.org/wikipedia/commons/3/3a/Territorial_evolution_of_Mexico_and_the_USA_%281800%E2%80%931900%29_01.svg.

Figure 2.2: United States After the Mexican-American War

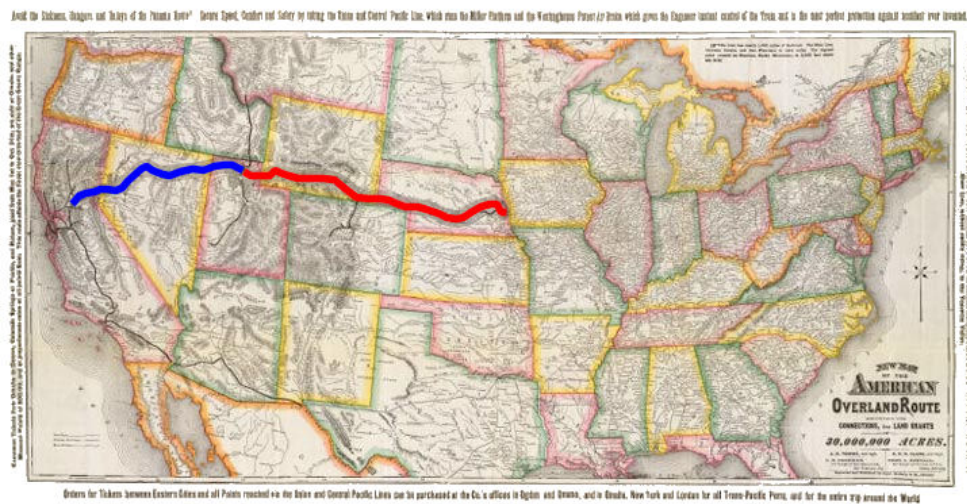


Source: Wikipedia.org: https://upload.wikimedia.org/wikipedia/commons/3/3a/Territorial_evolution_of_Mexico_and_the_USA_%281800%E2%80%931900%29_01.svg.

2.2 The Gold Rush and the Transcontinental Railroad

In 1848, gold was discovered in California and the famous “Gold Rush” ensued. In 1849, roughly 300,000 people rushed to California to search for gold. These individuals are known as the “49ers.” The city of San Francisco became a major hub for people seeking gold and is the reason why San Francisco’s National Football League team is called the 49ers. During this period of time, approximately 40,000 Chinese immigrants came to the United States to escape poverty and search for gold. Most of these Chinese immigrants did not become rich and had to find work elsewhere. Between 1863 and 1869, the transcontinental railroad was being constructed, which connected California to the Eastern part of the United States. The railroad opened up the eastern markets for agricultural goods being produced in the western part of the US. Thousands of Chinese immigrants helped work on the railroad.

Figure 2.3: Transcontinental Railroad Map



2.3 Immigrant Farmworkers and the Cycle of Discrimination

After the continental railroad was completed, it became very difficult for Chinese workers to find employment. There were discriminatory laws passed that made it difficult or impossible for Chinese workers to work in cities. As a result, many Chinese workers found low-paying work on farms, which helped farmers expand fruit and vegetable production. In 1880, roughly 75% of California’s seasonal workers were Chinese. The Chinese workers were favored over American workers because they were willing to work for less than American workers, and they did not require food and housing like American workers did. American workers would work for \$1.00 per day, and they wanted food and housing, but the Chinese would work for \$25.00 per month without room and board. Moreover, the Chinese workers would leave after the harvest was over and come back the next year, which was ideal from a producer’s perspective.

Figure 2.4: Chinese Immigrants Working on the Railroad



The Chinese also brought orchard management knowledge and skills from China, which benefited the American producers that employed them. However, discrimination against the Chinese eventually drove them out of farm work

Figure 2.5: Chinese Farmworker Harvesting Celery



In 1885, Japan legalized emigration to the United States, and more than 400,000 Japanese people left for the US and its territories. Japanese workers worked for less than the American and Chinese farmworkers, and they would also leave after the harvest, just like the Chinese

did. However, the Japanese had a different business strategy. They worked out deals with the farmers to get a portion of the crop, and they would sell their goods for more than the wages they would have made. In doing so, they were able to purchase land, which they turned into farm land to farm themselves. This expansion doubled the farm land area in the western part of the US. However, just like the Chinese, the Japanese were driven out of farm work due to discrimination, and laws were passed to end Japanese immigration to the US.

American farming in the west followed this trend through several more cycles, where new groups of immigrants were employed and were ultimately replaced by other groups of immigrants. After the Japanese came, Pakistani and Indian workers filled the void, followed by Filipinos and finally immigrants from Mexico.

2.4 The Dustbowl 1930-1936

The Great Depression kicked off in 1929 in the wake of a severe global economic crisis. October 24th, 1929, was dubbed “Black Friday” in the US when the stock market crashed, sparking a prolonged period of high unemployment rates and broad business failure (Wikipedia.org, 2024). In the years that followed, the mid-western part of the US experienced severe drought and huge dust storms, which devastated cropland. Unable to farm and make a living, thousands of mid-westerners moved to the western part of the US. Many of them lived in tent cities, found work on farms, and lived in extreme poverty. This was the first time that impoverished farmworkers became a political issue. The US government sent aid to the camps to prevent people from starving.

Figure 2.6: Dust Cloud During the Dustbowl



Figure 2.7: Car Buried During the Dustbowl



Figure 2.8: Dustbowl Migration Patterns

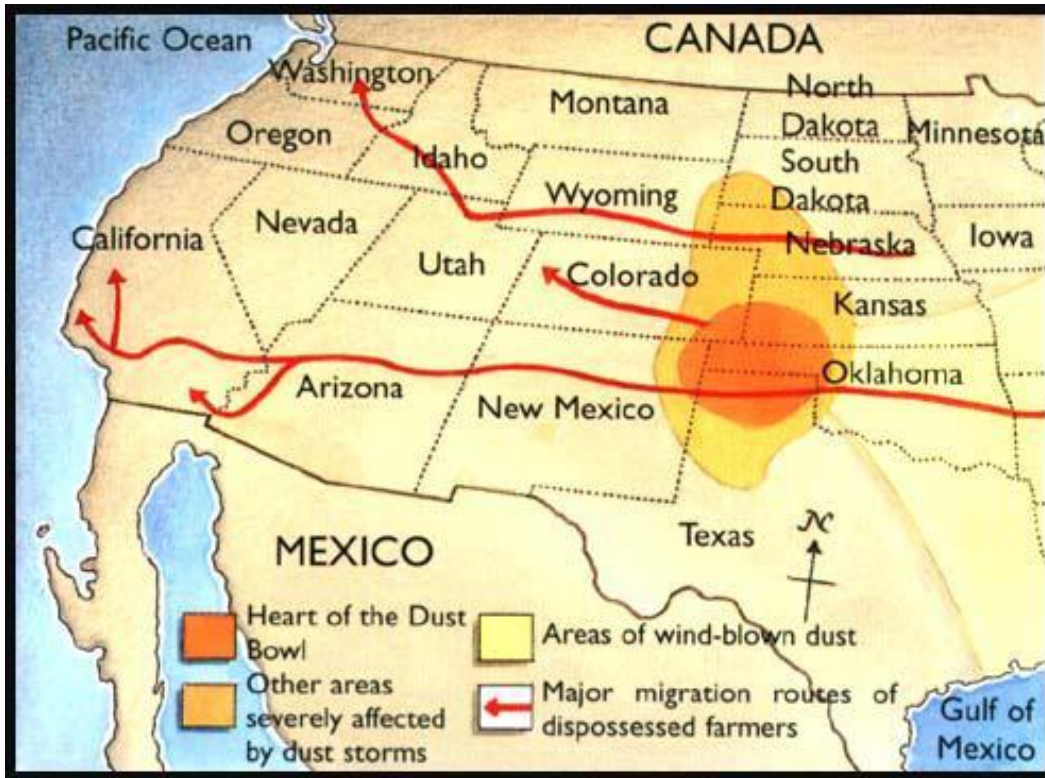


Figure 2.9: Dustbowl Migrants Camping Out



Figure 2.10: Dustbowl Tent City



2.5 The Bracero Programs of World War I and II

During World Wars I and II, the US was worried about labor shortages in the agricultural sector because working-aged men were sent overseas to fight. As such, the US and Mexico entered into a series of diplomatic agreements that allowed Mexican migrant workers to work on US farms. These agreements became known as the Bracero Programs.¹ Recruiters went into Mexican villages to convince them to go to the US to work on farms. Reports indicate that Mexican workers were commonly taken advantage of and lived in poor conditions. Some were given loans they had to pay off and often earned less than they were told they would.

Figure 2.11: Bracero Workers Working in a Field



Figure 2.12: Bracero Workers on a Meal Break



¹The word bracero stems from the Spanish word "brazo," which is translated into English as "arm." As such, Mexican Bracero workers were manual laborers who "worked with their arms."

After World War II ended, the Bracero Program continued. Some argued that the program should be terminated because the number of Braceros has flooded the labor market, which they claimed depressed the wages of US workers. In 1964, a busload of Bracero workers was hit by a train, killing 28 workers. This event received national attention, which eventually caused the US Congress to close down the program for good. However, throughout the duration of the Bracero Program, Mexican immigrants had established employment and migration networks, so they continued to come to the US without legal authorization to perform farm labor. At the time, it was not illegal for an employer to hire undocumented workers, so there was little risk to farmers. As a result, US farmers became dependent upon an abundant supply of Mexican workers, who could earn as much as eight times the wages they would have been able to earn in Mexico. However, the passage of the Immigration Reform and Control Act (IRCA) of 1986 imposed fines and other penalties for farmers who knowingly hired undocumented workers.

Figure 2.13: Newspaper Clip of Bracero Tragedy



2.6 The State of Agricultural Labor Today

Despite the fact that IRCA made it illegal for farm employers to hire undocumented immigrants, they continue to make up a large share of the agricultural workforce today. According to the National Agricultural Workers Survey, seven out of every 10 crop farmworkers are immigrants, and nine out of every 10 immigrant workers were born in Mexico. Recent data suggest that roughly 40% of the workforce is unauthorized to work in the US. However, in recent years, the number of Mexican workers willing to come to the US to perform farm work is declining. Moreover, most immigrant workers are not willing to engage in follow-the-crop migration like they once were, and they are now settled in the US with families. Other factors include increased educational opportunities for rural Mexicans, which has given them more

opportunities to work off the farm. This trend has made it more difficult for US farmers to secure an adequate workforce to perform seasonal labor tasks. As you will learn in Chapter 3, a decline in the supply of labor means that wages will inevitably rise, and this scenario is unfolding in today's farm labor market.

Watch this short TRTWORLD news clip to find out more about labor issues in the United States. <https://www.youtube.com/watch?v=hX693AAq30c>.



A series of 2022 farm surveys found that almost half of all farms were unable to hire all the employees that want to in recent years. Among those who reported a labor shortage, the average shortage was about 20% of the workforce they would have hired under normal circumstances. As such, farmers are having to change their production and labor management practices to maintain economically viable operations. For example, domestic farm labor shortages have created a rapid rise in use of the H-2A visa program, where more than 300,000 jobs are filled each year. Part of this process involves good management practices to hire and retain good employees. As a manager, you may find yourself in charge of interviewing and managing employees, so it is important to understand the fundamentals of personnel management before you take up a role as a manager. The rest of this book will provide some fundamentals you may find useful when starting your first role as a manager.

Figure 2.14: Share of Farmers Reporting Labor Shortage Between 2014 and 2019

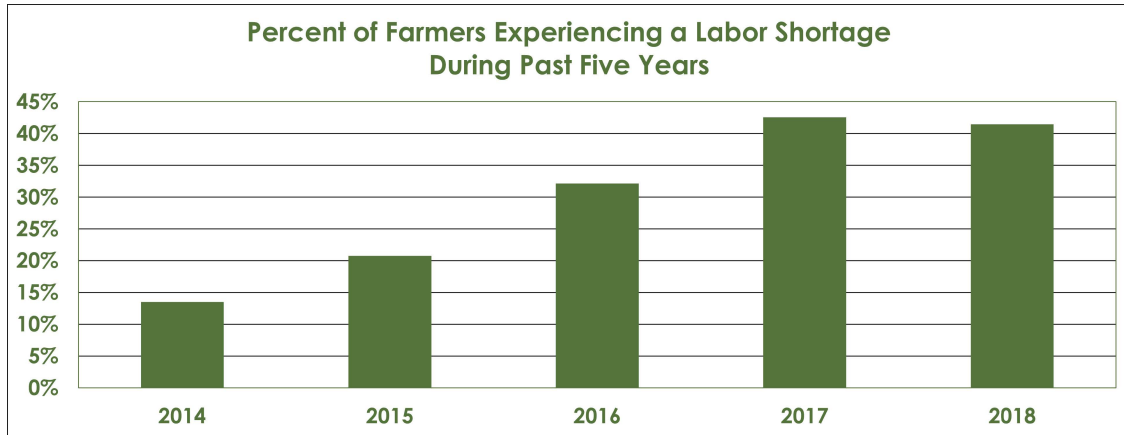
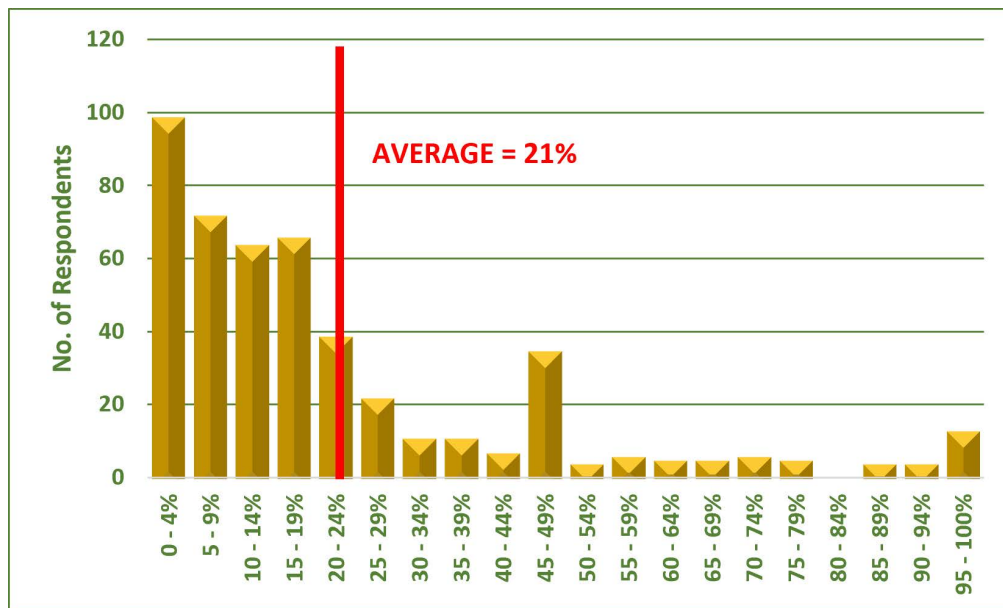


Figure 2.15: Labor Shortage Intensity Reported Among Farmers in 2021 and 2022



2.7 Chapter 2 Key Takeaways

- Natives inhabited North America before Europeans arrived.
- Subsistence farming was a part of life for European settlers in North America.
- The discovery of gold in California caused hundreds of thousands of people to migrate there.
- Chinese immigrants found work on the Continental Railroad.
- After the Continental Railroad was built, Chinese workers found work on US farms.
- A cycle of immigrant farm labor and discrimination caused several groups of immigrants to become the primary labor force on US farms.
- Today's labor force is made up primarily of workers from Mexico.
- The farm labor supply is declining, which is causing localized labor shortages and wages to rise.

2.8 Chapter 2 Questions

1. What modern day states did Mexico acquire after gaining independence from Spain in 1821?
2. What was the name of the war that the United States fought with Mexico that ended in 1848?
3. The people who came to California to search for gold were known by what name?
4. What occupation did Chinese immigrants find work in after the gold rush?
5. Why were Chinese workers preferred by farmers over American workers?
6. Describe three things that happened during the Dustbowl.
7. What were the Bracero Programs and why were they implemented?
8. What 1986 law was passed that made it illegal to knowingly hire undocumented immigrants?
9. Explain three factors that have led to a declining supply of farm labor in the US.
10. What visa program allows US agricultural employers to hire legal foreign workers on a temporary basis?

Part II

THE ECONOMICS OF LABOR MARKETS

Chapter 3

Labor Supply

3.1 Labor in the Macroeconomy

An important concept in economics is known as inflation. Inflation occurs when the price of goods and services increases over time. When conducting economic analyses that span multiple years, it is important to consider inflation because the value of a dollar changes from year to year. You may have heard stories from your grandparents when they said gasoline was \$0.25 per gallon when they were growing up. In April of 2024, a gallon of gas sold for an average of \$3.60 per gallon. Your grandparents may have also told you they bought their house in 1950 for \$8,000. The average home price in Michigan was about \$290,000 in 2023.

How much do you think all the goods and services produced in the United States is worth in a given year? \$100 billion, \$500 billion, \$1 trillion? You might be surprised to find out that it was more than \$27 trillion in 2023. Gross Domestic Product (GDP) measures the value of all economic activity for the entire nation. To understand what GDP is, you need to add up all the economic value generated across all industries in the US in a given period (e.g., a quarter or a year).

There are different measures of GDP, **nominal** GDP and **real** GDP. Nominal GDP values are not adjusted for inflation while real GDP adjusts the nominal values for inflation. Consider this simple example: Nominal GDP was \$14.884 trillion in 2010, but the average price of goods increased by 24.27% between 2010 and 2021. Therefore, to convert nominal 2010 GDP values into real 2021 dollar values, you have to add 24.27% to the 2010 nominal values. That is, the nominal value of \$14.884 trillion expressed in 2021 dollar values is $\$14.884 \text{ trillion} \times 1.2427 = \18.496 trillion .

Aggregate demand is the total demand for all good and services in the economy, and it is conceptually equivalent to GDP. **Aggregate supply** is the total supply of all goods and services at a given price level. Aggregate supply is impacted by factors such as **labor**, entrepreneurship, capital goods, and natural resources.

The US Bureau of Labor Statistics releases estimates of the **unemployment rate** every month. The unemployment rate is calculated from a monthly survey of 50,000 households called the Current Population Survey. People 16 years of age and older are classified into three groups, **employed**, **unemployed**, and **not in the labor force**.

People who are employed are those who reported working for pay or profit during the

week preceding the survey (Ruggles et al., 2024). Individuals who reported having a job or business but being temporarily absent are also considered employed. People are considered unemployed if they did not work for pay or profit, did not have a job they were temporarily absent from, and reported looking for work during the past four weeks. People who are not in the labor force are those who are not employed or unemployed. These people may be retired, ill or disabled, occupied with other activities such as attending school or keeping house, or are convinced they are unlikely to find employment.

The following equations explain how to calculate the employment rate, the unemployment rate, and the labor force participation rate. Let E denote the number of people who are employed, U denote the number of people unemployed, and P denote the number of people in the population. Further, let the employment rate be defined by ER , the unemployment rate be defined as UR , and the labor force participation rate be determined by $LFPR$.

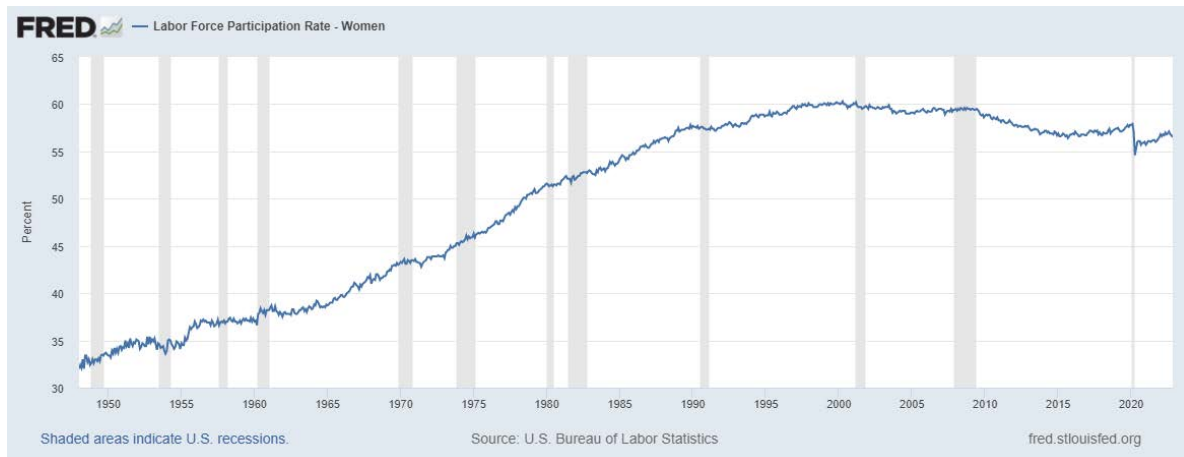
$$ER = \frac{E}{E + U} \quad (3.1)$$

$$UR = \frac{U}{E + U} \quad (3.2)$$

$$LFPR = \frac{E + U}{P} \quad (3.3)$$

The labor force participation rate of women was 21% in 1900 and increased to 58% in 2021. Historically low labor force participation rates of women are often attributed to family responsibilities, which have kept them out of the labor force. Figure 3.1 shows the labor force participation rate of women between 1950 and 2021. Factors that have caused women's labor force participation rate to increase include higher educational attainment, increased demand for clerical workers, changes in social norms, and better control over fertility.

Figure 3.1: Labor Force Participation Rate of Women: 1950 - 2021



Men, on the other hand have had higher labor force participation rates than women. In 1900, the male labor force participation rate was 80%, but that decreased to 68% in 2021.

The largest decrease in labor force participation occurred for men with only a high school diploma or an associate's degree. The falling labor force participation rate of men has been driven, in part, by decreased demand for middle-skilled jobs, such as manufacturing. Men with mid-level education lost jobs that were easy to mechanize due to advances in technology. Additionally, the trend towards offshoring jobs reduced the demand for these men. Figure 3.2 shows the labor force participation rates of men between 1950 and 2021.

Figure 3.2: Labor Force Participation Rate of Men: 1950 - 2021



One advantage of the agri-food system is that people always need to eat. As a result, employment in the agri-food system has remained relatively stable over time. One exception is the restaurant industry, which ebbs and flows with the **economic cycle**. The economic cycle is also commonly referred to as the **business cycle**, which is the fluctuation of economic activity between periods of expansion and contraction. According to Investopedia.com (2024), factors such as GDP, interest rates, total employment, and consumer spending help determine what part of the cycle the economy is in.

The US government uses different types of policies to affect economic activity. Two types of policies are **fiscal policy** and **monetary policy**. Fiscal policy includes increased government spending and taxes. When the government increases its spending, it adds more money into the economy in an attempt to stimulate job creation. When the government taxes people, they take money out of the economy. Monetary policy is controlled by the central bank of the United States called the Federal Reserve. In an attempt to influence economic activity, the Federal Reserve controls interest rates. For example, they will raise interest rates in an attempt to manage inflation, which is supposed to reduce the amount of money people will borrow and incentivize increased savings. These actions will take money out of the economy, which slows down economic growth. The Federal Reserve also buys bonds when it is trying to boost economic activity and sells them when it wants to slow down the economy.

3.2 The Supply of Labor

Individuals supply their labor to the market to meet the demand for labor in the agri-food system. The Neoclassical model of labor-leisure choice models the supply of labor in terms of a set of factors that cause people to want to work over the course of a week. These factors determine how much labor they supply to businesses. In this model, people get satisfaction from consuming goods and services, defined as C , and spending time doing leisure activities, defined as F . The amount of consumption is expressed as the value of goods and services (in dollars) that the person purchases during the relevant period, and leisure is defined as the number of hours of non-work during the period.

The concept of satisfaction is described by economists using the term **utility**. The utility function for people is defined as follows:

$$U = f(C, L), \tag{3.4}$$

where $f(C, L)$ is an arbitrary function (usually a mathematical expression or polynomial in applied settings), and the units of utility are denoted “utils”, which is an arbitrary measure of units such that a higher number leads to more satisfaction. For example, let’s assume $f(C, L) = 2C + L^2$. If $C = 100$ and $L = 5$, then the number of utils is 225 because $2 \times 100 + 5^2 = 225$. If the person was able to obtain 226 utils, they would be more satisfied and thus better off.

In the Neoclassical model, each person seeks to maximize their utility subject to their **budget constraint**, which is the total amount of money they are able to earn for each number of hours they supply to the labor market. In this model, people effectively buy leisure from themselves by spending time in leisure activities instead of working. That is, each person could be working, so the cost of spending an hour doing leisure activities is the wage they could have earned working, denoted w .

Each person’s consumption is constrained by the total amount of time they have during the week, denoted T , and the maximum amount of income they could earn, which is the wage times the total amount of time they have $wT = w \times T$. A simplified version of a budget constraint can be seen in Figure 3.3. Notice that the vertical intercept on the graph is denoted wT and the horizontal intercept is denoted T .

Each level of utility is often modeled as set of convex **indifference curves**, which look like the curves depicted in Figure 3.4. In this figure, the number of utils on the curve closest to the origin is denoted U_1 . In other words, all the combinations of consumption and leisure that the person would consume along the curve would give them the same amount of utility (say 225 utils). The indifference curve U_2 shows all the combinations of consumption and leisure that gives them 226 utils. Notice that U_2 is farther away from the origin, so the person would be better off if they could choose a level of consumption and leisure that is on U_2 . Since each person seeks to maximize their utility subject to their budget constraint, they will choose a level of utility that corresponds to a point where the indifference curve is just tangent to the budget constraint. Figure 3.5 depicts the solution to the problem.

In Figure 3.5, point **A** is the solution that maximizes utility subject to the budget constraint. The person will not choose point **B** because they can obtain a higher level of utility with their budget, and the person cannot choose point **C** because they cannot afford that

Figure 3.3: Budget Constraint

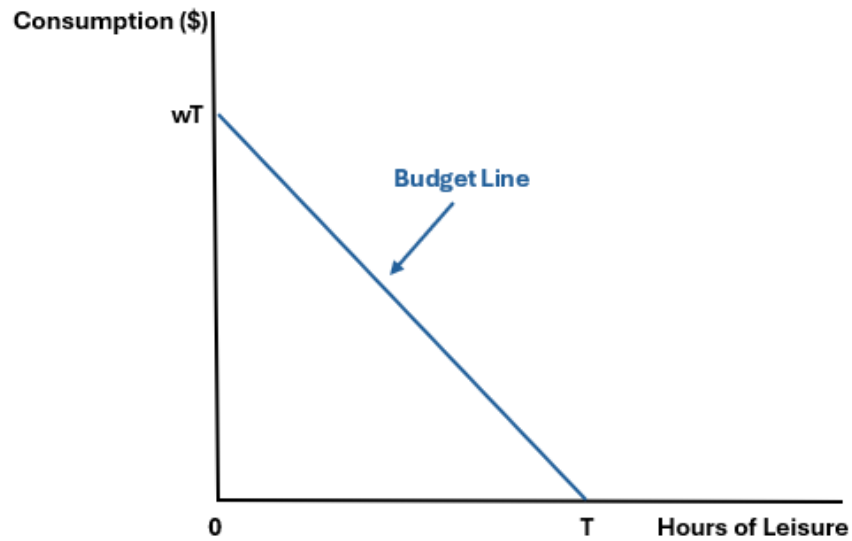
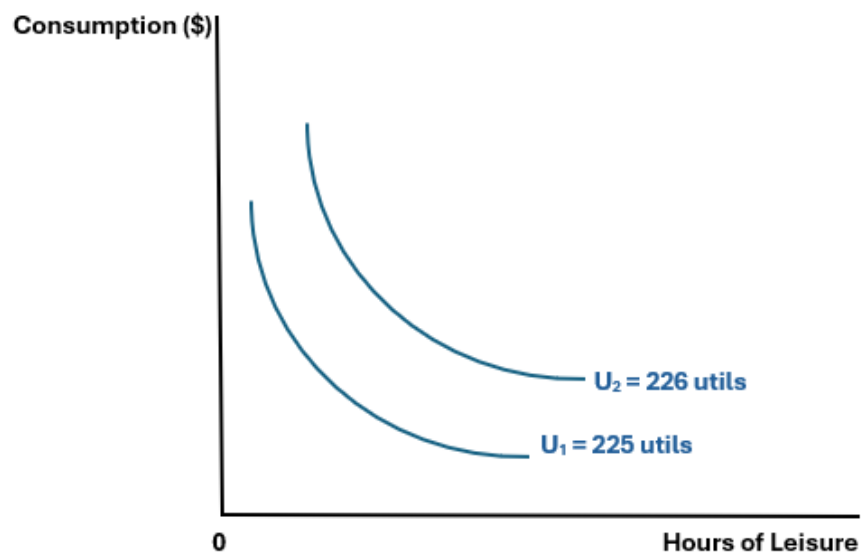


Figure 3.4: Utility Function



bundle (i.e., it lies above their budget constraint). The solution to this person's constrained maximization problem results in F^* units of leisure being consumed and C^* dollars of consumption. Because the person has T units of time in a week, their optimal solution is to choose $L = T - F$ hours of work.

An individual's labor supply curve is derived by finding the optimal level of hours worked at each wage rate. The market (or aggregate) labor supply curve is derived by summing up all the workers' labor supply curves horizontally at each wage level. A typical aggregate labor supply curve can be found in Figure 3.6. Generally speaking, market labor supply curves slope upwards, which indicates more labor is supplied to the market when wages increase.

Figure 3.5: Labor Supply Solution

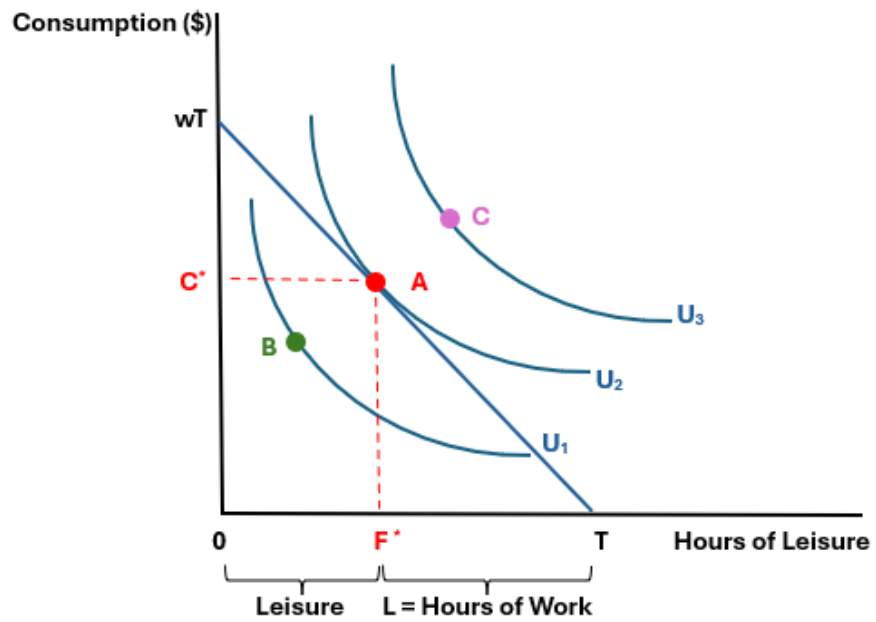
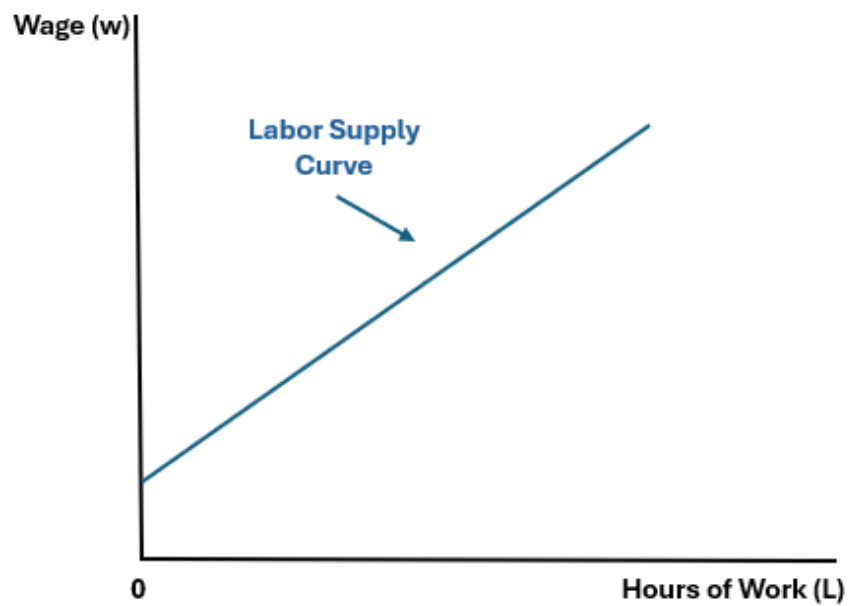


Figure 3.6: Market Labor Supply Curve



3.3 Chapter 3 Key Takeaways

- Economic activity is measured by Gross Domestic Product (or GDP), which identifies the value of all goods and services produced in the country over a period of time.
- The economic cycle consists of expansion and contraction phases and is partially characterized by the employment rate.
- Labor force participation has changed for men and women over time.
 - Women have had increased labor force participation as a result of higher education, changes in social norms, and increased control over their fertility.
 - Middle-skilled men have had lower labor force participation as a result of decreased demand due to technology developments, automation, and offshoring.
- The decision to supply labor is derived from:
 - Each person's desire or need to consume goods and services.
 - The trade-offs between consumption and enjoying leisure time.
- In the Neoclassical model of labor supply, people maximize their utility subject to a budget constraint.
- The theoretical solution to the labor-leisure choice problem occurs where the indifference curve is just tangent to the budget constraint.

3.4 Chapter 3 Questions

1. Let $P = 1000$, $E = 400$, and $U = 200$. Calculate the unemployment rate.
2. Let $P = 1000$, $E = 400$, and $U = 200$. Calculate the employment rate.
3. Let $P = 1000$, $E = 400$, and $U = 200$. Calculate the labor force participation rate.
4. Let $P = 1000$, $E = 400$, and $U = 200$. How many people are not in the labor force?

Chapter 4

Labor Demand

4.1 The Demand for Labor

In Chapter 3, you learned about the factors that determine the supply of labor. In practice, the hiring and firing of employees is what creates and destroys jobs. Businesses hire workers because consumers want to purchase goods and services. As such, the demand for labor is **derived demand**, which means that the demand for labor ultimately comes from the desires of consumers (not employers) and is thus derived from consumption demand. The government intervenes in the labor market in an attempt to regulate certain aspects of a business' labor demand. For example, minimum wages are implemented to ensure that workers are able to earn enough money to have certain living standards. The government may also put restrictions on the ability of businesses to fire or lay off workers in order to provide protection against discrimination and other factors.

The agricultural sector is different than many other production sectors because there are long periods of time between planting and harvesting, and farmers receive some of their **production inputs** from nature without cost. Production inputs are the ingredients used to produce a good or service. However, farmers obtain certain inputs (e.g., sunshine and rain) from nature without paying any direct costs. Moreover, there is lots of uncertainty with respect to when and how much of these inputs they will obtain during the growing season. Moreover, there is uncertainty with respect to how much they will be able to produce and the price they will receive when their crops are ready to be sold. These factors cause uncertainty in the demand for labor in the agricultural sector.

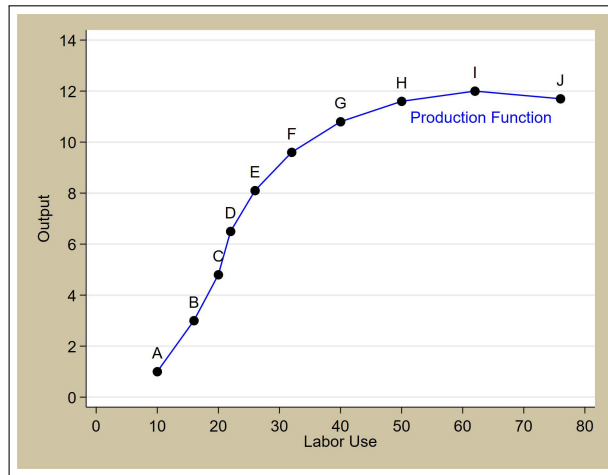
A **production function** is the relationship between the use of inputs and the production of a good or service. Take for example the production of a cake. Cakes use a recipe that requires flour, eggs, water, butter, capital (ovens and electricity) and labor to blend the ingredients and produce the cake. Economists often simplify production to focus on two inputs, labor and capital. The production function can be expressed mathematically as follows:

$$Y = f(L, K), \tag{4.1}$$

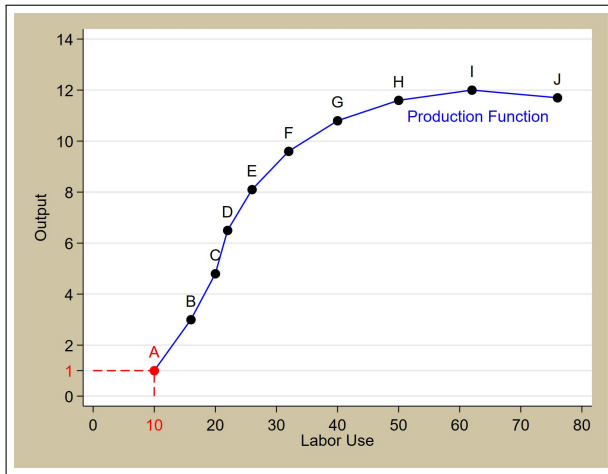
where Y is the number of units of output (e.g., the number of cakes), f is an arbitrary function (often a mathematical expression or polynomial), L is the number of units of labor

used (e.g., the number of employees or the number of hours worked), and K is the number of units capital (sometimes expressed in dollar amounts). Equation (4.1) is the mathematical way of saying that the number of units of output (e.g., cakes) depends on the number of units of labor and capital used. Figure 4.1 shows a graphical depiction of a simple production function. Notice that, in this graph, the number of units of output are on the vertical axis and the number of units of labor employed are on the horizontal axis. Figure 4.1 shows that with 10 hours of labor employed, the business can produce one unit of output. Figure 4.1 shows that with 16 units of labor, the business can produce 3 units of output.

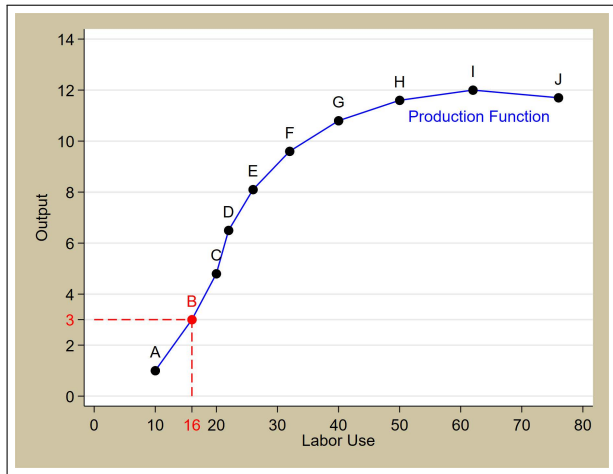
Figure 4.1: A Simple Production Function



a: A Basic Production Function



b: Production with 10 Units of Labor



c: Production with 16 Units of Labor

An important concept for production is called **the Law of Diminishing Marginal Returns**. This law states that as successive units of an input are added to a production process, the productivity of that input will eventually decrease. This law implies that production will increase as the farm adds more inputs but only up to a certain point. At some point, the

production will peak at a given level of input use, and then production will decrease if the farm uses additional units of that input. The classic example of this is a crowded factory.

Suppose there is a factory with five machines. When the first person is employed to operate the machinery in the factory, the production will increase from nothing to some positive amount. Because there is only one person running five machines, the operation will be inefficient because that person has to run around to each machine to get the job done. As the factory hires additional people, the business will become more efficient because people are not running around as much as they have to when there is only one person. However, it may be optimal for the factory to only hire five people, one for each machine. If the factory hires 10 people, there will be too many people to run the five machines, the production area will get crowded, and they would get in the way of each other, which would cause production to decline relative to a scenario where there are only five people. This is an example of the Law of Diminishing Marginal Returns to Labor. That is, production increases with more labor, but only up to a certain point. After that point, production will actually start to decline. In Figure 4.1, the peak production occurs at point *I*, after which production starts to fall.

Farmers are in the business of producing agricultural commodities to make money. One way to model the demand for inputs is to assume that farmers want to maximize their profits. That is, farmers will continue adding labor inputs into their production activities just until the point at which the cost of adding another unit of labor is just equal to the benefit of doing so. Therefore, businesses need to understand how revenues and costs change when an additional unit of labor is employed. Understanding these relationships can help the business decide whether it should hire additional employees or keep the current level of employment.

To understand how the businesses revenues change, we must start by defining the **marginal product of labor** or **MPL**. The marginal product of labor is defined as the change in the level of output that results from a one unit change in labor use. For now, we will assume that labor is measured in hours of work (instead of the number of employees). Mathematically, the MPL is defined as follow:

$$MPL = \frac{\Delta Y}{\Delta L},$$

where the Δ symbol denotes the “change” in the variable of interest. The MPL approximates the slope of the production function when labor is on the horizontal axis. Recall that the Law of Diminishing Marginal Returns implies that when additional units of labor are added, the MPL will eventually decrease. However, the business needs to understand what the price of the output is in order for the MPL to be useful for decision making. Specifically, the firm must understand what the marginal benefit of hiring an additional unit of labor is. This marginal benefit is also known as the **marginal value product of labor** or **MVPL**. The marginal value product of labor is simply the the price of the output (p) multiplied by the MPL. The MVPL identifies the additional revenue that the firm generates from employing an additional unit of labor.

$$MVPL = p \times MPL = p \times \frac{\Delta Y}{\Delta L}$$

The profit maximizing level of input use occurs when the MVPL is just equal to the wage.

Therefore, the business should keep hiring labor just up to the point where the revenue that is generated from hiring the next unit of labor is just equal to the cost of employing the next unit of labor, which is simply the wage (or w). That is, the business decides how much labor to hire by using the following condition:

$$MVPL = w$$

or

$$p \times \frac{\Delta Y}{\Delta L} = w$$

Table ?? provides the output and labor input values that correspond to the production function in Figure 4.1. Consider the change in labor use from 10 hours of work to 16 hours of work (point A to point B). In this case the change in labor is 6 hours of work. That is $\Delta L = 16 - 10 = 6$. As the additional 6 hours of labor are employed, the output increases from 1 unit to 3 units. In other words, $\Delta Y = 2 = 3 - 1$. Therefore the MPL is $\frac{2}{6} = .33$ when rounded to two decimals.

$$MPL = \frac{\Delta Y}{\Delta L} = \frac{3 - 1}{16 - 10} = \frac{2}{6} = .33$$

Table 4.1: Potential Output Levels for the “Top-Ag Company”

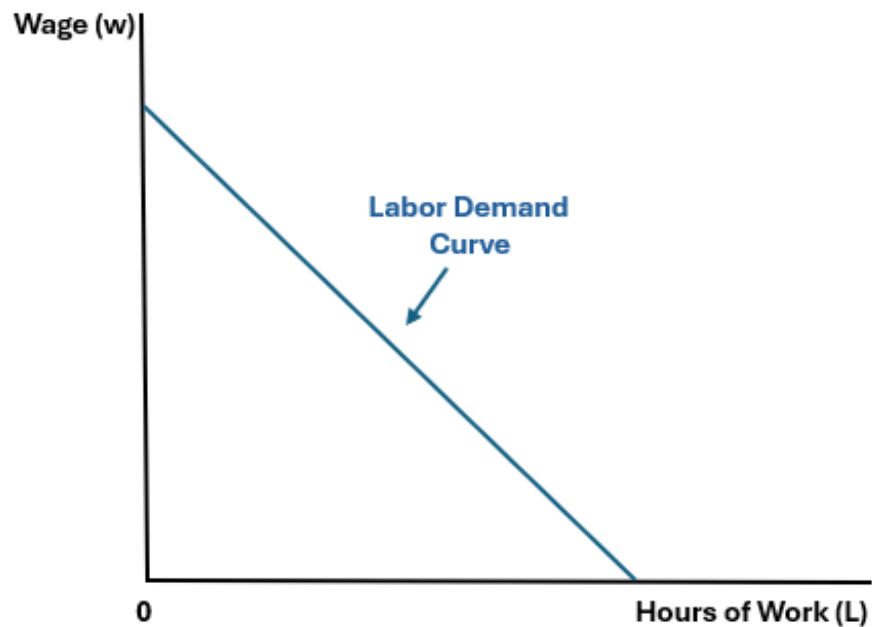
	(1)	(2)	(3)	(4)
Point on Figure	Daily Labor Use	Daily Output Level	Marginal Product of Labor $\Delta(2) \div \Delta(1)$	Average Product $(2) \div (1)$
A	10.0	1.0		0.10
B	16.0	3.0	0.33	0.19
C	20.0	4.8	0.45	0.24
D	22.0	6.5	0.85	0.30
E	26.0	8.1	0.40	0.31
F	32.0	9.6	0.25	0.30
G	40.0	10.8	0.15	0.27
H	50.0	11.6	0.08	0.23
I	62.0	12.0	0.02	0.19
J	76.0	11.7	-0.02	0.15

Now suppose the price of the output is \$45 per unit, we can calculate the MVPL from increasing the labor from 10 hours to 16 hours by multiplying the MPL by \$45. In this case we multiply \$45 by .33 to get \$14.85. This means that when the business increases the number of hours of labor it employs from 10 hours to 16, they generate an additional \$14.85 for each additional hour of labor employed. The business will want to increase its labor to 16 hours if the wage is less than \$14.85 because their marginal benefit of doing so (the MVPL) is greater than the marginal cost (the wage). If the wage paid to employees is \$10.00 per

hour, the business will continue to earn profit on each additional hour of work employed. The business will want to stop adding more hours of work to the schedule when the MVPL is equal to \$10.00.

Every firm has their own labor demand curve. The labor demand curve represents the profit maximizing level of labor it should employ at for each wage level. When the wage is higher, they will employ less labor. When the wage is lower, they will employ more labor. The aggregate (or market) labor demand is derived by summing up the individual businesses' labor demand curves horizontally. The market labor demand curve usually slopes downward and is shown in Figure 4.2.

Figure 4.2: Market Labor Demand Curve



4.2 Chapter 4 Key Takeaways

- Businesses derive their demand for labor from the desires of consumers.
- Businesses use labor and other inputs to produce goods and services.
- The marginal value product of labor is the businesses benefit from employing an additional unit of labor.
- The wage is the business' cost of employing an additional unit of labor.
- Firms hire additional units of labor until the marginal benefit of doing so equals the marginal cost of hiring labor.

4.3 Chapter 4 Questions

1. What is derived demand?
2. What are production inputs?
3. What is a production function?
4. What does the Law of Diminishing Marginal Returns state?
5. Write down the equation for the marginal product of labor (MPL).
6. Explain what the marginal product of labor measures.
7. Write down the equation for the marginal value product of labor (MVPL).
8. Explain what the marginal value product of labor measures.
9. What mathematical condition should a business use to choose the profit maximizing level of employment they should use?

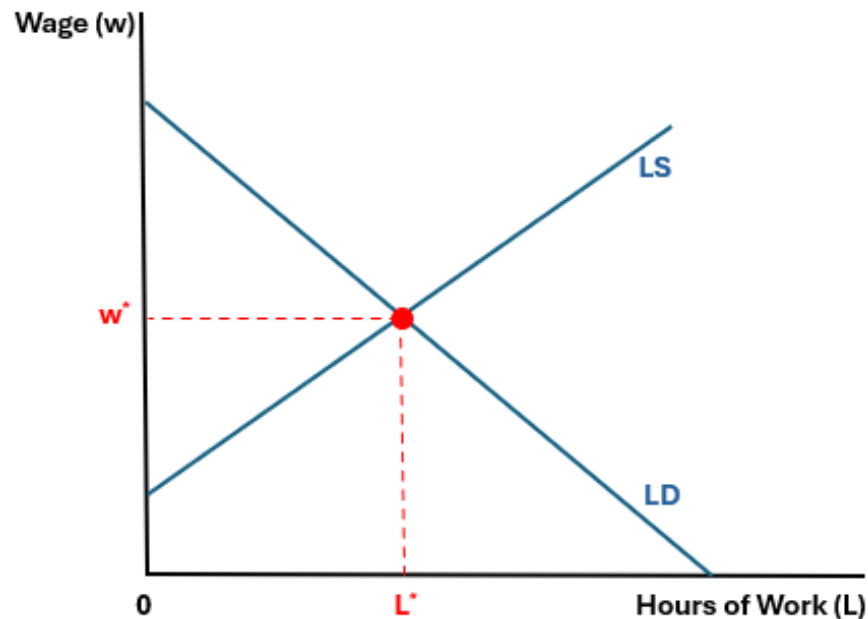
Chapter 5

Labor Market Equilibrium

5.1 The Equilibrium

The labor market is in **equilibrium** when the market demand for labor is equal to the market supply of labor. A graphical example of this is shown in Figure 5.1. The two key outcomes are the quantity of labor employed L^* , and the equilibrium wage w^* . In this chapter, you will learn how to solve for a simple labor market equilibrium using labor demand and supply functions.

Figure 5.1: Market Labor Equilibrium



Suppose the labor supply function is defined as follows:

$$L = 30 + 2w \tag{5.1}$$

Notice that the amount of labor workers in the market are willing to supply is increasing in the wage. That is, when wages are higher, more workers will supply labor to the market.

Now suppose the demand for labor is defined by the following equation:

$$L = 100 - 5w \tag{5.2}$$

In the case of labor demand, the amount of labor businesses are willing to hire is decreasing in the wage. As such, when the wage increases, businesses will hire less employees. To solve for the equilibrium wage, you set equation (5.1) equal to (5.2) and solve for w as follows:

$$\begin{aligned} 30 + 2w &= 100 - 5w \\ 2w + 5w &= 100 - 30 \\ 7w &= 70 \\ w &= 10 \end{aligned}$$

In this example, the equilibrium wage is \$10 per hour. To solve for the equilibrium amount of labor employed, simply plug in the equilibrium wage to either the labor supply or demand function.

$$\begin{aligned} 30 + 2 \times 10 &= 50 \\ 100 - 5 \times 10 &= 50 \end{aligned}$$

In this example, the number of hours of work employed in the market is 50. Now that the basics of labor market equilibrium have been covered, it's time to talk about what happens to the equilibrium wage and labor employed when the supply of and demand for labor increase or decrease.

First, we will start with a decrease in the labor supply as shown in Figure 5.2. It is important to note that a decrease in the supply of labor is different than a decrease in the quantity of labor supplied. A decrease in the supply of labor is an actual shift in the labor supply curve, while a decrease in the quantity of labor supplied is a movement along the labor supply curve. The same principle holds for labor demand.

When the supply of labor decreases, the labor supply curve shifts to the left from LS_1 to LS_2 . When this shift occurs, the quantity of labor demanded decreases (i.e., there is movement along the labor demand curve), the wage increases from w_1^* to w_2^* , and the amount of labor employed decreases from L_1^* to L_2^* . It is easy to see that the reverse scenario, in which the labor supply increases, that the wage falls and employment increases.

Figure 5.3 shows a scenario in which the labor demand increases from LD_1 to LD_2 . In this case, the wage increases from w_1^* to w_2^* , and employment increases from L_1^* to L_2^* . Can you tell what would happen to the equilibrium values when the demand for labor decreases?

Figure 5.2: Equilibrium with a Decrease in Labor Supply

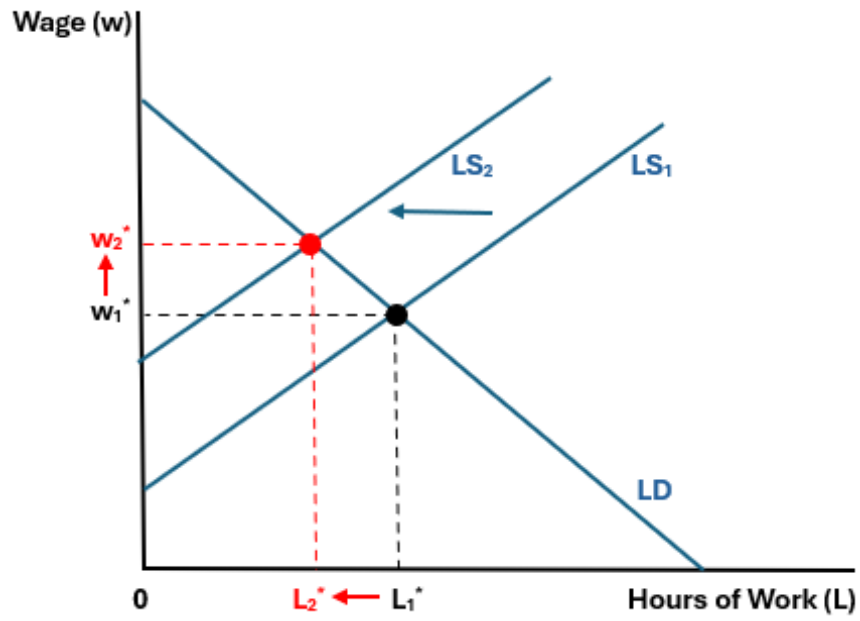
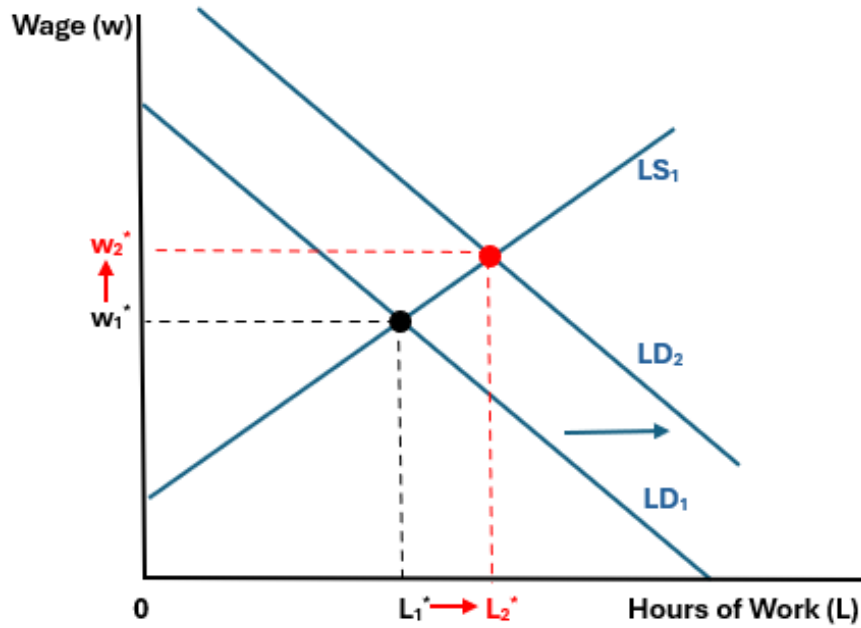


Figure 5.3: Equilibrium with an Increase in Labor Demand



As discussed in Chapter 2, a significant share of the labor force in the agri-food system is comprised of immigrant workers. But what draws these workers to the United States? Let's work through an example of migration between labor markets. For simplicity, we will focus on labor migration between labor markets within the United States.

Now suppose there are two connected labor markets, Market A and Market B as shown in Figure 5.4. When the wage is higher in market A, migration will occur from Market B to Market A, the labor supply in Market B will decrease, and wages will rise in Market B.

But what happens to Market A? Because there is migration into the market, the labor supply will increase in Market A, and the wages in Market A will fall. Migration will continue to occur until the wages are equalized across the two markets at w^* . This labor market migration and equilibrium adjustment is depicted in Figure 5.5

Figure 5.4: Equilibrium Adjustments with Migration

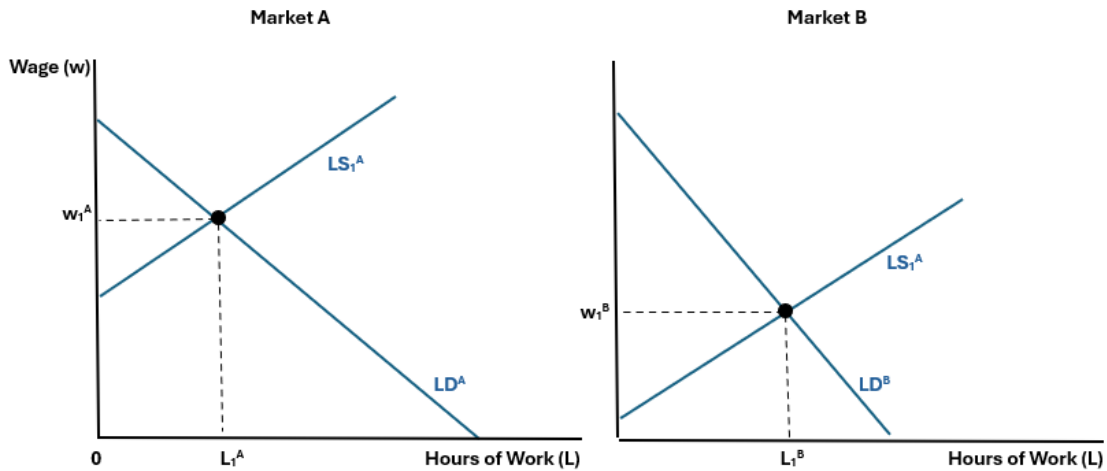
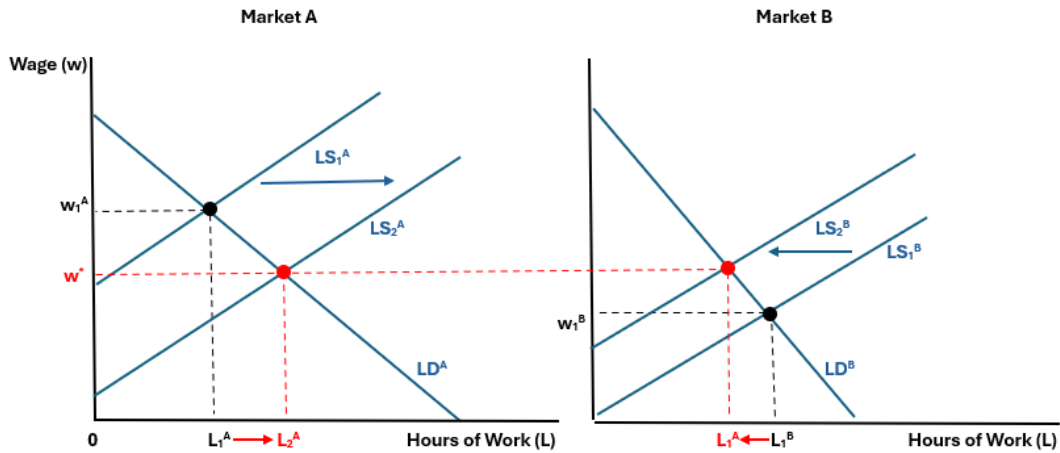


Figure 5.5: Equilibrium Adjustments with Migration



5.2 Chapter 5 Key Takeaways

- The labor market equilibrium occurs at the point where the supply of labor is equal to the demand for labor. In a graphical sense, the equilibrium is where the labor supply and demand curves intersect.
- The labor market equilibrium is characterized by two outcomes
 - The wage
 - The employment level
- When there are two connected markets, wage differences between the markets will cause migration to occur until the wage equalizes between the markets.

5.3 Chapter 5 Questions

1. What are the two equilibrium values in the labor market?
2. What happens to the wage in a labor market when the supply of labor increases?
3. What happens to the employment in a labor market when the supply of labor increases?
4. What happens to the wage in a labor market when the demand for labor decreases?
5. What happens to the employment in a labor market when the demand labor decreases?
6. Suppose there are two connected markets where the wage is lower in Market A. Answer the following questions:
 - (a) What will happen to the wage in Market A after migration occurs?
 - (b) What will happen to the employment in Market A after migration occurs?
 - (c) What will happen to the wage in Market B after migration occurs?
 - (d) What will happen to the employment in Market B after migration occurs?
 - (e) Draw a graph similar to the one in Figure 5.5 that show what happens in the two labor markets when migration occurs as described in the Question 6 prompt.

Part III

LABOR AND PERSONNEL MANAGEMENT

Chapter 6

Personality Types

6.1 The Myers-Briggs Personality Test

Now it's time to start thinking about how you and other people you interact with process information. One of the most widely used psychological tools for understanding how a person thinks is known as the Myers-Briggs Type Indicator test. This test is used to identify a person's personality type, their strengths, and their preferences. The test was developed to help people select occupations that are suited to their personalities. There are 16 personality types, and it is important to note that no type is better than any of the others. However, some types are more suited towards management jobs than others.

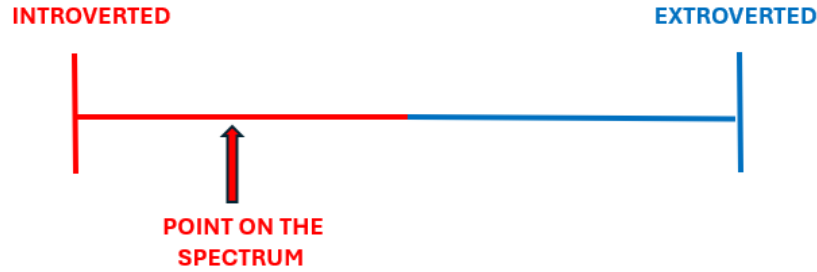
The Myers-Briggs test has four categories, and each category has two classifications. While you might not fall completely into one classification, there is a spectrum, and typically people are more dominant in one classification than the other. Where you stand on the spectrum is based on your environment and what you have learned. Moreover, your location on the spectrum can change over time.

The four categories are listed below and Figure 6.1 shows what the spectrum might look like for one of the categories.

1. Introverted vs. Extroverted (I vs. E)
2. Sensing vs. Intuitive (S vs. N)
3. Thinking vs. Feeling (T vs. F)
4. Judging vs. Perceiving (J vs. P)

If you get your energy from the inner world of your mind, get motivated by thinking and imagining things, and prefer quiet, low-key environments, you likely fall on the introverted side of the spectrum. Introverts have erroneously been called shy or reclusive, but that is not a part of being an introvert. Both introverts and extroverts can be shy. People who like to actively engage with groups and thrive on the outer/external world are likely on the extroverted side of the spectrum. Extroverts tend to crave social stimulation. In educational settings, teachers often put pressure on extroverts to be more outgoing. Much of

Figure 6.1: Introverted vs. Extroverted Spectrum



the American culture is “E-centric” and “I” characteristics are mistakenly viewed as being “wrong.”’

Watch this 20 minute TED talk to find out more about the power of introverts.
https://www.ted.com/talks/susan_cain_the_power_of_introverts?language=en.



The next category has to do with what information source is more relevant to you. Think about how you learn. Do you prefer theories and generalizations or do you learn better from your senses and experiences? If you get your information from your senses and your experiences, you are more likely to be on the sensing side of the spectrum. People who learn from patterns and data or are more interested in exploring new opportunities tend to be on the intuitive side of the spectrum.

What is your preference for making decisions? Do you lean towards objectivity and impersonal facts? If so, you are probably on the thinking side of the spectrum. If you tend to be more interested in things that are more personal and you care about how other people are impacted, you are probably on the feeling side of the spectrum. We all use thinking and

feeling when we make different decisions, so the side of the spectrum you land on is more about the most frequent manner in which you learn.

How is your external life? Do you need a more structured environment or do you adapt to situations in a spontaneous way? If the former, then you are likely on the judging end of the spectrum, but if the latter, then you are probably on the perceiving side. This personality trait does not necessarily speak to a person's level of organization as both personality types can be well organized or disorganized.

When communicating, extroverts may tend to dominate conversations while introverts may have valuable contributions to make without the opportunity of sharing their point of view. When proposing ideas, sensing types may want to pursue a known quantity while intuitive types may want to try a new approach they believe could fit the situation better. Thinking types may perceive feeling types as being overly emotional and irrational, while feeling types may perceive thinking types as harsh and impatient. When making choices, judging types may prefer a clear and immediate solution while perceiving types may want to stay open and not locked into action until the last possible moment. These are just a few examples of how conflicts may arise due to personality differences.

If managers can understand the members of their team, the individuals and work team can develop strategies to improve performance. Some of these things you may want to look for is how the employees you work with interact in groups, how they process information, how they learn, and how they make decisions.

6.2 Psychological Traps and Decision Making

In this section, you will learn about common **psychological traps** and strategies for overcoming them. Psychological traps are assumptions, biases, and perceptions that can lead people astray when interacting with others. For example, people can make poor choices based on inaccurate or incomplete information. People sometimes make **assumptions** by filling in information gaps based on prior experience or perceptions. People may also be **biased** and lean in one direction based on what they have learned in the past or experiences they have had. **Tribalism** is an attitude or belief based on the loyalties to a particular group or identity. The problem with these traps is that they are sometimes based on false information which can lead to inappropriate decision making and conflict. Highly complex or important decisions are the most vulnerable because they tend to have the most assumptions. Awareness of this fact is the best defense.

The **Anchoring Trap** is when someone is over-reliant upon their first thoughts and ideas. The first bit of information you receive might actually be a disadvantage. For example, suppose you are selling a car that has a book value of \$4,000. If you think the car is worth \$2,500, you might accept \$1,500 less than what it is worth. If you think the car is worth \$10,000, you might never be able to sell it. In order to avoid this trap, it is important to do your homework and research the problem before you make a decision. If you can spend time to put in-depth thought into the problem, ask other people for their opinion, and prepare before negotiating, you will be better equipped to avoid the anchoring trap.

Another type of trap is known as the **Status Quo Trap**. This trap is rooted in people's reluctance to change. People like to keep things the way they are because it feels normal or

comfortable. For instance, suppose you are a student that has been paying for the college's health insurance plan even though you are covered by your parents' insurance. You might just pay the fees next year along with your tuition instead of inquiring about whether you need the insurance because it is "part of the package." To overcome this trap, you should try to identify other options and consider the possibility of doing something different if you have a choice in the matter. Moreover, don't overexaggerate the cost of switching to a new alternative.

The third type of trap is the **Sunk Cost Trap**. The sunk cost trap is when people tend to make future decisions that inappropriately justify past decisions. Take, for example, a manager who keeps an incompetent employee on their staff because your company has paid thousands of dollars training them. Such a scenario might actually cost the business more if the employee does something that causes damage to equipment or hurts another person. To avoid this trap, you should seek out others who are not involved in the first decision and consider the costs you could incur if you move forward with each option on the table. It might be less expensive to simply lay the incompetent worker off. Moreover, don't think about what you have already spent. That investment is in the past (and is thus "sunk"), and no matter what you do, those costs cannot be recovered. Importantly, you should focus on the future. The famous billionaire Warren Buffet once said, "When you find yourself in a hole, the best thing you can do is stop digging."

Next up is the **Confirming Evidence Trap**. This trap has to do with favoring information that confirms your own beliefs. People tend to seek out information supports their investment of "being right." An example of this might be that you believe left-handed people are more creative. So when you find someone that is both left-handed and creative, you place greater importance on that as evidence of your belief and discount evidence to the contrary when you find someone that is left-handed and not that creative. To overcome this trap, you might want to get someone to play the "devil's advocate" to tell you where you might be wrong. You should also be honest with yourself, expose yourself to conflicting information, and consider all the evidence before making a decision. Moreover, don't ask leading questions that invite confirming evidence.

The Framing Trap is when a person frames a problem as gains instead of losses. People will want to avoid risk when a problem is framed in terms of gains. People will want to take on a risk if the problem is posed in terms of avoiding losses. For example, suppose you want to minimize the amount of lost cargo on three ships that are each carrying \$200,000 worth of cargo, which will be lost if it is not recovered within three days. Which of the following plans below would you choose?

- Plan A will save the cargo from one of the three ships, for a gain of \$200,000.
- Plan B will result in the loss of two of the three ships for a loss of \$400,000.

To avoid falling into the framing trap, you should try not to automatically accept the way the problem is initially framed. Moreover, you should try to frame the problem in terms of gains and losses. For example, come up with a Plan C that might include a gain of \$200,000 and a loss of \$400,000. You can also reflect on how your thought process might change if the problem is framed differently. Lastly, you can examine how other people frame the problem and challenge them with framing the problem in a different context.

When we tend to base our beliefs or ideas about something that is incorrect due to our past experiences, this is called **The Recall Ability Trap**. Take, for instance, an exaggerated belief that a plane will crash or that you might be attacked by a shark because the media pays a lot of attention to those things. You can overcome this trap by challenging your estimates of the extreme events and obtain statistics to confirm or deny the existing estimate. You should also carefully examine your assumptions to make sure they are not overly influenced by your memory.

The last trap is **The Prudence Trap**, which is when a person uses overly-cautious or “worst-case scenario” estimates when trying to quantify uncertain events. For example, a person might have a single extreme negative experience with a vendor who broke a piece of equipment and did not have insurance, so they might generalize their estimates of future problems based on that single experience. To avoid this trap, you should try to state the probabilities and estimates accurately, document information, and emphasize the need for honest facts. Moreover, you can come up with a range of plausible estimates to make sure you understand the full range of possibilities.

6.3 Chapter 6 Key Takeaways

- People have different personality types, and learning about your team’s different types can help the business become more productive.
- People will fall on the spectrum of each personality category.
- Some personality types can lead to natural conflicts in the workplace.
- Psychological traps can lead to poor decision making, and there are steps you can take to overcome these traps.

6.4 Chapter 6 Questions

1. What are the 8 classifications in the Myers-Briggs personality test?
2. Provide an example about how personality types might lead to conflict.
3. What is a psychological trap?
4. Describe the anchoring trap and how you can overcome it.
5. Describe the status quo trap and how you can overcome it.
6. Describe the sunk cost trap and how you can overcome it.
7. Describe the confirming evidence trap and how you can overcome it.
8. Describe the framing trap and how you can overcome it.
9. Describe the recall ability trap and how you can overcome it.
10. Describe the prudence trap and how you can overcome it.

Chapter 7

Diversity in the Workplace

7.1 What is Diversity?

What is diversity, why is it important, and how do we manage diversity in the workplace? There are a multitude of aspects we need to think about when we discuss the topic of **diversity**. Some of these include gender identity, race, age, and many more. Table 7.1 displays a list of some aspects of diversity we will consider as we discuss the topic of diversity and why it is important in the workplace.

Table 7.1: Aspects of Diversity

Gender	Gender Identity	Culture
Race	Ethnicity	Immigrant/Native-Born
Age	Disability	Income/Poverty
Rural/Urban	Political Affiliation	Religious Belief

How is the agri-food system diverse? To gain insight into this question, let's dig into the statistics. According to official government statistics, there are 240 different jobs listed in the agricultural industry. While roughly 15% of the US population was born in another country, roughly 25% of those working in the agricultural industry are foreign-born. If we focus on crop farmworkers, about 70% are immigrants. Across the US 57% of the population has a high school education or less, while that number is 68% for the US agricultural industry. That means that two out of every three agricultural workers never earned a college degree. Moreover, the average wage earnings of the American population is about \$52,000 while it is only \$41,000 for those working in the agricultural industry.

Academic research has shown that immigrants tend to be the most entrepreneurial group of residents in the US. As a result, there is a strong correlation between immigration and new technology development. Most economists believe that immigrants create economic benefits for the economy. However, as we learned in Chapter 5, an increase in the labor supply in a local labor market will tend to lower wages. The flip side of this is that lower wages translates to lower prices for consumer goods and services, which makes society generally better off. In turn, the population has more purchasing power to buy things, which can stimulate business creation. Other research has found that there are immigrant workers and natives sort into

different job tasks so that they complement each other, which makes businesses operate more efficiently.

7.2 Managing Diversity in the Workplace

Managing diversity in the workplace is not about being tolerant of other people or simply accommodating people's differences. Managing diversity is about supporting other people with different backgrounds, nurturing others, and using people's differences to help the organization thrive. Why would you want older and younger people on your team? Well, young people tend to be energetic, open to learning, and coachable. But young people can freak out when something goes wrong. Older people tend to have experience and wisdom, and they can lean on their experience to solve problems when something goes wrong. So having younger and older people on your team brings something greater than if only one type of person was working for the business.

Why might you want both men and women in your workforce? Well, according to research, gender diverse businesses tend generate more revenue than those dominated by one gender. There are significant differences in the mental functions and behavior of men and women. Some of these differences are naturally occurring, and others are learned. Additionally, men and women tend to have different ideas and viewpoints that can help facilitate problem solving and help businesses perform better. Moreover, a diverse workforce helps the business service a diverse array of customers, so they are more likely to have a larger customer base. Furthermore, gender diversity helps companies attract talented women, which increases the company's potential for success.

In many parts of the US, English is not the first language for a large share of the workforce. Because there is such a high share of immigrant employees in the agricultural sector, this will have implications for a business's human resources (HR) team. For example, you may have to offer your HR benefits explanations and company policy handbooks in both Spanish and English. Your job as a manager is to attract and retain the very best talent for the company, and if that talent speaks Spanish, you will need to provide the information they need in Spanish. As a manager, you will also have to think about what other types of multi-cultural aspects your workers bring to the table that you may need to accommodate.

Let's turn our attention to disability and mental illness. It is important to think about **disability** not as a deficiency but as another **demographic characteristic**. Some demographic characteristics include male/female, tall/short, red hair/black hair, old/young, and many others. Demographic characteristics are not deficiencies.

We can also think about disability in terms of a continuum. In Figure 7.1, the left side of the continuum is "disabled" while the right side shows "able-bodied." Where do you fall in this continuum?

Before I became a professor, I used to be a construction worker. My knees hurt from doing years of construction work, I'm overweight so I can't really run fast, and my eyes are getting bad from staring at a computer all day long, and I need to wear glasses. Based on this information, I consider myself on the disability continuum at the red arrow in Figure 7.2.

However, I did not explain the standard against what I was measuring against, which

Figure 7.1: Disability Continuum

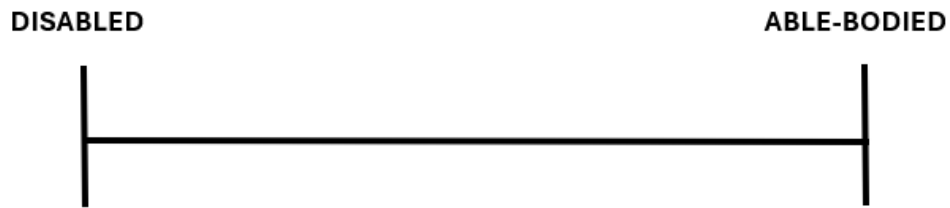
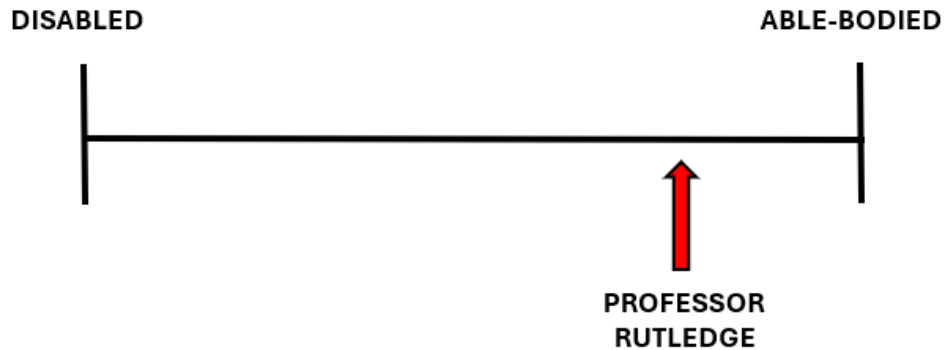


Figure 7.2: My Place on the Disability Continuum



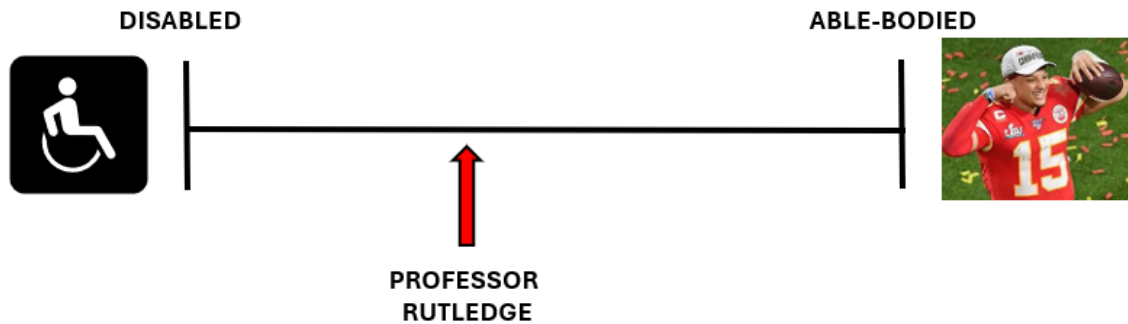
makes a big difference. Without considering this more thoroughly, I may have considered disabled as being in a wheel chair and able-bodied as being able to walk and run like a teenager (see Figure 7.3).

Figure 7.3: My Place on the Disability Continuum



But what if I measure myself against three time Super Bowl champion Patrick Mahomes (quarterback for the Kansas City Chiefs football team)? I might move myself on the left of the continuum as depicted in Figure 7.4. This comparison can be applied to every facet of mental and physical disability. The question is not where a person is deficient or what they lack. It's about how they operate in a world given a particular demographic characteristic. I could have easily used Albert Einstein as the mental benchmark. There is no single standard to use. The point is that everyone can provide value to an organization if they are given the right opportunity.

Figure 7.4: My Place on the Disability Continuum Compared to Patrick Mahomes



Promoting diversity is not about political correctness. It is about building an organization that is rich in talent, skills, and perspectives. A diverse workforce helps a business solve complex, multifaceted problems. Building an organization where everyone can thrive can help the business become more successful.

7.3 Legal Considerations

In the United States, the US legislature recognized diversity in the workforce and concern for the fair treatment of all employees dating back to the 1960s. The Civil Rights Act of 1964 prohibits “discrimination on the basis or race, color, religion, sex, or national origin.” These provisions are known as **Equal Employment Opportunities**, which seek to prevent certain types of discrimination in the hiring, promoting, and firing process. The Civil Rights Act ended the application of **Jim Crow** laws, which previously concluded that racial segregation was constitutional. In the 1970s, a number of **Affirmative Action** policies were put in place, which go beyond refraining from discriminatory practices. Affirmative Action policies require companies to seek out, encourage, and prepare minorities and women to obtain jobs. The goals of Affirmative Action policies include the distribution of economic opportunities in society to more people and helping ensure that employers gain a competitive advantage from all members of the labor force. In recent years, there has been a push towards **multiculturalism**, where businesses are seeking to capitalize on employee differences.

The types of management behaviors that are unlawful can be broken down into two categories: **unequal treatment** and **unequal impact**. Unequal treatment is when a manager applies different standards to different employees. An example of unequal treatment is when a manager asks female applicants the types of arrangements they intend to make for child care but the do not ask male applicants the same question. Unequal treatment is when the manager implements personnel practices that have a different impact on certain groups of employees unless they can be justified as (i) necessary to the safe and efficient operation of the business or (ii) work related.

A 1971 US Supreme Court case found that a company who required applicants to have a high school diploma and score a certain level on a certain test violated the law because (i) these criteria disproportionately affected African Americans and (ii) workers who did not have a high school diploma and scored lower on the test were still able to satisfy the job

requirements. It is important to note that it does not matter whether the employer intends to discriminate against a certain group of employees but what the ultimate result is.

There are many management practices that have unequal impact. For example, height and weight requirements for police officers disproportionately excludes Asian American and Hispanic people. Many job requirements have been rewritten to meet the requirements of the law. For example, instead of a height and weight requirement, a job description may include language that says "must be able to carry 80 pounds up and down a ladder."

Age discrimination is illegal under the **Age Discrimination and Employment Act** (or ADEA). This law protects people aged 40 and above from discrimination. For example, it prohibits mandatory retirement based on age (except firefighters, police officers, and tenured professors), classifying employees in a manner that would affect their work status because of age, or changing compensation based on age.

The **Americans with Disabilities Act** (or ADA) protects people with mental or physical abilities from discrimination. The law requires employers to provide reasonable accommodations to workers with disabilities. Some of these accommodations are listed below:

- Redesigning jobs
- Constructing ramps
- Installing phones with special adaptations
- Installing elevators to all floors
- Examining training and promotion opportunities from which disabled people have been excluded but were qualified

Sexual harassment is a violation of the Civil Rights Act. Some types of behavior that are prohibited under the law include unwelcome sexual advances, requests for sexual favors, and verbal or physical conduct that creates a hostile or offensive work environment. If this type of behavior is unwelcome and occurs with such frequency that it creates an abusive work environment, employers are required to change the environment by (i) warning the guilty workers, (ii) reprimanding the guilty worker, or (iii) firing the guilty worker. Employers are legally liable for its employees' acts of sexual harassment even if the employer did not know that type of behavior was taking place.

7.4 The Manager's Role

In terms of these legal issues, managers are typically the first line of action. Managers who have open communication with their employees may avoid many of the complaints they might receive. An internal **grievance** process can also help with many of the issues a manager might face. A grievance is an official statement of a complaint over something the employee believes to be wrong or unfair.

Three elements are necessary to deal with equal employment opportunity disputes. First, a company policy must be established that outlines its stance on sexual harassment, equal opportunity of employment, and how to bring a complaint to the organization's attention.

Second, each complaint should be thoroughly investigated. Investigators can include the human resources staff, other employees, or neutral third parties. Third, employees must be kept informed about the investigation's process.

7.5 Chapter 7 Key Takeaways

- Promoting diversity is not about political correctness.
- There are economic benefits to encouraging and promoting workplace diversity.
- There are laws that must be followed with respect to:
 - Hiring and firing.
 - Behavior in the workplace.
- Some of these laws include:
 - The Civil Rights Act.
 - The Age Discrimination in Employment Act.
 - The Americans with Disabilities Act.
- Some good business practices to prevent and deal with complaints and lawsuits include:
 - Open communication.
 - Formal grievance processes.

7.6 Chapter 7 Questions

1. What is diversity?
2. How should managers think about disability?
3. Name three types of demographic characteristics.
4. Explain the key aspects of Equal Employment Opportunities.
5. What did Jim Crow laws permit?
6. What are Affirmative Action policies?
7. What is Unequal Treatment of employees?
8. Give an example of Unequal Impact that is not described in Chapter 7.
9. Explain what the Age Discrimination and Employment Act protects against (be specific).

10. Name three things the Americans with Disabilities Act requires employers to do.
11. What law prevents sexual harassment of employees?
12. What is a grievance?

Chapter 8

Human Resource Management Strategies

8.1 Management Strategies

For a business to be successful, it must have a business strategy. Two types of business strategy include **cost leadership** and **product differentiation**. Cost leadership focuses on minimizing costs so the business can outperform its competitors. This type of strategy is good for companies that produce products in large markets so the company can benefit from economies of scale. The product differentiation strategy focuses on creating a product, service, or experience that separates the business from competitors. This type of strategy is good for small businesses in niche markets.

When following a cost leadership, the key is to minimize costs and maximize efficiency. When following a product differentiation strategy, the key is to create a customer experience, for example by using specialized themes at a restaurant. Differentiation strategies are harder to implement in other segments of the agri-food sector because agricultural commodities are typically identical or very similar to each other.

All businesses have a culture, which is comprised of the behavior of the employees and the values and beliefs of the organization. Employee behavior has to do with the observable things people say or do or the actions that employees take. The values and beliefs are the business principles the company operates under.

A **sustainable competitive advantage** is an aspect of the company or product that the consumers value and something that competitors cannot easily copy. These types of advantages are extremely difficult to achieve and maintain, especially in agriculture, but it may be easier to do in food retailing or food service (restaurants). Some factors that impact a business' strategy include the threat of new businesses entering the market, the bargaining power of buyers, the threat of others producing substitutes for your product or service, and the bargaining power of suppliers.

Watch these two YouTube videos to learn more about strategic management.

<https://www.youtube.com/watch?v=UfY4qt6jLio>.



<https://www.youtube.com/watch?v=8mwCiDKgNd4>.



Managers are supervisors of employees who provide the company with human resources. Human resources include skills, training, and commitment to the business. The use of these resources can provide companies with a competitive advantage. Agricultural industry sources say that it is difficult to find employees who are committed to their businesses because the work is hard, sometimes it does not pay very well, and employees may look for better job opportunities while they work on the farm. The construction, food service, and personal services sectors are three industries that compete for labor with farms.

Human resources affect the performance of every business. Managing human resources well can help a company minimize costs, increase productivity, and help the business gain and sustain a competitive advantage. As such, human resources need to be a part of the

company's strategic management process, and employees should be a primary concern in every business decision. The profitability of the business can be improved if employees are engaged, which means that employees experience job satisfaction, have the ability to perform their job, and are willing to stay committed to the company. The management practices of a company can affect employee turnover (quitting), productivity, and the business' financial well being. Some of the key issues managers need to think about include how to maximize productivity, how to improve job satisfaction, and how to minimize job turnover and absenteeism (not showing up for work).

Personnel management skills can be broken down into four categories:

1. **Technical:** Methods and techniques to perform tasks.
2. **Human Relations:** Ability to understand and communicate with others.
3. **Conceptual and Design:** Ability to evaluate situations and design solutions.
4. **Business:** Understand how management impacts the business and its role in strategy.

The **traditional view** of human resource management separates the functions of personnel activities from the strategic objectives of the business. This typically involves collecting and tracking data on employees, as well as monitoring compliance with company procedures, regulations, and union requirements.

A newer model is known as **strategic human resource management**, which involves understanding how people contribute to the business' strategic objectives. This model places more pressure on managers to be innovative, where acquiring and retaining human talent is viewed as a strategic goal. This model places increased importance on personnel for improving the company's performance. In this model, the traditional functions stay in tact, but the manager focuses on maximizing the contributions of employees to meet to company's goals.

One nuanced version of the strategic human resource model is known as the **universal approach**, which can include creating job security, highly selective hiring practices, high pay levels, extensive employee training, and lots of information sharing. This version is considered universal because these practices are considered universally applicable to all businesses. Another type of model is known as the **best fit perspective**, which is when the business adopts practices that complement and support the personnel policies and practices. For example, if a firm wants to hire innovative, risk taking employees, it should have a compensation system that rewards that type of behavior. If the business wants to increase its competitiveness based on better customer service, the company should adopt training programs that emphasize good customer relations. Moreover, as the population becomes more diverse, a business may want to hire a multi-cultural workforce to better connect with a more diverse customer base.

Another model of personnel management is known as the **resource-based** model. With this approach, businesses try to gain a competitive advantage by obtaining resources that are valuable, rare, and difficult to imitate. For example, the company might focus on developing a human capital pool that has a higher level of skill and knowledge than its competitors,

and it might better align these resources with the strategic goals of the company than its competitors.

Whatever model the business chooses, it is important to make sure the practices make sense for the company. These practices should reinforce each other and send a common message to employees so that workers can easily understand what behaviors are required at their company.

8.2 Ethical Considerations

Managers have a duty to serve the interest of the business and its owners. In recent years, these interests have extended beyond the business to include other stakeholders. For example, a company may want to serve its customers, the community where the business is located, the employees, and the environment, to name a few. Moreover, the manager must ensure that the organization treats all employees fairly and ethically. Additionally, the manager has to make sure employees treat each other, the organization, and the clients fairly.

Some of the ethical duties of a manager include making sure they do not harm anyone, telling the truth, keep promises, not discriminating, and making sure people are able to exercise their rights, such as the right to free speech and association. Fulfilling these ethical duties may include the following:

- Making sure health and safety practices are followed.
- Informing employees about health and safety hazards.
- Avoiding discriminatory hiring, job appraisal, and promotion practices.
- Providing equal pay for equal work.
- Providing ways for employees to voice their concerns.
- Following fair practices with respect to discipline, termination, and layoffs.

8.3 Chapter 8 Key Takeaways

- The traditional view of management focuses on the core function of personnel management.
- New views on management include incorporating human resources into the strategic goals of the company.
- There are different methods for implementing strategic management of the company.
- Certain strategy styles may be better suited towards particular types of businesses.
- Managers have ethical obligations when dealing with employees.

8.4 Chapter 8 Questions

1. What is the difference between cost leadership and product differentiation?
2. What is a sustainable competitive advantage?
3. Identify and define the four categories of personnel management skills.
4. What is the difference between the traditional view of human resource management and strategic human resource management?
5. What are the three different versions of strategic human resource management?
6. Choose one of the three versions of strategic human resource management and provide some details about what it involves.
7. List three ethical duties a manager has to abide by.

Chapter 9

Organizational Structure

9.1 Overview

The organizational structure of a business can take on many forms. Typically, there is a hierarchy between owners, managers, and employees. Often, a strategic leadership team will stand at the top of the ladder, followed by line managers, who are mid-level employees, and line employees. The strategic leadership team establishes the organizational philosophy by developing the company's vision and mission and identifying company values. Line managers are tasked with implementing the strategic vision through tactical management of the business and its employees. Line employees carry out the day-to-day functions of the business in a manner that is consistent with the strategic vision.

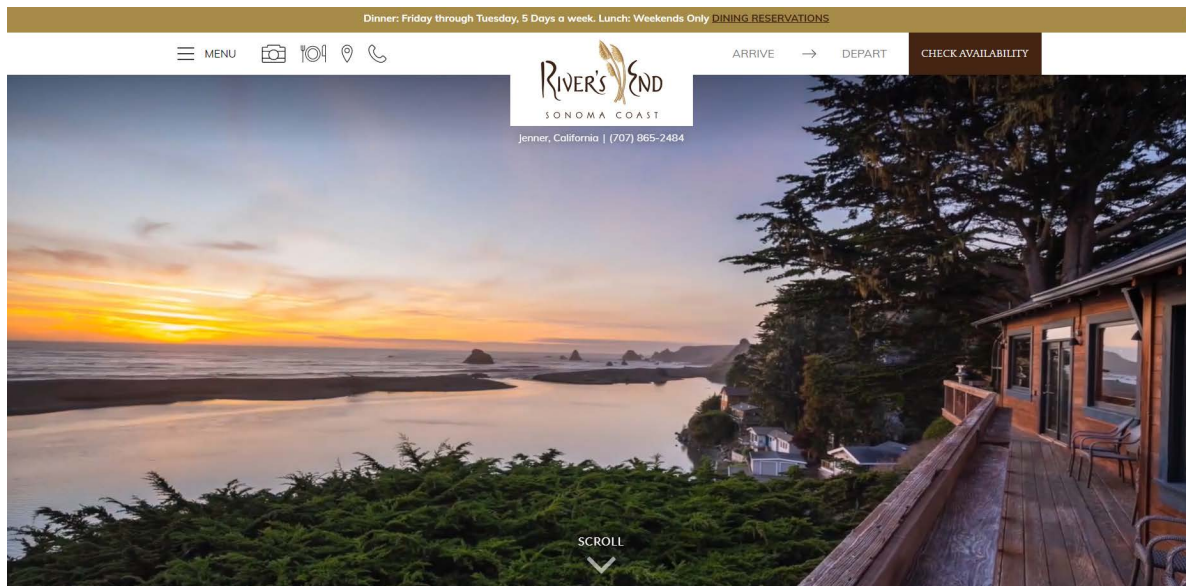
Sometimes a business will have several managerial levels. In some cases, a staff manager will assist and advise the line managers by providing guidance. These individuals might be part of a company's human resource department. Line managers are responsible for accomplishing the goals of the company, and they have the authority to make decisions, direct others' work, and give orders.

The **Exception Principle** states that there must always be someone available to make business decisions when there is an exceptions to the normal routine of business. As such, the structure of an organization should assign someone to deal with problems when something happens and employees don't know what to do. This person is typically someone higher up in the organization. An example of this is when a tractor driver on a grain farm hears an unexpected noise in the engine. That person should be able to discuss the problem with a supervisor who will figure out what to do. What do you think the supervisor should do? Some tractors cost hundreds of thousands of dollars. Due to the high stakes nature of this decision, the supervisor will likely want to consult the owner of the business who will make the ultimate decision. This higher level discussion will determine the course of action. The owner might tell the supervisor to fix the problem immediately or wait until it gets worse. Note that the driver and the supervisor both had someone to consult higher up in the organization.

My first job entailed washing dishes at a restaurant (see Figure 9.1 for a picture of the deck of the restaurant). I was trained on how to run the dishwasher, perform kitchen cleaning tasks, and I knew what needed to be done if the boss was not around. When I would arrive

at work, I started washing dishes, and I never stood around and waited for someone to tell me what to do. If I finished the dishes, I would clean out the walk-in freezers. When I finished the freezers, I would ask the cook if he needed potatoes or onions peeled (sometimes I had to peel 50 pounds of onions at a time). The point is, I never stood around and waited for the restaurant owner to tell me what to do. This example highlights the use of the **Decentralization Principle**. This concept suggests that decisions should occur at the lowest level necessary in the organization. The objective is to minimize the waste of time spent from waiting for decisions to be made higher up the organizational ladder.

Figure 9.1: Picture of River's End Restaurant Where I Had My First Job



When a company is decentralized (i.e., not fully controlled by one person), it will require **delegation**. Delegation is when a manager assigns specific tasks to employees. The person in charge of delegating will have to be responsible, and authority will be assigned to the person with the delegating responsibility. Imagine the 18 year old son of a landscaping company owner has been given the responsibility of taking a crew of workers to a work site, but the workers have not been told by the owner that they are supposed to take direction from the son. The workers may ignore the son's directions if they are used to taking directions from the owner. In this case, the owner should tell the workers that the son has the authority to provide directions to the workers. As such, the owner should tell the employees that the son will delegate.

A manager's **span of control** is the number of employees they supervise. A company must consider how many employees one manager can effectively lead. Typically, managers will supervise no more than five or six employees, but sometimes it can include more. The managers leadership style, experience, and ability will also play a role in determining the span of control. The employees' characteristics may also impact the span of control. Employees who are well-trained, experienced, motivated, and who are satisfied with their jobs tend to require less supervision.

In an ideal organization, every employee should only have one supervisor to report to.

This concept is known as the **unity principle**. When there are two or more supervisors, employees might receive conflicting instructions or assignments. The problem is that employees will have to choose which set of instructions to follow. Imagine you are a worker at a fruit market, and you are told by your manager that you should read a handout on apple varieties for baking when foot traffic slows down. The manager wants you to be informed so you can help customers select apple varieties when they are looking to purchase fruit. Now suppose the owner of the business shows up and sees you reading the book and thinks you are wasting time, so she tells you to pick a broom and start cleaning. The employee should not have to choose which set of instructions to follow but should be assigned the task by the one with delegating authority.

9.2 Organizational Charts

An **organizational chart** is a tool that illustrates the organizational structure of a business. It will typically list the title of each position and identify the chain of command. This tool helps everyone in the business understand which employees are accountable to the others and who is in charge of what portion of the business.

A **simple organizational structure** is common for small businesses. A graphical depiction of this structure can be found in Figure 9.2. This structure has two types of people, the owner who also manages the business and the line employees. In this structure, the owner supervises all the employees, and workers do not have much authority. The business decisions are usually made by the owner, and these decisions can be made quickly and communicated to directly to employees.

Figure 9.2: Simple Organizational Structure



A second kind of structure, shown in Figure 9.3, is known as a **functional organizational structure**. This type of structure will emerge as a business starts to grow and it becomes too hard for one person to supervise all the employees. In this case, the owner will hire people to manage the company's employees. The owner might assign a general manager who reports to the owner and several other types of managers to manage employees. The general manager oversees the entire business and develops the business strategy. One way to organize management roles is around different functions of the business. For example, there

might be managers for production, marketing, and financial matters. This type of structure allows managers to specialize and become more efficient. However, there is a disadvantage to this type of structure because each of the lower level managers may not know much about other aspects of the business outside of their supervisory role.

Figure 9.3: Functional Organizational Structure

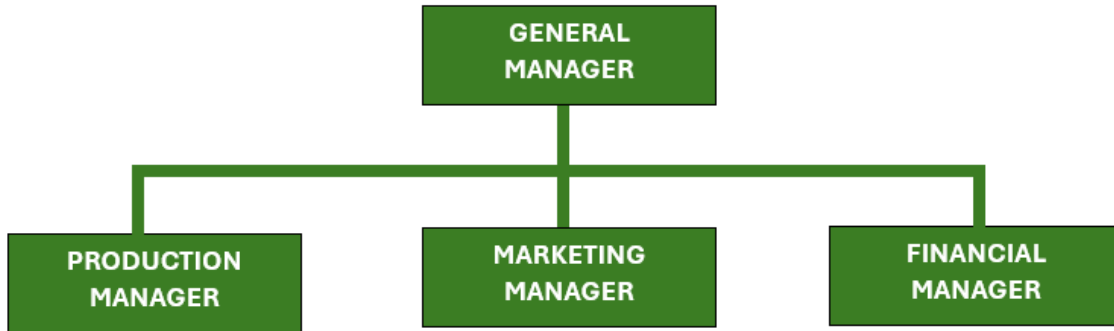
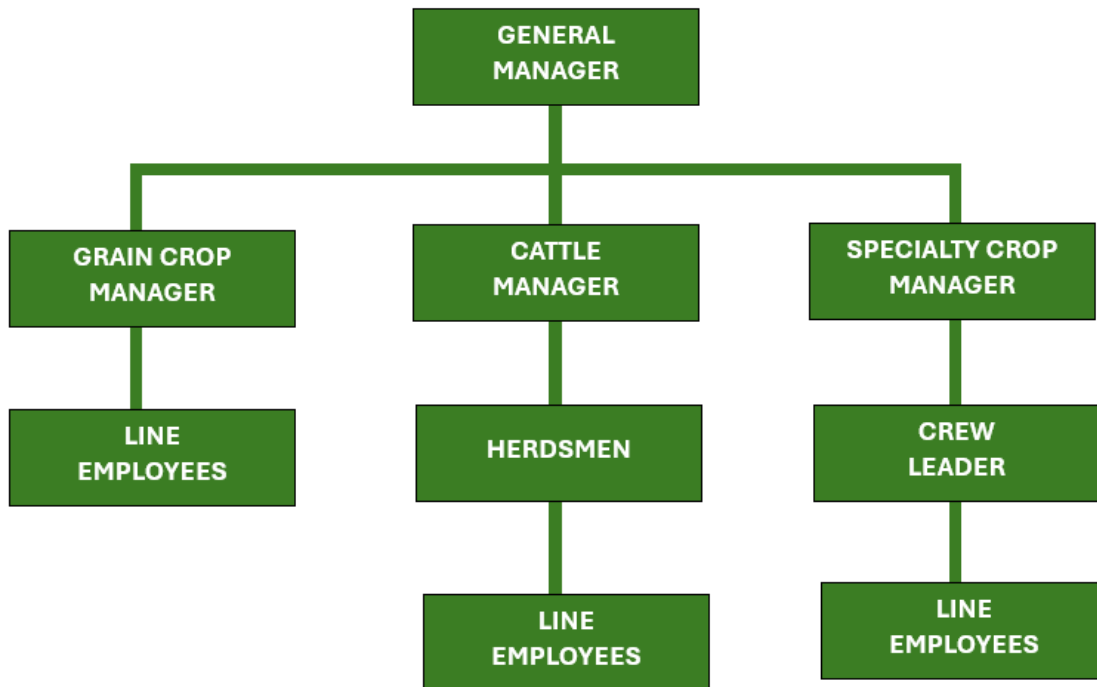


Figure 9.4: Enterprise or Product Organizational Structure



Some businesses are structured around the types of products being produced. These types of businesses have a **product organizational structure** (also known as an **enterprise organizational structure**). These businesses have managers that are responsible for all aspects of the production and sales of each product produced by the company. For example,

a cattle farm might also produce grain or silage, and they might also produce specialty crops. In Figure 9.4, there is a general manager and three lower level managers that oversee the operations of crop production, the cattle operations, and the specialty crop operations. These managers will have to develop expertise in production methods, input acquisition, and marketing. One disadvantage to this type of structure is that some of the efforts are duplicated. For example, there are three managers procuring inputs for production, and each of the managers also has to be involved in sales.

9.3 Key Takeaways

- The organization structure of a business is important.
- No two businesses are identical.
- The keys to effective organization include:
 - Proper planning of the organization.
 - Clear relationships between people in the company.
 - Delegation of authority and responsibility.
 - A structure that is not too simple but also not too complex.

9.4 Chapter 9 Questions

1. Explain the concept of the exception principle.
2. Explain the concept of the decentralization principle.
3. Explain the concept of the unity principle.
4. What is delegation?
5. What is a manager's span of control?
6. What are the three primary types of organizational structure?
7. Choose one type of organizational structure and describe the key components.

Chapter 10

Job Recruitment

10.1 Job Design and Description

Hiring the right employees is one of the most important aspects of a business. Some people say “without the right people, no amount of money can make a business succeed.” Businesses need qualified staff to make them run smoothly. Hiring is one of the most difficult decisions a business can make. Hiring someone who can’t do the job or won’t do it the way you want it to be done can be costly. Moreover, hiring the wrong people can create unnecessary stress and lower the company’s profitability. Bad employees shift attention from running the business to making sure the employee doesn’t make mistakes. They can also lower staff morale, endanger the business’ assets and equipment, and lead to increased conflict in the workplace. To avoid hiring bad employees, you can implement a standard hiring process.

A company should determine what it is best at and outsource the rest. Some types of jobs a company may want to hire employees to fill include line production activities and other staff activities that cannot be outsourced to another company. For example some types of jobs that a company might want to consider outsourcing are accounting, janitorial, and landscaping.

When recruiting employees, the first steps include designing the job and developing a **job description**. There are several types of job designs, including:

- **Mechanistic**
- **Biological**
- **Perceptual**
- **Motivational**

A mechanistic job will include tasks that relate to specialization so that the employee can company can simplify the production processes for the employee and allow them to perform repetitious tasks they are good at. An example of this might be the duties for a forklift driver. One advantage of this type of job design is that the tasks are simple and easy to track. A disadvantage is that these jobs tend to be boring and may lead to high turnover.

A biological job design is one that seeks to minimize the physical strain of a worker. These jobs will structure the work environment around the way the body works. For instance, an

apple packing plant might design its conveyor belt and packing stations at a certain height that minimized the amount of time employees have to bend down. One disadvantage of this type of job design is that they can be boring and repetitive, but it can also reduce injuries and absenteeism. A biological job design could be useful for certain farm jobs.

If you want to design a job that limits the mental strain of employees, you may consider a perceptual job design. These are jobs that do not involve stressful decision making. For example, a restaurant might design the job to use i-pads to take orders to simplify the ordering process. These types of jobs minimize the potential for workers becoming mentally overwhelmed, but workers will not be challenged, which might lead to boredom.

If you want to design a job that influences the motivational potential of an employee, you might want to use the motivational job design. These jobs focus on job characteristics that affect the psychological meaning of the job and are better suited for jobs where the employee's attitude is an important aspect of the work. An example of this is the job of a social worker. The work is not boring, and it is better suited to employees with higher levels of education. One disadvantage of this type of job is that managers may need to make sure the business' goals are being met.

After you design the job, you will also need to provide a job description and specification. A job description should contain the following details: the major tasks that need to be completed, the job duties and responsibilities, and the **job specifications**. The job specifications should include the types of qualifications required for the job, sometimes referred to as "skills." Both the primary job description and job specifications are important when recruiting new employees.

The following list includes the elements of a good job description:

- Job title.
- Worksite location.
- Whether it is full-time or part-time.
- A brief overview of the company.
- Information about fringe benefits (holiday pay, vacations, health insurance, etc.).
- Key duties and responsibilities.
- Key skills required for the job (bullet points are helpful).

10.2 Recruiting

Recruiting is the process of creating a responsible pool of qualified candidates for a job opening. When hiring employees to fill a job, you will have to determine whether you want to engage in an **internal** or **external** recruiting process. Internal recruiting is when you hire employees from within the company to fill an open position, while external recruiting is hiring from a pool of candidates that do not currently work for the company. The advantage to internal recruiting is that you know already how the employee performs, it is typically

less time consuming, and it is less expensive than hiring from outside the company. Some of the disadvantages to internal recruiting include the possibility of missing out on better job candidates and the encouragement of “group think” where there is resistance to new ideas and opportunities to learn and grow. Some of the recruiting options include posting jobs descriptions on the internet, posting a sign and interviewing “walk-ins,” and hiring the services of a recruiting agency.

The goal of a job applicant is to match their qualifications (or resume) to the job they are applying for. Applicants should manage their social media to convey a positive public image and use keywords in their resumes because sometimes computers are used to scan resumes for qualified candidates. It is important for applicants to never lie on a resume, and having a solid LinkedIn page can help provide context where a one-page resume falls short. The goal of a recruiter is to listen to the job applicants, let the applicant know what the expectations are, respond to the applicants questions, and find the best candidate for the job.

There are four steps to the hiring process, which are listed below:

1. Determine who will create the list of qualified applicants.
2. Review the applications.
3. Create the list of qualified applicants.
4. Interview the candidates.

The person who will create the list of qualified applicants should be the person who will have the most insight into the job being advertised. If the opening is for a manager position, it might be best for the business owner to select who is qualified. If the position is for a laborer position, it might make sense for the manager to select the list of qualified applicants. It is important to make sure that everyone involved in the hiring process has a copy of the job description, understands the position’s roles and what the employee is responsible for, and understands the job selection criteria. When interviewing multiple candidates, make sure to ask them all the same questions. It can also be helpful to create a ranking form where you can take notes.

When interviewing candidates, give yourself time to reflect before making a decision. Moreover, you should ask for three work-related references and check them to ensure accuracy of the candidate’s statements. When you call references, you can use a reference form to record their answers.

When you make a job offer, it is good practice to put it in writing. You can email it or deliver it to them in person. Also, it is important to make sure you meet all the legal requirements with respect to the terms of employment. For example, you should check state and federal laws for minimum wage and overtime pay requirements. Ignorance is not a valid legal defense to labor law violations.

10.3 Key Takeaways

- Recruiting the right employees is very important for a business.

- Bad hires can be very costly to a company.
- Businesses need to design a job and provide a job description.
- There should be a plan for the selection and interviewing of job candidates.
- Ultimately, the goal is to find the most qualified candidate for the job.

10.4 Chapter 10 Questions

1. What are the four types of job designs?
2. What is a job description?
3. Design a proper job description for a hypothetical company.
4. What are job specifications?
5. Give three examples of job specifications for a hypothetical job.
6. What is the difference between internal and external recruiting processes?

Chapter 11

Onboarding Employees

11.1 Employee Selection

The process of choosing the best candidate for the job is known as **employee selection**. Remember, bad hires cost time and money and will likely result in lower productivity. Moreover, bad hires can simply be employees who are negligent even though they are qualified to perform the job. Negligent hires can endanger coworkers, customers, and other people they encounter. Negligent employees can also get your company sued.

Typically, you will want to have 15 to 25 applications or resumes to review before you start sorting through the applicants. An application standardizes the information so it is easier to compare applicants. After sorting through the applications, you will want to select four to five finalists to conduct interview on. The initial interviews can be virtual or by phone, and some interviews will require some basic testing. Once you conduct the initial interviews, you will want to select one to three candidates to conduct a second interview on. When you do the second interview, you may also want to do a background check, including credit, criminal history, references, and web searches (including social media). Once you have selected the candidate you are going to make a job offer to, you should provide a **conditional job offer**, which typically consists of an offer with some kind of drug screening and a physical examination if necessary.

Employee fit is very important and often not well understood. There are different types of employee fit, **personality fit**, **ability fit**, and **organization fit**. Some personalities are better suited for some types of jobs. For example, extroverted people might be better at sales jobs while an introverted person might be better suited for an accounting position. Ability fit comes down to whether the employee has the skills to do the job. Organizational fit can be determined by seeing if the job candidate's personality fits the firm's culture and whether their values matches those of the company.

The smaller the company, the more likely it is that one person is sufficient to conduct the interview process. As a company becomes larger and more complex, the more likely a group interview is appropriate. When conducting group interviews, it is important for the group to make sure it does not intimidate the job candidate. Moreover, there is a tendency for interviewers to prefer the first or the last candidate because the interviewer is likely to be more attentive during the first interview and the last interview is fresh in the interviewer's

mind. It is good practice to keep notes on all employees or have an interview form you can refer to.

There are three different types of interviews: **structured**, **unstructured**, and **semi-structured**, which are describe in detail below.

- **Structured:** Predetermined questions only.
- **Unstructured:** Free flowing questions and conversation without any structured questions.
- **Semi-Structured:** A mix of predetermined questions with the flexibility to ask unstructured questions.

There are also different types of questions you can ask, which include **closed-ended**, **open-ended**, **hypothetical**, and **probing**. Descriptions of these question types can be found in the list below:

- **Closed-Ended:** Typically yes or no questions with little potential for follow up.
- **Open-Ended:** Typically not yes or no questions with the potential for follow up.
- **Hypothetical:** “What if...” questions that are designed to see how candidates would approach a problem.
- **Probing:** Questions that seek to understand an applicant’s personality.

There are some interview questions that you should not ask when conducting your employee selection process. First, you should never ask about gender or sexual orientation. Second, never ask whether the candidate has plans to get married or have children. Also, you should never ask questions about race or national origin, but you may inquire about the candidate’s ability to work in the US. Moreover, you should never ask questions about disability unless it is directly related to the job.

11.2 Onboarding

The practice of **onboarding** includes the set of actions the business takes to get new hires up to speed and “on board” with the company. Onboarding is important because it helps make sure the employee really knows what to expect and how to do it, and it will set the employee up for success. Onboarding can include employee **orientation** and **training**.

New employees can form opinions about the company quickly, so it is important that their initial experience are positive. Employees who start off on the right foot tend to be happier and more productive, and they tend to stay with the company longer, which reduces costs. Orientation involves teaching the employee about the business, signing them up for benefits, and doing all the legal paperwork. Sometimes this will include watching informational videos about the company. Orientation may also include introducing the employee to their coworkers. If you find yourself in a management role where you are onboarding employees, use common sense and make sure to teach the employees what they need to know.

Some of the types of questions you should be prepared to answer are listed below:

- What exactly will I be doing?
- Who is my boss, and who do I take instruction from?
- What are my work hours?
- When and where do I take lunch breaks?
- Who do I go to if I have questions?
- When and how do I get paid?

Typically new employees are not a perfect fit for the job, so they need to be trained. Employee training involves teaching the employee about the skills they will need and their duties on the job, and this will sometimes consist of both formal and informal “on-the-job” training. **Employee development** is ongoing education that helps the employee improve their knowledge and skills. Employee development is particularly important for companies that like to hire and promote internally. It also helps with employee retention.

To develop your employee training routine, you must first assess what your needs are and figure out how you need to shape the employee’s behavior. It is good practice to design a training routine, deliver the training, and then assess whether the training was effective at meeting its goals. With respect to on-the-job training, it turns out your best employee may not be the best trainer, so you should think carefully about who is the best fit to train your new employees. First, you will want to make the new employee feel comfortable, help them get prepared, and allow them to ask questions. Next, you should have the trainer show the new employee the task that needs to be done and watch the employee repeat the task. Then you can assess the employee’s work and give them tips for improving while allowing them to try the task again and again until they get it right. Then, once the employee is good enough to do the task on their own, check in with them frequently during the first few weeks to make sure they are on track to be successful and follow up with them if they need a refresher. You can use the following five-step process to train employees to do certain tasks:

1. Get Ready: Explain what you are going to teach them and why it is important.
2. Step-by-Step Explanation: Explain the task step-by-step.
3. Demonstrate: Show how the task is done, let them ask questions.
4. Repeat: Ask employees to explain the process back to you.
5. Confirm: Have employees perform the task while you watch.

Other types of training might include classroom training, which might be good for certain computer applications and allows you to train more than one employee at a time. Distance or e-learning can also allow you to use universities and other organizations that have specific training modules. E-learning can also be helpful to get employees up to speed about recent changes in regulations.

If your employees do not speak English, you should consider having an employee interpret your orientation or have a bilingual employee perform the training themselves. You should

also explain why certain tasks are being done and point out the hazards of the job. The employee should have a good understanding of the safety procedures and regulations.

The bottom line is that you want to shape your employee's behavior, and there are other tactics for doing this. The first of which is called **positive reinforcement** in which you point out and praise good behavior and results. The second is known as **negative reinforcement**, which involves avoiding or removing a harmful thing from the work environment. A more severe tactic is called **punishment** where you penalize employees for bad behavior or results. And last, **extinction** involves ignoring bad behavior, which often works with immature individuals.

11.3 Key Takeaways

- Employee selection is important.
 - Bad hires cost time and money and reduce firm productivity and profitability.
- Onboarding gets new employees up to speed on the job.
 - Onboarding can include orientation and training.
- Proper training is important for new employees.

11.4 Chapter 11 Questions

1. What is employee selection?
2. What is a conditional job offer?
3. What are the three different types of employee fit?
4. Choose one type of employee fit and describe what it includes.
5. What are the three different types of interviews?
6. Choose one interview type and explain how it works.
7. What are the four different types of interview questions?
8. Design two different types of interview questions (write them down).
9. What is employee onboarding?
10. What are two elements of employee onboarding and how are they different?
11. What is employee development?
12. What are the four ways to shape employee behavior?

13. Give an example of how you might shape an employee's behavior if they failed to meet production standards.
14. Give an example of how you might shape an employee's behavior if they excelled at a task.

Chapter 12

Compensation

12.1 Overview

Compensation is a term that refers to all the rewards employees receive for working at a company. It may consist of a **hourly wage** or **salary**, which is the dollar amount paid before deductions and other incentives are taken out of the paycheck. An hourly wage is the dollar value per hour of work while a salary is the amount of compensation for a given period of time (typically per year). Salary assumes that people work 52 weeks per year at 40 hours per week for a total of 2,080 hours of work per year. However, salaried employees may work more or less hours and are typically not required to work 8 hours per day five days a week.

A **raise** is a regular increase to the hourly wage or salary, and may occur on an annual basis. A **bonus** is a reward for a job well done, and an **incentive** is a tool to boost productivity. An example of a bonus is when an employee sticks through the full work season and excels at their job, while incentive pay may be a set dollar amount for each unit of production. For example, some harvest workers receive an hourly wage plus an incentive for each bin of fruit picked.

There are also different types of wage and salary plans. For example, **skill-based** pay is based on the skill of the employee and the title (this is popular with manager roles). **Competency-based** pay is based on employee traits and characteristics and is common for salaried employees. Another type of pay that is tied to the performance of the employee is known as **variable pay**. When jobs are grouped together in clusters or are closely related, such as in government agencies or large companies, this is known as **broad banding**.

12.2 Minimum Wages

Minimum wages were originally implemented to help the population maintain a certain standard of living. In the economics literature, there has been significant controversy over the effects of minimum wages. Some have argued that higher minimum wages will cause companies to hire fewer employees, which would have a negative impact for some workers. However, others have found evidence that higher minimum wages have little to no employment effects so that they don't really harm employees in some sectors of the economy.

The federal minimum wage applies to all employees working in the United States; however, some states have their own minimum wages that are higher than the federal minimum wage. When a state's minimum wage is higher than the federal minimum wage, employees must be paid the state's minimum wage. If a state does not have its own minimum wage, then the federal minimum wage applies. There are also different types of state minimum wages that apply to different types of businesses and employees. For example, in some states, restaurant servers are subject to a lower minimum wage than other employees because their tips are counted as part of their wages.

In 2023, Washington DC had the highest minimum wage in the country at \$16.10. The next three highest states were Washington (\$15.74), California (\$15.50), and Massachusetts (\$15.00). What do you think drives states to have higher minimum wages? In some cases, the higher costs of living causes government agencies to increase the minimum wage to keep pace with rising prices.

12.3 Benefits

Employee benefits are compensation items that employees receive when they work for some companies. A common type of benefit is known as a **health benefit**, which is when the employer provides or helps pay for health insurance. Usually, employees pay some portion of the cost, which is deducted from their paychecks. Companies and other types of employers decide how much of the cost they will pay and how much the employee has to pay. Sometimes there are different plans to choose from depending on how much the employee wants to pay or can afford. When trying to recruit productive employees who you can retain over the long run, it is important to know the types of health benefits your competitors are providing.

A **retirement benefit** is a compensation item that employees and employers pay into that can only be tapped into when the employee reaches a certain age. The IRS allows penalty-free withdrawals from retirement accounts after the age of 59 and 1/2 and requires mandatory withdrawals after the age of 72. If an employee makes \$50,000 per year in the first year of their career with an average raise of 3% per year and contributes 5% of their earnings, they will have about \$150,000 in their account after 20 years with normal market growth. If the employer provides a 2 to 1 match (e.g., if the employee puts in a dollar, the employer puts in two dollars), the employee will have about \$450,000, which is about one third of their lifetime earnings.

Everybody loves having paid time off, so having **vacation benefits** is an important compensation item for employees to consider. Other types of time off include sick days and extended leaves of absence.

Big picture things to consider when designing a compensation package include the following:

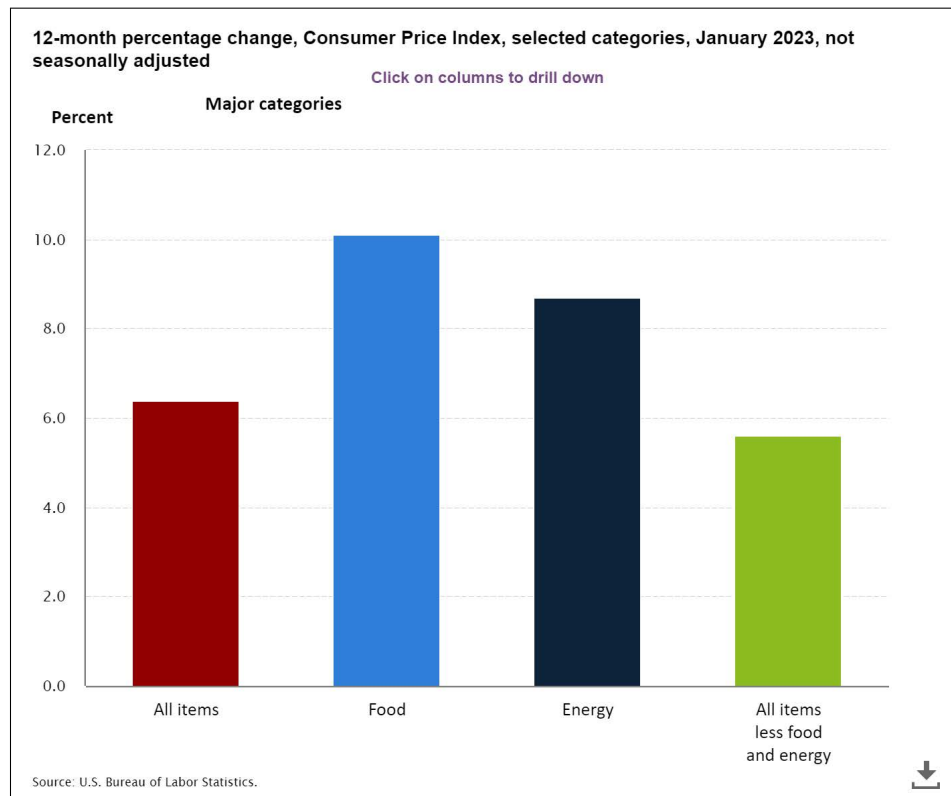
- How competitive will your compensation packages be compared to other companies?
- Be careful not to over-promise compensation to employees.
- Make sure you follow federal and state laws.

- Reflect on the broader philosophy of your company.
- Consider what your company's values are and how employee compensation reflects them.

12.4 Inflation Considerations

Inflation is the increase in the price of a good or service. Typically prices tend to go up over time, and rarely do prices ever drop unless we are in a serious recession. Figure 12.1 displays the year-over-year inflation between January 2022 and January 2023. The average price of all items increased by about 6%, while food prices increased by 10%. The government aims to have inflation increase by about 2% per year, so these price increases partially reflect the shocks that occurred from the COVID-19 pandemic.

Figure 12.1: January 2023 Inflation Numbers



The **Consumer Price Index** (CPI) is a measure of the average change in time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI can be used to convert dollar values from one year into the dollar values in another year to adjust for inflation. Remember, your grandpa's dollar in 1950 is worth much more than a dollar in today's money. However, we can use the CPI to see how much a dollar in 1950 is worth today. This process is known as converting **nominal** values into **real** (inflation adjusted) values.

Table 12.1: Consumer Price Index Values, 2010 - 2022

2010	218.06
2011	224.94
2012	229.59
2013	232.96
2014	236.74
2015	237.02
2016	240.01
2017	245.12
2018	251.11
2019	255.66
2020	258.81
2021	270.97
2022	292.66

Lets assume we want to figure out how much \$232.96 in 2013 is worth in 2022. To do so, just look at the CPI values in Table 12.1.

The CPI value in 2013 IS 232.96 and the CPI value in 2022 is 292.66, so \$232.96 in 2013 dollars was worth \$292.66 in 2022 dollar values (a difference of \$59.70 in nominal value but no difference in real value). But what if we want to figure out how much \$100.00 in 2013 is worth in 2022 dollar values? You can use the following CPI adjustment formula:

$$(\$ \text{ Value in year X}) = (\$ \text{ Value in Year Y}) \times \left[\frac{\text{CPI in Year X}}{\text{CPI in Year Y}} \right].$$

What is the value of \$100 in 2013 expressed in terms of 2022 dollar values? To see the math, look at equation (12.1).

$$(\$ \text{ Value in year 2022}) = (\$100) \times \left[\frac{292.66}{232.96} \right] = \$125.63 \quad (12.1)$$

What is the value of \$100 in 2022 expressed in terms of 2013 dollar values? To see how the math works, look at equation (12.2).

$$(\$ \text{ Value in year 2013}) = (\$100) \times \left[\frac{232.96}{292.66} \right] = \$79.60 \quad (12.2)$$

12.5 Key Takeaways

- Compensation refers to all the rewards employees receive for providing their labor to a company.
- There are different types of compensation. Some of them include:
 - Wages or salary.

- Health benefits.
 - Retirement benefits.
 - Vacation time.
- There are federal and state minimum wages. If a state does not have its own minimum wage, the federal minimum wage automatically applies. If a state has a minimum wage that is higher than the federal minimum wage, the state's minimum wage must be paid to employees.
 - Accounting for inflation is important when designing compensation items such as wages and benefits.

12.6 Chapter 12 Questions

1. What is the difference between an hourly wage and a salaried employee?
2. What is a raise?
3. What is the difference between a bonus and an incentive tool?
4. What are three different types of wage and salary plans and how do they differ?
5. What are employee benefits and how do they differ from hourly wage or salary compensation?
6. Describe three types of employee benefits.
7. What is inflation?
8. What is the Consumer Price Index?
9. Using the data from Table 12.1, how much is \$100 in 2017 worth in 2022 dollar values? Show your work.
10. Using the data from Table 12.1, how much is \$100 in 2022 worth in 2017 dollar values? Show your work.

Chapter 13

Employee Motivation

13.1 The Basics of Motivation

Motivation is a desire of willingness to do something. Motivation is important from a management point of view because employees who are motivated tend to be committed to the company's goals, driven to contribute to the company's success, and they tend to experience a higher sense of well-being and self esteem. Motivated employees tend to exhibit the following characteristics:

- They enjoy their work.
- They work well in teams.
- They focus on achieving goals.
- They never say “That’s not my job” or “I can’t help you.”
- They celebrate their own and others’ successes.
- They don’t blame others when something goes wrong.
- They are reliable, punctual, and attentive.
- They ask questions and want to learn more.

People are motivated by two types of needs, some that are **intrinsic**, and some that are **extrinsic**. Intrinsic motivation “internally” influences behavior or actions because they provide a sense of enjoyment or fulfillment to the individual. On the other hand, extrinsic motivation “externally” influences behaviors or actions through an incentives and consequences paradigm. Extrinsic motivation can be thought of as factors that influence a person through rewards and fear.

Watch this TED talk to learn more about intrinsic motivation.

https://www.ted.com/talks/dan_pink_the_puzzle_of_motivation/transcript.



Effective management requires learning about your employees. First of all, you can learn how to motivate your employees by gaining insight into what drives them to stay with their business. Understanding “what’s in it for me” from the employee’s perspective can help your company understand the specific motivations of your employees. You can do this by observing your employees, speaking with them, and taking an honest interest in them. Ask your employees questions like “What is your favorite part of the job?,” “Why do you continue to work here?,” and “What new challenges would you welcome?” Keep notes about these conversations in your employee files. You can refer to these notes to design rewards that your employees value. Your employees will likely appreciate it when you have a vested interest in them. This type of management behavior will promote employee motivation.

Employee performance is often linked to their motivation. Employees want to know how they are doing, so providing regular feedback should be an ongoing responsibility of the management team. At a minimum, managers should meet with employees at least once a year. In the meeting, managers should discuss the employee’s performance and give feedback. This type of meeting is known as a **performance-review meeting**. When an employee fails to meet expectations, they might not know what the company’s expectations are, so clear communication about expectations should be a priority. Moreover, the job expectations should be expressed clearly in the onboarding process.

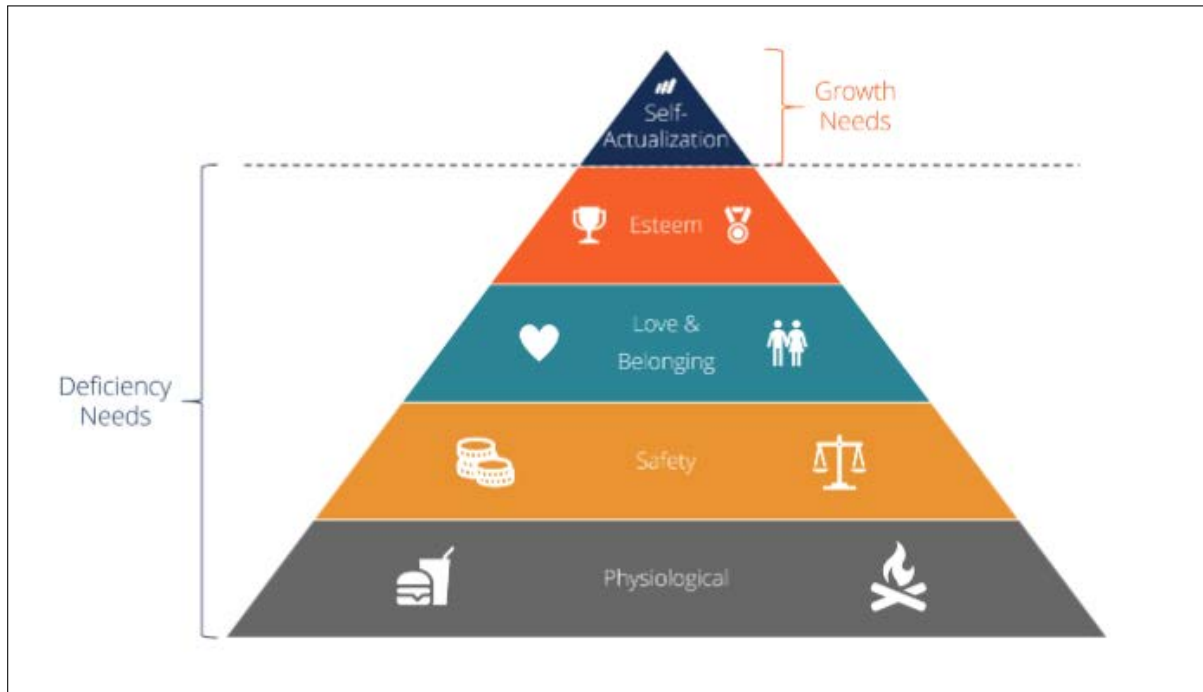
Besides motivation, research has found that engaged employees tend to have better customer satisfaction and outperform employees who are less engaged. However, only 20% of employees report being fully engaged in their work, so there is a potential productivity problem.

13.2 Theories of Motivation

There are three theories of motivation we will cover in this book: Maslow’s Hierarchy of Needs, Herzberg’s Theory of Motivation, and McGregor’s Theory X and Y. **Maslow’s Hi-**

erarchy of Needs suggests that there are different classifications of human needs that are structured into a five-level pyramid. This theory states that people must fulfill the lower levels of the pyramid before they can reach the higher levels. Maslow's pyramid can be found in Figure 13.1.

Figure 13.1: Maslow's Hierarchy of Needs



At the lower level of the pyramid are **physiological needs**, which are the most essential things a person needs to survive. These are non-negotiable and include things like water, food, shelter, warmth, rest, and health. A person's motivation at this level is derived from their instincts to survive.

On the second level of the pyramid are **safety needs**. These are needs that people have to feel safe and secure in life and in their surroundings. Examples include shelter from the elements (cold, rain, etc.), safety from violence, job security, and stable income. These motivations come from the need for law, order, and protection from unpredictable and dangerous conditions.

The third level contains needs related to **love and belonging**. Human beings are social animals that crave interaction with other. For instance, people crave friendship, intimacy, family, love, and belonging to a group. When people are deprived of these needs, they may experience loneliness or depression.

Level four is about **esteem needs**, which are related to a person's need to gain recognition, status, and feel respected. These needs are sought after once a person has fulfilled their love and belonging needs, and they can be broken down into two categories, respect for others and respect from oneself. Some of the components of each can be found in the bullet list below.

- **Respect from others:**

- Recognition.
- Prestige.
- Fame.

- **Respect from oneself:**

- Dignity.
- Confidence.
- Competence.
- Independence.
- Freedom.

The top of the pyramid contains **self-actualization needs**, which are related to a person's need to achieve their full potential. At this level people strive to become the best they possibly can. These needs can be manifested in different ways such as obtaining skills, continued education, pursuing life dreams, and seeking happiness. In general, self-actualization needs involve the pursuit of personal growth.

Maslow's five levels can be broken down into two broad groups, deficiency needs and growth needs. The bottom four levels are deficiency needs because they have to do with obtaining things that the person is lacking. Growth needs are in the top level because they originate from a desire to become a better person. Motivation tends to decrease as the deficiency needs become met up until the point where the growth stage starts.

Herzberg's Theory of Motivation says that employees are influenced by two sets of factors: hygiene factors and motivating factors. **Hygiene factors** are tangible factors that must be present in the workplace in order to prevent dissatisfaction. **Motivating factors** are psychological incentives that promote growth and job satisfaction. These are similar to the deficiency needs and growth needs but are not broken down into a set of levels and focus more on employee motivation, as opposed to people's general motivations in life.

There are 8 hygiene factors, which are listed below. If any of these are missing, employees are much more likely to be dissatisfied and file complaints.

1. Good company policies and administration.
2. Quality of technical supervision.
3. Quality of interpersonal relationships among peers, subordinates, and superiors.
4. Salary.
5. Job security.
6. Personal life.
7. Working conditions.

8. Status.

To reduce job dissatisfaction, managers can talk with their employees to find out what they are unhappy about. It is also good practice to revisit the compensation packages and reach out to employees to determine if there are personal issues that impact job dissatisfaction. Maintaining positive relationships with your employees can also reduce job dissatisfaction. There are six motivating factors, which are listed below:

1. Achievement.
2. Recognition.
3. Growth.
4. Advancement.
5. Responsibility.
6. The meaning of the work itself.

To help improve job satisfaction, managers need to reevaluate the “human” aspect of their employees and emotionally invest into the manager-subordinate relationship. Simple things like thanking employees for their hard work, celebrating their creativity or career milestones, and taking a bit of time to speak with them can go a long way. You can also try to figure out ways in which you can facilitate employees reaching their full potential.

McGregor’s Theory X and Theory Y was developed by Douglas McGregor in the 1950s and 1960s. McGregor believed that a manager’s assumption about their employees determined their leadership style in the workplace. Theory X says contains the following aspects:

- **Theory X**

- The average human dislikes work and is inherently lazy.
- Workers have little motivation and prefer direction from their superiors.
- Workers need consistent rewards and punishments to ensure tasks are completed.
- Workers do not have a desire to grow or achieve personal or professional goals.
- The threat of punishment is the only motivator.

- **Theory Y**

- Workers are willing to accept challenges and are proud of their work.
- Workers do not need to be micromanaged.
- Workers are eager to participate in decision-making.
- Workers are happy to contribute, and they get satisfaction from it.

McGregor encouraged companies to adopt a more Theory Y approach so that supervisors can motivate their employees to achieve their highest potential. The idea is rooted in the notion that companies would have more success if workers feel satisfied and have their personal goals met.

13.3 Key Takeaways

- There are different theories with respect to employee motivation.
- These can be broken down into two schools of thought: Basic human needs and personal growth.
- Three of these theories are:
 - Maslow’s Hierarchy of Needs.
 - Herzberg’s Theory of Motivation.
 - McGregor’s Theory X and Theory Y.
- Managers can take actions to help decrease job dissatisfaction and improve job satisfaction.

13.4 Chapter 13 Questions

1. What is the difference between intrinsic and extrinsic motivation?
2. What is a performance-review meeting?
3. Describe Maslow’s Hierarchy of Needs.
4. What are the five levels of Maslow’s pyramid?
5. Explain what Herzberg’s Theory of Motivation is.
6. What is the rationale behind using McGregor’s Theory Y as the basis for management?
7. What can managers do to help reduce employee job dissatisfaction and improve job satisfaction?

Chapter 14

Employee Performance

14.1 The Manager's Role

Companies are often judged by their performance, and the biggest influence on performance is the quality of their labor force. For example, teams of skilled, trained, and motivated employees almost always overcome the challenges they are faced with. The most important role of a manager is to raise the performance of the company's employees. The goals of performance management are to provide employees with tools to ensure they are successful and ultimately contribute to the success of the business.

There are two main purposes of performance management, which include operational reasons and cultural reasons. **Operational** reasons are those that lead employees towards meeting the company's mission. **Cultural** reasons help drive the business and include things such as helping the employees feel connected to the company.

There are four stages in the performance management framework. The first stage involves establishing a performance agreement with employees. This stage ensures that the employees understand what their performance expectations are. Managers should set standards for their employees and explain how they will be measured. These standards should align with the company's objectives. For example, a company may set a goal on the amount of annual sales it wants to achieve. These types of objectives can be broken down into product groups and assigned monthly values.

Managers should also establish a written performance agreement that includes the following aspects:

- Specific performance benchmarks.
- Related to the job description.
- Communicates clear expectations.
- An established timeline for check-ins and reviews.
- Identify the types of support for managing obstacles.

The second stage is ensuring there are ways in which performance can be measured. One way to do this is to keep records of the production achievements of employees. These also

need to be fair, and everybody needs to understand what is being measured. There are two main methods to develop standards: establishing targets or determining the level of competence that needs to be achieved. Both systems require some sort of ranking system and there should be written explanations with examples. Employees should be given some time before you review them, and when you meet with them to have a discussion, you should discuss setting future goals. Research has shown that setting company goals leads to improvements in performance, but for it to work, the goals must be accepted by employees and the goals must be related to specific performance criteria. Realistic, hard, specific goals are better than easy goals or none at all. An outline of **SMART** performance targets can be found below:

1. **Specific:**

- These are transparent and not open to dispute.

2. **Measurable:**

- This provides a metric for evaluation.

3. **Achievable:**

- Otherwise there is no use for having them.

4. **Realistic:**

- Otherwise, most employees will fail to achieve them.

5. **Time-Related:**

- There should be a clear indication of what time they should be achieved by.

Competency-based systems encourage employees to adopt certain behaviors. The competencies and the behaviors that measure them need to be determined in advance. The business may have a set of core competencies that apply to all positions, or they may have specific technical competencies related to specific jobs. For each type, there may be varying levels of competencies. Examples of these might include cooperation with other employees, relationships with customers, effective communication, or commitment to quality.

One thing to keep in mind is that issues may arise from competency ratings for a number of reasons. First of all, managers may develop a tendency to base their ratings on the personal relationships they develop with employees. In such a case, bad performance might be ignored while good performance might be overlooked. Second, managers may have a difficult time providing bad ratings to employees because it is easier to give an average rating to an employee and hope that they improve over time. Last, managers may think the way they work is the best way and overlook the strengths of employees who do things differently.

The third stage is to provide feedback to employees on a regular basis both during the year and at the end of the year. The traditional feedback process involves an appraisal review and a performance review interview. There must be some kind of form for the manager to

fill out so the performance measurements can be recorded. These forms can be simple such as the one depicted in Figure 14.1. Employees should also have a chance to rate their own performance.

Figure 14.1: Performance Review Form

General Factors	Outstanding	Exceeds Expectations	Meets Expectations	Improvement Needed
<p>1. Quality - An employee's work is completed thoroughly and correctly following established processes and procedures.</p> <p>Specific Examples / Comments:</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>2. Productivity / Independence / Reliability - Ability to work independently with little or no direction / follow-up to complete tasks / job assignment.</p> <p>Specific Examples / Comments:</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>3. Job Knowledge - Demonstrates and understands the work instructions, processes, equipment and materials required to perform the job.</p> <p>Specific Examples / Comments:</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>4. Cooperation / Commitment - Willingness to cooperate, work and communicate with coworkers, supervisors, subordinates and/or outside contacts. Employee accepts and responds to change in a positive manner. Accepts job assignments and additional duties willingly and takes responsibility for own performance and job assignments.</p> <p>Specific Examples / Comments:</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>5. Attendance - Observes prescribed work break/meal periods and has an acceptable overall attendance record.</p> <p>Specific Examples / Comments:</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The performance review interview involves an extended discussion that will review past periods and plans for the next period. These can occur annually or more frequently. This process can be particularly hard when dealing with unsatisfactory performance, and they must be handled well because they can have a lasting impact on relationships. When scheduling your performance review meeting, it is important to explain what the meeting is for. Typically, the meeting will involve the following:

- Some discussion and agreement about the employee's performance.
- An agreement about the factors that influenced the level of performance.
- An agreement about the targets for the next period.
- An agreement about what support needs to be arranged for the employee.

Feedback from managers need to based on facts and accurately described. One goal of these interviews is to identify any problems and try to solve them. Other goals include providing positive feedback for good work. The interview should conclude with a summary and action plan for moving forward.

Traditional reviews suffer from a major problem: There is often a difference of opinion between the manager and the subordinate employees so that the review does not result in an agreement about performance. A new approach to reviewing employees is known as a **360 degree review**. In this approach, many sources of feedback are provided, and the list of reviewers may include the manager, the subordinates, the peers, and the customers. Typically these individuals will rate the person being reviewed and will sometimes provide written feedback. These reviewers usually remain anonymous.

The advantages of a 360 degree review include the opportunity to receive feedback from different sources, increased likelihood that the employee will change their behavior, and it is easier for the manager to provide the feedback instead of playing the “God” role. Research has shown that the effectiveness of managers increases when using a 360 degree review.

Providing good performance reviews are easy because you get to be the “good guy.” Employees with subpar performance can cause their evaluators to feel angry, guilty, insecure, uncomfortable, and sometimes unwilling to be honest. As such, you should develop a strategy for giving poor reviews, and you may want to identify consequences if the poor behavior continues.

The fourth stage is to ensure that the outcomes of the performance review are fair to both the employee and the company. Rewards are a good outcome of a performance review. Rewards can be financial or intrinsic (recognition and congratulations). Poor performance can also lead to “negative rewards” such as disciplinary proceedings. Poor performance can also require employee development and training.

Occasionally, there may be a need to discipline employees. Discipline is used to help an employee understand about a performance problem and provide an opportunity to help the employee improve their performance. Creating a disciplinary procedure will help you track employee discipline and progress, and these can also be helpful in case you have a legal case against your company. Not addressing employee performance problems can lead to low morale, reduced production, and damage to the reputation of your company.

Before engaging in disciplinary actions, discuss the issue with the employee. When you find a worker under-performing, you may want to discipline them, but you should sit down with the employee and try to figure out what is going on and offer guidance to correct the issue. Allow them to tell you what is going on. If there is an issue with a job task, review it with them and make sure you clearly outline what is expected of them. Follow up regularly with the employee if the problem persists. After two to three coaching sessions, it may be appropriate to engage in disciplinary actions.

It is important to take the same steps when disciplining employees. This will help you from being sued for wrongful termination. Typically two things will happen. Either the employee will turn things around, or the employee will be terminated.

It is important that your employees are aware of the policies of your business. An employee manual can help communicate those policies. You should receive a signed letter that the employee has reviewed those policies.

An example of **progressive discipline** is as follows:

1. Initial Notification:

- This informs the employee of substandard performance.
- This should be delivered in a one-on-one meeting.

2. Second Warning:

- This applies if the performance issue worsens or continues.
- This should also take place in a one-on-one meeting.
- Create a written action plan with the employee for outlining goals/timeline for achieving them.

3. Final Warning:

- Inform the employee that the conduct must improve or they will be fired.

4. Termination:

- Use this when other corrective measures fail.
- Try to be cordial: “You are probably aware that things just aren’t working out...”

5. Get the employee’s signature on each notification.

Watch this TED talk to learn more what makes people feel good about their work.

https://www.ted.com/talks/dan_ariely_what_makes_us_feel_good_about_our_work?language=en.



14.2 Key Takeaways

- Employees need to meet the company's performance goals.
- Managers will likely need to do some employee performance review.
- There are different formats for this to take place.
- Ultimately, the goal is to get employees to maintain productivity or improve.
- If employees fail to meet productivity standards, they may need to be disciplined.
- Disciplinary action should be uniform and formal.

14.3 Chapter 14 Questions

1. Describe the two purposes of performance management.
2. What should be included in a performance agreement?
3. Describe the five components of SMART performance targets.
4. What is a performance review form?
5. Describe an example of progressive discipline.

Chapter 15

Employee Retention

15.1 The Basics

Some reasons why people change their jobs include higher pay, better work-life balance, and geographic preferences, to name a few. A list of other reasons can be found in Table 15.1.

Table 15.1: Reasons Why People Change Their Jobs

Higher Pay	Better Work-Life Balance
Better Benefits/Perks	Firm Reorganization
Geographic Preferences	Layoffs or Termination
Career Advancement	More Interesting Work
Less Stressful Job	Better Work Schedule
Incompetent or Negative Boss	Skills and Abilities Don't Fit
Change in Career Focus	Lack of Recognition

According to Dictionary.com, a **job** is defined as a post of employment, while a **career** is defined as an occupation or profession, especially one requiring special training followed as one's life work. The goals of earlier generations were to get a job at a decent company, work their way up the company ladder for several decades, and retire with a pension and collect Social Security. What do we see today? Typical raises are about three percent, and the average person will change a job somewhere between 10 and 15 times throughout their career, and they may have three to six careers.

Retaining employees starts with recruiting the right employees. Some strategies for good employee recruitment are outlined below:

1. During recruitment, differentiate your company from others in a meaningful way.
 - Explain how your company is interesting and different from others.
 - Small and mid-sized companies that are interesting to employees have high growth rates.
2. Identify what talents your employees have.

- Put employees in a position where they can use their talents.
 - Allow employees the opportunity to develop professionally.
3. Listen to employees and develop personal relationships with them.
 - Help employees resolve their problems.
 - Make sure employees know they are being cared for.
 4. Offer compensation items that solve some type of personal problem.
 - Child care.
 - Scheduling flexibility.
 5. Conduct labor surveys and provide solutions to employee problems.

15.2 Stay Interviews

Employee retention is a top concern for many companies; however, few companies take the time to talk to their employees to determine what will make them stay. Interviews are common for new hires and those quitting, but less common for employees who are in between. **Stay interviews** are informal one-on-one interviews between managers and employees. These interviews allow employers to avoid repeating problems that could make employees leave.

Watch this YouTube video to learn about how to conduct stay interviews.

<https://www.youtube.com/watch?v=hFV5YUcQTpk>.



The goal of the stay interview is to learn what the employee likes, dislikes, and what keeps them from seeking work elsewhere. Stay interviews also give employers time to remedy a problem before losing a quality employee. These types of interviews help employees feel like

they matter, and they should be conducted every 12 to 24 months. In these interviews, managers must listen to what their employees need. Moreover, they help the manager learn about their employees' motivations, identify patterns around areas for change, and understand exactly what employees need so they will stay.

Part of the stay interview process involves understanding the employee's motivations. These interviews should be conducted in a comfortable and safe place where employees feel relaxed. That type of environment helps employees open up about their feelings and problems. Below is a list of potential questions a manager might consider asking. Based on the answers to these questions, the manager can design strategies to promote employee satisfaction.

- What would you change about the company, the culture, or the position if you could?
- What are some of your current challenges?
- What keeps you here?
- Do you feel like your talents and strengths are being used?
- In what ways do you like to be recognized, and what can we do to recognize your efforts?

Stay interviews are conducted to better understand the company's strengths and weaknesses, and they are only effective if the employee feedback is taken seriously and the feedback is used to make changes. Some examples for feedback might reveal that the company's benefits are no longer competitive, employees are underpaid, or employees want to advance in the company and be given more responsibility. If the feedback is not acted upon, employees will stop speaking up. These interviews also help the company understand how to keep a competitive advantage. Information gathered from the interviews should be documented and shared with decision makers such as executives and other managers. Decision makers should review feedback, identify patterns, and develop ways to improve.

Stay interviews also help employers understand exactly what employees need, and they prevent time, money, and resources from being wasted because they prevent the company from having to guess what employees need.

Other ideas for improving employee retention include sharing internal success stories, building a culture with a culture guide that explains the company's values, creating a transparent work environment, and creating better benefits packages.

15.3 Key Takeaways

- The average person will change jobs multiple times throughout their lifetime.
- There are a number of reasons why people leave their jobs.
- There is a difference between a job and a career.
- Retaining employees is a number one concern for employers.

- There are steps you can take to help retain good employees.
- Stay interviews are one way to address employee needs to get them to stay.

15.4 Chapter 15 Questions

1. List three reasons why people change their jobs.
2. What is the difference between a job and a career?
3. What is a stay interview?
4. How should a stay interview be conducted?
5. What are three purposes of stay interviews?

Chapter 16

Leadership Styles

16.1 Leadership Principles

Leadership is defined as the capacity to lead or the act of leading. There are five core principles that every leader should adopt. The first principle has to do with modeling the traits and behaviors that you expect from others. This includes treating everyone with respect, listening to others, and setting clear expectations about how work gets done and how to interact with others. The second has to do with sharing your vision with employees. Help them to see what your long-term vision is for the business. The third principle has to do with always looking for better ways to do things, and you should encourage employees to share ideas with each other and with you. Fourth, don't micromanage employees by commanding and controlling every detail. And last, encourage and motivate your employees by giving compliments and celebrating their successes.

16.2 Effective Communication

Effective communication is the basis for good leadership and employee management. It is important that you convey information to employees effectively. Verbal communication involves one person talking to the other and the other listening and vice versa. By pausing for one to two seconds before replying, you can become a better listener. This simple behavior shows that you are carefully listening and helps avoid the possibility of you interrupting them. It also allows you to hear the other person better. You can also ask them to tell you more if you need additional details.

Seventy percent of the time we are awake is spent in some form of communication. Communication also involves body language, such as facial expressions and movement of the arms, and voice tone. For example, are you screaming, talking in a condescending tone, or saying things in a sarcastic manner? Additionally, if you communicate with your employees through text messaging, use professional communication methods such as using full words and sentences instead of abbreviations like "LOL" or emojis.

16.3 Leadership Styles

According to Daniel Goleman, there are six leadership styles, which are listed below:

1. Authoritative/Visionary:
 - Identify group needs, let them take it from there.
2. Coaching:
 - Assemble a team and help everyone figure out how to contribute.
3. Affiliative:
 - Assemble a team and nurture togetherness and harmony.
4. Democratic:
 - Get a group together and try to build consensus.
5. Pacesetter:
 - Take the lead and set high standards for the team.
6. Commanding/Coercive:
 - Take the lead and stay in control.

Take the Goleman Leadership Style quiz by using the link below.

<https://www.skillsyouneed.com/quiz/325444>.

What Sort of Leader are You?

The key to being an effective and long-lasting leader is being able to lead in a variety of situations and with a variety of different people. In order to achieve this you need a good mix of leadership styles.

This quick quiz will help you to identify which leadership styles you are good at and which you may need to develop further.



The quiz is based on the six leadership styles identified by Daniel Goleman, namely:

- Coercive (or Commanding)
- Pace-setting
- Authoritative
- Affiliative
- Democratic
- Coaching

Authoritative or **visionary** leadership styles tend to identify goals but not dictate the path to get there. These leaders allow the team to be innovative, experiment with different methods, and take calculated risks. This style is useful when new direction is needed. **Coaching** styles tend to implement a one-on-one approach to develop individuals. These

leaders tend to have a high standard of performance but are able to give strong support when it is needed. This leadership style allows people to try different ways of doing things. The **affiliative** style tends to build harmony and teamwork among employees. This style is a “people come first” style. Leaders who follow this style want to be liked, and they usually don’t provide much direction or feedback until they are faced with unsatisfactory performance. This style builds good relationships but is not very goal oriented.

The **democratic** leadership style tends to value teamwork but not engage in close supervision. People who follow this style do not like to discipline employees. **Pace-setting** leaders have high performance standards and tend to have a positive impact on highly-motivated people. These people expect excellence and self-direction. For these leaders, personal relationships are not the highest priority, and they expect employees to develop their own sense of responsibility. Employees can get burned out from these types of leaders. Last, we have the **commanding** or **coercive** leaders. They follow a military style with the “do what I tell you to do” attitude. These leaders are good when there is a crisis, but they can impact the morale of a business in other settings. This style does not inspire people to take initiative and there is an expectation of immediate compliance. These leaders do not solicit much input, and they influence with discipline.

The best leaders learn how to balance different leadership strategies and styles. Different types of circumstances may dictate what style should be applied to the setting. Developing a general sense of your own strengths and weaknesses in terms of leadership styles is necessary to become an effective leader.

16.4 Key Takeaways

- There are a set of core principles that leaders should adopt if they want to be successful.
- Effective communication is one of the most important aspects of being a good leader.
- Goleman’s Leadership Styles contains six different types of leadership styles, which are each better suited to different circumstances.

16.5 Chapter 16 Questions

1. Describe in your own words what makes a good leader.
2. Why is effective communication important for a manager?
3. What are the six leadership styles according to Daniel Goleman?
4. What type of circumstance would be best suited towards a commanding/coercive leadership style?
5. Describe the leadership style that you think you follow most closely and explain why.

Chapter 17

Emotional Intelligence

17.1 Hard and Soft Skills

At a recent Michigan State University recruiting event, I asked employers what they were looking for when talking to students about potentially hiring them. Every single one I spoke with said that they were looking for employees that have good soft skills because soft skills are not things that you can simply teach a person. So what is the difference between hard skills and soft skills? **Hard skills** are technical skills that require specific knowledge or training, while **soft skills** are non-technical skills that enhance a person’s ability to work with and interact with others. Table 17.1 provides some examples of hard skills and soft skills.

Table 17.1: Examples of Hard and Soft Skills

Hard Skills	Soft Skills
Dairy equipment knowledge	Good time management skills
Computer technology skills	Being committed to doing a good job
Machine operator experience	Being able and willing to follow directions
Physical stamina	Working well with others

The **Intelligence Quotient** (or IQ) is a type of standard score that indicates how far above or below your peer group you stand with respect to mental ability. It basically measures how well you perform on a test relative to other people your age. It also measures your ability to manipulate, process, and interpret information. The average score is 100, and higher means that a person is better than the average. However, these tests don’t measure practical intelligence aspects such as how to make things work, creativity, or curiosity.

17.2 Defining Emotional Intelligence

One definition of **emotional intelligence** is “the ability to understand your effect on others and manage yourself accordingly.” Emotional intelligence (or EI) has often been grouped into the soft skills category. High EI reinforces the hard skills people acquire and helps

people leverage their technical skills. Daniel Goleman (the leadership style guy) says that when considering people with the same IQ and technical skills, people with a higher EI are the ones that will be more successful.

Emotional intelligence requires being self-aware. Without self-awareness, it can be more difficult to think rationally. The part of our brain that processes emotions and feelings responds much faster than the part that facilitates cognitive abilities. These evolutionary developments help us process information when being confronted with potentially threatening situations, but it can also be triggered by both real and perceived threats. So people may tend to imagine the worst case scenario happening before getting all the facts. For example, if an employee hears a rumor about lay-offs at work they may start overreacting before knowing the truth.

When the emotional/feeling side of the brain is being used, it overrides the cognitive system, which can reduce the ability to apply reason and logic by up to 75%. Being affected by the emotional side of the brain can take up to 20 minutes to recover from the trigger. To speed up recovery from those triggers, we can take active steps. For example, engaging in some physical activity can reduce the adrenaline flow from the emotional trigger. So taking a short walk or drinking a glass of water can help reduce the recovery time from emotional stresses. It is also important to seek information to determine if the threat is real.

For some jobs, a certain level of IQ is required, but beyond that, there is no correlation between IQ and your effectiveness or success in a particular line of work. IQ only pertains to the ability to obtain the cognitive capacity needed to handle the profession. While a high IQ can be good for getting good grades, personal abilities are more important in the workplace. A list of personal abilities that contribute to EI are listed below:

- Managing yourself to stay motivated and focused.
- Being adaptable.
- Being self-aware.
- Being able to read other people.
- Being able to get along with others.
- Being a good team player or leader.

Managers with these types of skills are able to inspire **discretionary effort**, which is when employees go above and beyond what they are required to do in their job. Moreover, people can improve their EI competencies because they are learned abilities, but improvement requires motivation. For example, it might mean working hard to undo over-rehearsed habits and start practicing new ones, and this will take some effort!

Managers with good EI skills are better able to assess the emotional and psychological state of their employees. For instance, they can read when their employees are experiencing anxiety, grief, depression, or psychological trauma. Having this type of awareness can enable managers to provide proper support and professional resources. Additionally, it can help when knowing when and where to introduce humor and what types of humor are appropriate. For example, if an employee's loved one is dying and experiencing grief through the process,

it might not be the best idea to tell jokes about doctors. Managers can also use their EI skills to help facilitate increased employee productivity, retain talented employees, and reduce the chances for work-related lawsuits.

The Emotional Intelligence tests ranks your capabilities withing the four categories listed below.

1. Self-Awareness
2. Self-Management
3. Social Awareness
4. Relationship Management

Self-awareness is the core competency of EI and it is comprised of three competencies: emotional self-awareness, accurate self-assessment, and self-confidence. **Emotional self-awareness** is the ability to understand your emotions and how they impact work or other people. **Accurate self-assessment** is about having a realistic understanding of your strengths and limitations. **Self-confidence** is having a positive and strong sense of your own self-worth. The starting point to gaining self-awareness is to be self-reflective.

Self-management is comprised of five competencies. First, **self-control** must be used so that you can keep your disruptive emotions under control. Next, people need to be **transparent** such that they are honest and have integrity. Third is **adaptability**, which involves flexibility to adapt to changing situations. Fourth is **achievement orientation**, which is the drive to meet your own personal standards. And last is **initiative**, which is the readiness to act on opportunities.

Social awareness is comprised of three competencies: empathy, organizational awareness, and service orientation. **Empathy** is the ability to understand others and being interested in their concerns. **Organizational awareness** is the ability to understand and navigate the business's politics and build networks. **Service orientation** is the ability to recognize and meet customers' needs.

The last category is **relationship management**, which is comprised of seven competencies. The first competency is **visionary leadership**, which is the ability to inspire others. The second is **developing others**, which is an inclination to help strengthen and guide others. **Influence** is the third competency and has to do with the ability to persuade others with integrity. **Change catalyst** is the fourth competency and includes the ability to initiate new ideas and lead people in a new direction. Having the ability to resolve disagreements is the fifth competency, **conflict management**. Next is **bond building**, which is the ability to build and maintain relationships with others. And last is **teamwork and collaboration**, which includes the ability to promote cooperation and build teams.

17.3 Key Takeaways

- Hard skills and soft skills are both important for good management.

- A certain level of Intelligence Quotient (IQ) is required to perform a job, but emotional intelligence will help set you apart.
- Emotional intelligence is a set of soft skills that helps you be aware of others' needs and navigate situations appropriately.
- Emotional intelligence is comprised of four categories, each of which have their own set of competencies.

17.4 Chapter 17 Questions

1. What is the difference between hard skills and soft skills?
2. Give three examples of hard skills.
3. Give three examples of soft skills.
4. What is the Intelligence Quotient and what does it measure?
5. What is emotional intelligence?
6. What is discretionary effort? Give an example.
7. Describe in your own words what self-awareness is.
8. Describe in your own words what self-management is.
9. Describe in your own words what social awareness is.
10. Describe in your own words what relationship management is.

Part IV

CONSIDERATIONS AT THE PLACE OF WORK

Chapter 18

Conflict Resolution

18.1 What is Conflict?

Conflict can be expressed in many ways such as insults, non-cooperation, bullying, and anger, to name a few. The causes of conflict can include personality clashes, misunderstood communication, and organizational mismanagement. Experts also note the following issues can lead to workplace conflict:

Table 18.1: Issues Leading to Workplace Conflict

Personality Differences	Irritating Employee Behavior
Unmet Workplace Needs	Perceived Inequities
Improper Placement of Workplace Roles	Differences in Work Methods
Differences in Perspectives	

The negative effects of workplace conflict can include work disruption, decreased productivity, employee turnover, employee termination, and lawsuits. To help manage workplace conflict, managers can take certain steps. First, make sure you do not ignore conflict, and do not avoid taking steps to prevent it. Policies and communication should be clear and consistent, and the rationale for decisions related to resolving the conflict should be transparent. Next ensure that all employees, not just the managers, are accountable for resolving conflict. It can also help to try to understand the underlying emotions of the employees involved in the conflict. Also, keep in mind that various approaches to resolving conflict may depend on the circumstances of the conflict.

The management team has a leadership responsibility to develop and implement workplace conflict policies and procedures to deal with conflict. Managers should receive some training on conflict resolution. Managers can often help settle workplace conflicts, too. The manager should act as a warning system and inform the company about conflicts. Some issues managers may want to report to their superiors include harassment, discrimination, illegal activities, and any other matter that could involve law enforcement or a lawsuit.

Some experts believe that employees should be encouraged to work out their differences and that managers should only be involved when employees cannot work out the problem themselves. With this strategy, managers are encouraged to set guidelines for their employees

regarding what to do if they experience conflict. Managers should let their employees know that they should try to resolve the conflict themselves before coming to the manager for help. It can also help to provide ongoing employee training in conflict resolution, and employees should feel welcome to inform managers about conflict.

Moreover, managers should not expect employees to be able to handle every problem on their own. Make sure that employees know certain conflicts must be reported. Examples include physical violence, sexual harassment, and possession of drugs. Employees should never be expected to confront law violations.

A company handbook on employee conduct expectations can also be used to minimize employee conflict. Careful hiring processes that ensure candidates have good soft skills and pre-employment screening can help weed out bad employees. Furthermore, each company should have a fair grievance and complaint process, and managers that maintain an open-door policy with subordinates can help employees voice their complaints.

To learn more about workplace conflict, watch these YouTube videos.

<https://www.youtube.com/watch?v=rU30E2g3BbI>.



<https://www.youtube.com/watch?v=rXiMGT-IeOM>.



<https://www.youtube.com/watch?v=VzIVdXGXt98>.



18.2 Conflict Styles

Examining conflict styles allows us to understand the impact of our style on others. In doing so, we gain a better understanding of how to respond to others. No style is right or wrong, but some styles are more appropriate than others for a given situation.

The Thomas Kilmann Conflict Mode Instrument breaks conflict styles down into five categories: collaborating, competing, avoiding, accommodating, and compromising. Each style has its own benefits. Moreover, understanding how you and others respond to conflicts can help you effectively manage conflict.

The **collaborating style** includes a combination of being assertive and cooperative. These people tend to find a solution that satisfies everyone's concerns. People with this style tend to help both sides get what they want while minimizing negative feelings. This is the opposite of the avoiding style. This style works best when the long-term relationships and outcomes are both important. An example is when a new department is formed and you want good relationships and outcomes.

People who have the **competing style** are assertive and uncooperative. These people tend to pursue their own concerns at the expense of others. This type is good when personal relationships are not important, but the outcome is important. An example is when two companies are competing for a new client.

Avoiding style people are unassertive and uncooperative. These people tend to diplomatically side step issues and withdraw from threatening situations. This type is good when it is safer to postpone dealing with a situation and the outcome is not that important. For example, if someone has a conflict with a coworkers about using their phone on the job.

The fourth style is the **accommodating style**. These people are unassertive and cooperative. People with this conflict style tend to be self-sacrificing and willing to accommodate the other person. This is the opposite of the competing style. This type of person is good when it is important to preserve or build relationships and the outcome is not important. For example, this type of person might agree to go to a sushi restaurant with their boss when they don't really like sushi.

Last is the **compromising style**. This includes a combination of medium-level assertiveness and medium-level cooperation. These people tend to get decisions made so they can move on to more important issues. This type of person is good when you are losing time, a decision needs to be made quickly, and the outcome is not that crucial. Some employees many not be satisfied with these managers decisions.

18.3 Ethical Considerations

Managers have a duty to serve the interest of the business they work for and its owners. In recent years, these interests have extended beyond the business to include other stakeholders, such as customers, the community, the employees, and the environment. The manager has to ensure that the organization treats employees fairly and ethically, and that the employees deal fairly with each other, the organization, and the clients.

Some ethical duties that managers have include not doing harm to anybody, telling the truth, and keeping promises. Moreover, managers must treat employees fairly and without

discrimination, and they should never deprive any employee of their rights, such as the right to free speech and association.

Fulfilling these duties may include the following:

- Ensuring that careful health and safety practices are followed.
- Informing employees about potential health and safety hazards.
- Avoiding discriminatory hiring, job assessment, and promotion practices.
- Providing equal pay for equal work of comparable worth.
- Providing ways for employees to voice their concerns.
- Following fair policies with respect to discipline, termination, and layoffs.

18.4 Key Takeaways

- Workplace conflict can reduce productivity and create legal problems.
- Understanding the reasons behind workplace conflict can help you resolve problems before issues get out of hand.
- People tend to have different conflict management styles.
- Some conflict management styles are better suited for different problems.
- When engaging with subordinate employees, there are ethical considerations you need to abide by.

18.5 Chapter 18 Questions

1. Describe in your own words an example of workplace conflict.
2. According to Thomas Kilmann, what are the five types of conflict styles?
3. Which Kilmann conflict style do you think is the most appropriate to resolve the example you provided in question 1 and why?
4. Do you think managers have a higher responsibility than their employees to follow ethical conduct? Why?

Chapter 19

Health and Safety

19.1 Workplace Health and Safety and OSHA

Workplace health and safety refers to the physical protection of people from injury and illness on the job. It also refers to the mental health of employees. Workplace health and safety is important because employers who willfully fail to maintain a safe work environment can go to jail, be sued, or they can lose the business of their customers. Keeping a safe and healthy work site is a part of the ethical considerations of a manager and the business they work for.

The **Occupational Safety and Health Administration** (OSHA) is a government organization whose mission is to “ensure safe and healthful working conditions for workers by setting and enforcing standards and by providing training, outreach, education and assistance.” The **OSH Act** is a law that covers most private sector employers and their workers in addition to some public sector employers and workers in the 50 states and certain territories under federal authority. The **General Duties Clause** of the OSH Act requires that employers furnish a place of employment that is free from recognized hazards that are causing or are likely to cause death or serious physical harm to employees. Employers must comply with occupational safety and health standards and rules, regulations, and orders issued pursuant to OSHA that are applicable to the employers actions and conduct.

OSHA carries out inspections without advance notice, and inspections can be a result of situations where there is imminent danger at the workplace, a catastrophic event has occurred, or a worker complains. OSHA may also conduct targeted inspections for companies with higher injury rates, and they may conduct follow up inspections.

If an employee believes working conditions are unsafe or not healthy, they can file a confidential complaint with OSHA and ask for an inspection. If possible, they should tell their employer about their concerns. If the condition presents a clear risk of death or physical harm and there is not sufficient time for OSHA to inspect, the worker may have a legal right to leave the work situation where they are exposed to the hazard.

Employees have the right to have working conditions that are free from unnecessary hazards, receive information about and get training about workplace hazards, and they can file a complaint about hazardous working conditions and request an inspection. Employees also have a right to remain anonymous when filing their complaint and be able to exercise

their rights without fear of retaliation.

Employees are responsible for following employer safety and health rules and keep the workplace free from hazards, complying with OSHA regulations, and reporting hazards and injuries to their supervisor. They must also tell the truth to OSHA inspectors.

Employers have a right to ensure OSHA inspections are reasonable, and they are entitled to have an opening conference with OSHA to know the reason for the inspection. They are also allowed to accompany inspectors that are at their worksite, contest OSHA citations, and know the names of employees that are interviewed.

Employers are responsible for finding and correcting safety hazards, informing employees and training them about existing hazards, and notifying OSHA within 8 hours of a fatality or if three or more employees are injured. Employers are also required to provide personal protective equipment at no cost to employees and keep accurate records of workplace injuries. They are also not allowed to engage in retaliation against employees who exercise their rights under the OSH Act.

There are six different types of OSHA violations, which are listed below:

1. Willful:

- The employer knew about the hazard and did not care.

2. Serious

- The hazard could cause serious injury, illness, or death.

3. Other than Serious:

- A violation that could cause injury or illness.

4. DeMinimis:

- Does not have a direct safety or health impact and no fine or penalty is imposed.

5. Failure to Abate:

- The employer did not fix the problem.

6. Repeated:

- The employer is guilty of the same violation more than once.

Bullying and workplace violence are becoming increasingly common. The COVID-19 pandemic may have made things worse. Employers can provide background checks to help screen potentially bad employees. Employee assistance and wellness programs (EAP/EWP) also help promote good mental health. EAPs deal with mental health and personal issues, including stress and perhaps substance abuse. EWPs are programs designed to improve employees' physical health. These programs are designed to help reduce health care costs and reduce employee turnover and absenteeism.

19.2 Ergonomics

Some types of hazards can be removed by designing the work space to minimize physical demands. Removing these hazards is important for jobs that require repetitive physical tasks, and they can help prevent joint and muscle issues. Figure 19.1 shows how some dairy milking parlors were set up in the past. Notice how the employees are bending down to milk the cows. Figure 19.2 shows how a newer dairy was designed to prevent the continuous bending down of employees.

Figure 19.1: Old-Style Milking Parlor

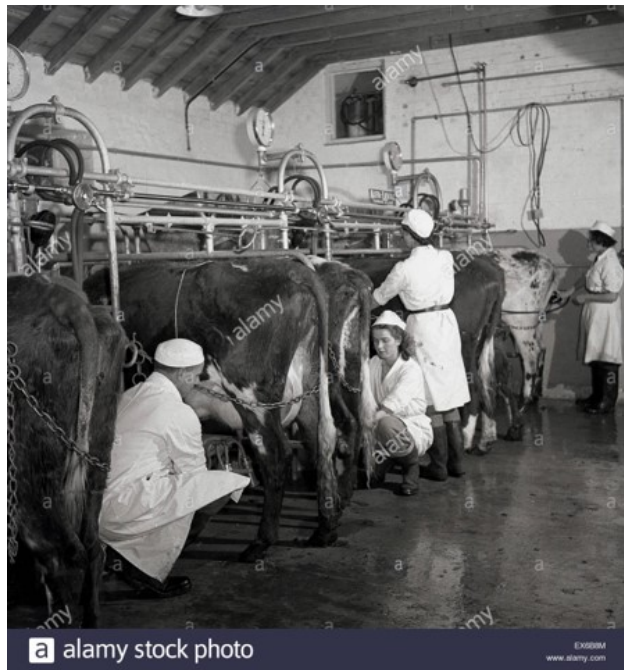
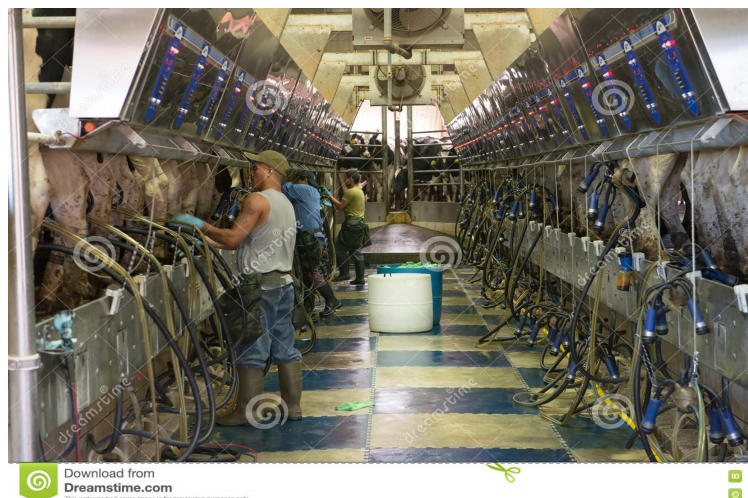


Figure 19.2: Newer Ergonomic Milking Parlor



19.3 Key Takeaways

- Workplace safety and health is governed by federal laws.
- Employers and Employees both have rights and responsibilities related to workplace hazards.
- Employers who violate the law are subject to fines and penalties.
- Companies can design their workplaces to reduce the physical strain of employees.

19.4 Chapter 19 Questions

1. What is workplace health and safety?
2. What is OSHA?
3. What is the purpose of OSHA?
4. Give an example of a willful OSHA violation.
5. Give an example of a serious OSHA violation.
6. Give an example of a failure to abate OSHA violation.

Chapter 20

The Legal Environment

20.1 Privileges vs. Rights

An employee **privilege** is something that the employee is allowed to do if they are given permission by a supervisor. An example could be some personal time off. An employee **right** is something that employees are allowed to do without having any permission from an authority. An example of this might be having access to a bathroom at the place of work.

Employees have the right to **free consent**, which means that they have the right to know what they are being asked to do and the consequences of that action. Employees also have the right to **Due Process**, which means they cannot be punished without good reason. Employees also have the right to know what they are being accused of, what the evidence of the violation is, and have an opportunity to explain themselves. Employees also have the right to **life and safety** so that they are protected from harm to the best of the employer's ability.

Employers have the right to have **probationary periods** for new employees. A common probationary period is six months. Employers can terminate employees who fail to meet standards at the end of the period. Employers also have the right to do drug testing, including for marijuana since it is still illegal under federal law. Additionally, employers have to have their employees follow a **code of conduct**, which needs to be written and signed by the employee. Furthermore, employers can monitor their employees, such as their computers.

There are several laws that relate to labor in the agri-food system, the Fair Labor Standards Act (FLSA), the Migrant and Seasonal Agricultural Worker Protection Act (MSPA), the Field Sanitation Standards under the OSH Act, and rules governing the H-2A visa program, which will be discussed in a later chapter.

20.2 Labor Laws

The **Federal Labor Standards Act** is the federal law that sets standards for minimum wages, overtime, record keeping, and child labor. Agriculture in this context is defined as farming. Some of the FLSA rules do not apply to people working in agriculture. For example, agricultural workers are exempt from overtime at the federal level although some states have

implemented their own rules that override the FLSA. All agricultural workers must be paid the federal minimum wage (unless otherwise exempt), and there are a number of restrictions for minors who are less than 16 years old.

If employers are found violating FLSA rules, they can be assessed for violations. Some of the common violations include failing to maintain records of the names and addresses of temporary agricultural employees, which include the birth dates of minors, hours worked by piece-rate employees, and failing to pay overtime to employees who work on farms in states that have overtime rules. Farms that use farm labor contractors (FLCs) may be jointly liable for FLSA violations.

The **Migrant and Seasonal Agricultural Protection Act** protects migrant and seasonal agricultural workers by establishing employment standards related to wages, housing, transportation, and record keeping. It also requires FLCs to register with the US Department of Labor.

Farm Labor Contractors are defined as individuals who, for money or other valuable consideration, recruit, hire, employ, or transports migrant or seasonal workers or provides housing to them. FLCs must register with the government and obtain a certificate of registration. They must also show proof of their registration to workers, farmers, growers associations, or others. If they provide housing, they must obtain government authorization. Vehicles used by FLCs must be insured, driven by licensed drivers, and must meet federal and state safety standards.

Under MSPA, wages must be paid when they are due, and they must show an itemized written payroll statement with any deductions. With respect to housing, employers must comply with federal and state safety and health standards, and written terms and conditions of the occupancy must be posted at the housing site or given to workers. All agricultural employers must keep complete and accurate payroll records for all employees, and FLCs must give copies of payroll records to the farmer they are working for.

The **Wage and Hour Division** (WHD) of the US Department of Labor enforces FLSA and MSPA. The WHD has the right to enter and inspect vehicles and housing, review and copy records, interview workers, and advise violators to make necessary changes to achieve compliance. Failure to comply with the WHD can lead to administrative actions such as having licenses revoked or assessing money penalties. Failure to comply can also result in civil or criminal prosecution, including fines and prison time. Employees have the right to sue employers for violations.

The OSH Act was enacted to ensure safe and healthy working conditions for employees. OSHA issued regulations establishing minimum standards for bathroom facilities. Toilets and hand washing facilities for field laborers must be located within a quarter mile walk, and there must be at least one toilet and hand washing facility for every 20 employees. This law is not applicable to employees who do three hours or less of work per day.

According to an Economic Policy Institute Report, about 1,500 WHD investigations take place in the agricultural sector each year. Agricultural employers have a roughly one percent chance of being investigated in any given year. Violations were found for wage theft, inadequate housing, and transportation issues. The report found that agricultural employers failed to pay \$76 million in wages between 2000 and 2019. Violations found an average of \$572 per worker under the MSPA, \$813 under FLSA, and \$485 under the H-2A visa program rules. Employers were assessed \$63 million in money penalties. The report found that money

penalties had no effect on repeat offenses, and FLCs were the worst violators. Moreover, a relatively small handful of “bad apple” employers made most of the violations.

20.3 Key Takeaways

- There are several laws that protect workers in the agricultural sector:
 - FLSA.
 - MSPA.
 - OSH Sanitation Standards.
 - Rules Governing the H-2A Visa Program (to be covered later).
- Employers who do not follow these laws are subject to civil and criminal legal penalties.
- The WHD enforces these laws.
- Research suggests a handful of bad apple employers make most of the labor law violations.
- Farm labor contractors are the worst violators of labor laws in the agricultural sector.

20.4 Chapter 20 Questions

1. What is the difference between an employee privilege and an employee right?
2. Explain what free consent is and provide an example.
3. Explain what due process is and provide an example of a scenario where an employee did not get their due process.
4. What is an employee probationary period?
5. What is the FLSA?
6. What is the MSPA?
7. What is a farm labor contractor?
8. Who enforces the FLSA and the MSPA?
9. Provide an example of the punishment an employer might get if they are caught violating the FLSA or MSPA?

Chapter 21

Collective Bargaining

21.1 The United Farm Workers of America

Collective bargaining is a process of negotiation between employers and a group of employees aimed at reaching agreements with respect to wages, working conditions, benefits, and other aspects of work (Wikipedia.org, 2024). These negotiations are typically conducted by representatives of the employee’s union and the employer’s representatives. The **National Labor Relations Act** was passed in 1935, which is a law to encourage collective bargaining by protecting workers’ rights to organize and form a union (National Labor Relations Board, 2024). Language in the NLRA states

“The inequality of bargaining power between employees who do not possess full freedom of association or actual liberty of contract and employers who are organized in the corporate or other forms of ownership association substantially burdens and affects the flow of commerce, and tends to aggravate recurrent business depressions, by depressing wage rates and the purchasing power of wage earners in industry and by preventing the stabilization of competitive wage rates and working conditions within and between industries.”

The agricultural sector is excluded from the NLRA, which means that farmworkers do not have the right to unionize at the federal level. However, California passed a law called the **Agricultural Labor Relations Act** (ALRA), making it the only state with a law that gives farmworkers the explicit right to unionize. This law stems largely from the efforts of César Chávez, a Latino farm labor organizer.

Chávez founded the National Farm Workers Association, which later became the United Farm Workers of America (UFW). The UFW became the first successful farmworker union in American History. The UFW engaged in peaceful protests and boycotts for better wages and working conditions.

In 1965, in an attempt to gain higher wages and better working conditions, the UFW boycotted the table grape industry, which gained national attention and achieved its desired effect. In 1970, the UFW reached a collective bargaining agreement where more than 10,000 grape workers were covered. In 1970, 6,000 truck drivers and packing workers went on strike in what is known as the “salad bowl strike.” This strike prevented lettuce from

reaching customers, and farmers had to plough 1000's of acres of lettuce back into the ground, which caused the price of lettuce to increase by 3 times. This strike led the the passage of California's ALRA.

To learn more about César Chávez, watch this four minute video.

<https://wkar.pbslearningmedia.org/resource/americon-vid-cesar-chavez/video>.



The ALRA was passed in 1975 and established the Agricultural Labor Relations Board, which is the enforcement arm of the ALRA. The ALRA ensures the right to unionize and provides remedies for situations where the parties fail to negotiate in good-faith bargaining. The ALRA states its purpose as follows:

“to eliminate the causes of certain substantial obstructions to the free flow of commerce by encouraging farmers and agricultural employees represented by labor organizations to resolve labor disputes through collective bargaining and to protect the exercise by agricultural workers of the full freedom of association, self-organization, and designation of representatives of their own choosing for the purposes of negotiating the terms and conditions of their employment or other mutual aid or protection.”

21.2 The Coalition of Immokalee Workers

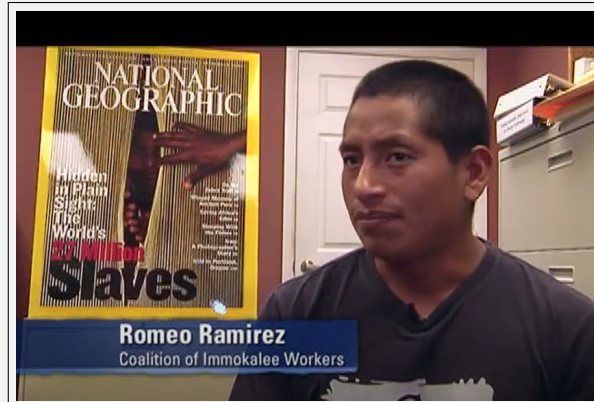
In 2008, a federal grand jury indicted six people in Immokalee Florida on counts of modern day slavery (Coalition of Immokalee Workers, 2024). The Coalition of Immokalee Workers (CIW) is an organization that investigates and assists with the prosecution of farmers engaging in slavery across the southeastern US. They have helped liberate over 1,200 workers who have been held against their will. The CIW picketed Taco Bell's headquarters by claiming that Taco Bell produced exploitation food and sweatshop tacos because they bought tomatoes from growers who were allegedly exploiting workers. The idea was to get buyers with market power to pay more for tomatoes. In 2005, Taco Bell agreed to ensure their suppliers are adhering to an enforceable code of conduct and that they have respect for workers' human rights.

In 2010, the CIW launched the Fair Foods Program (FFP), which establishes third party monitors on farms who participate in the program. Taco Bell signed up and now pays one penny more per pound of tomatoes, and they have committed to buying from growers who

are in good standing with the FFP. Between 2011 and 2014, Taco Bell paid \$15 million that was passed onto workers. Other companies such as McDonalds, Burger King, and Whole Foods have also signed onto the FFP.

To learn more about the Coalition of Immokalee Workers, watch this video.

<https://www.youtube.com/watch?v=2mpiZVyF3wo>.



21.3 Unions and Collective Bargaining

When the employees of a company do not belong to a union, the employer usually sets the terms and conditions of employment without consulting the employees. Most employees in the US have the right to form organizations for the purpose of increasing their pay and gaining better working conditions. Collective bargaining is a process through which employees participate in setting the terms and conditions of employment through their unions. Through collective bargaining, the company and the union negotiate the terms of employment. Another term for union is **organized labor**.

Developments that have affected labor organization over the years include politics, social movements, and economics. Organized labor has influenced the development of society and is responsible for securing many of the workplace protections that Americans enjoy today.

The **American Federation of Labor** (AFL) was organized in 1886 by a group of trade unions, including carpenters, cabinet makers, printers, and cigar makers. The AFL emphasized the improvement of working conditions and set the stage for modern day union efforts. As the mass production of goods expanded in the late 1800s and early 1900s, new industries emerged that employed large numbers of workers in industrial facilities. The AFL found it difficult to organize skilled workers in these facilities. As a result, the **Congress of Industrial Organizations** (CIO) was formed in 1935 to fill the void. The CIO wanted to create one major union for each industry and include all workers, both skilled and unskilled. Within a few years, the CIO helped create the United Auto Workers (UAW) the United Steel Workers (USW) and other major unions.

Unions grew dramatically with US economic expansion during WW II and afterwards. Between 1946 and 1955, 35% of the labor force was unionized. Unions help establish the

40 hour work week, child labor was abolished, and employers became liable for workplace accidents. Minimum wages were also enacted into law, and workers became insured against lost income from unemployment or old age. Unions are also responsible for creating pension plans, obtaining employer-provided health insurance, developing grievance processes, and adjusting wages for inflation. These changes helped develop the largest, wealthiest middle class the world has ever known.

To learn more about the child labor in America, watch this video.

<https://www.youtube.com/watch?v=YNjhGzoyZvQ>.



In 1955, the AFL merged with the CIO to create the AFL-CIO. At the time, unions were the most powerful they have every been. However, since then, private sector union membership has declined, while public sector unionization increased in the 1960s and 1970s. A few of the public sector unions include the National Education Association, the American Federation of State, County, and Municipal Employees, and the International Association of Firefighters.

According to Michigan's state law, agricultural workers are generally defined as people who perform work on a farm. The word farm includes animal production farms, plantations, ranches, nurseries, ranges, greenhouses, and other similar structures used for the raising of agricultural or horticultural goods. There are no Michigan statutes that grant agricultural workers the right to organize or join labor unions or become free from retaliation from doing so (such as being fired, demoted, or disciplined). Agricultural workers are also excluded from the state's labor relations statute, which includes the right to join a union.

21.4 Regulation of Unions

The relations between unions and employers are highly regulated. There are two main functions of the NLRA. The first of which dictates how unions can be selected by outlining voting procedures. The second of which is to enforce unfair labor practices with how to receive and investigate complaints, contract mediation, and rules regarding hearings and appeals to decisions. The **Wagner Act** is an NLRA law that confirms employees right to unionize and creates new rules for enforcing these rights. This Act is considered a pro-

employee act. The **Taft-Hartley Act** is a pro-employer NLRA law that created a set of union practices that are considered unfair. This Act prevents unions from coercing employees to join a union, causing employers to discriminate on the basis of union activities, or refusing to bargain in good faith with the employer. Moreover, it prevents unions from charging excessive fees, causing an employer to pay for work not performed, or engaging in picketing to get employees to select a union. Typically, for a union to become the representative of the employees, they need more than 50% of the employees to want union representation, but this rule has become highly contested along legal lines.

The labor organization process starts when a union representative contacts a set of employees or employees contact a union and inquire about organizing. An organizing committee is then formed and **authorization cards** are distributed to employees for signatures. At least 30% of the employees must sign for the NLRB to proceed with union certification. Unions usually insist on getting 50% of the cards signed because if they can accomplish that, they can request **voluntary recognition**. If the employer grants that request, they are legally required to bargain with the union. If the employer denies the request, the NLRB will conduct an election to determine whether a majority of the employees want to be unionized. If the election succeeds, the union is certified as the elected bargaining representative.

The US Supreme Court has ruled that employers have the right to refuse non-employees from gaining access to their employees. As such, they can bar non-employees from their premises. However, pro-union employees have more rights because they can carry the union message to employees in non-working areas during break time. Most employers are willing to go to great lengths to prevent their employees from unionizing. The NLRA states that employers can express their anti-union views to employees and that shall not constitute an unfair labor practice if there are no threats made.

Once a union gets certified, this triggers the employees' rights and the employer's duty to bargain collectively over wages, hours of employment, and other conditions at the workplace. Both parties are obligated by law to bargain in good faith. Before negotiations take place, the union and the company's management team engage in research and planning and both sides assess the company's financial condition. They also research competing firms and similar workers at other places of work. If an existing contract is in place, they search for areas where changes should be made. When the negotiating takes place, chief negotiators for both sides are selected to do the actual negotiating by selecting priority agenda items they intend to pursue.

Negotiating easy-to-resolve issues up front can set the stage for the rest of the process and it can also serve a strategic purpose by building trust between the parties. Typically, one party proposes a change and the other party proposes a counter-offer. Then concessions to the proposal are usually made. Each change will come with a cost estimate, and if negotiations fail, a third-party mediator may get involved.

The **scope of bargaining** is defined as the range of items over which the parties negotiate. There are three types of bargaining items. The first of which are **mandatory subjects**, which parties are required to negotiate in good faith if either party insists. The second is known as **permissive subjects**, and parties may negotiate these items if they both agree, but neither is required to do so. The last are **illegal subjects**, and no party is allowed to negotiate these items. Table 21.1 shows an example of some of the types of items in each category.

Table 21.1: Negotiating Items and their Classification

Mandatory Subjects	Permissive Subjects	Illegal Subjects
Wages	Retirement benefits	Featherbedding
Benefits	Product pricing and labeling	(↓ production/keep extra staff to ↓ unemployment)
Incentive pay	Contract ratification procedures	Discrimination in hiring
Overtime	Performance bonds	Closed shop agreements
Layoff and recall	Corporate investment policy	(requires non-union employees to join union)
Grievance procedures		
Seniority rights		
Safety		

Source: https://ecommons.cornell.edu/bitstream/handle/1813/74284/Bronfenbrenner_24_Uneasy_Terrain_2000.pdf

Contract negotiations typically involve economic issues such as wages, benefits, and seniority pay, as well as non-economic issues such as work rules, job security, and quality of work life. The non-economic issues might include things like rest periods, dress codes, layoffs based on seniority, health and safety issues, job training, and child care.

Union security clauses are arrangements that prevent non-union employees to bear the costs that they might benefit from if the union creates better conditions for them. There are two types of clauses. A **union shop agreement** requires nonmembers to join the union within a certain time frame while an **agency shop agreement** requires nonmembers to pay a representation fee to the union. Many states have enacted **right to work** laws that don't allow those agreements.

You have probably heard about **union strikes** before, which are actions where employees stop working to protest for better wages or working conditions. An **economic strike** is when the union strikes because the union and employer cannot agree to the terms of a contract. Strikers are not allowed to be fired, but they can be replaced permanently in some cases if the strike is prolonged. An **unfair labor practice strike** is when one of the parties fails to negotiate in good faith. Good faith bargaining includes responding to a request to bargain, sending representatives to bargain on behalf of the union, and always making counter-proposals.

21.5 Settling Disagreements

If the parties cannot reach an agreement, they may have to engage in resolution procedures to avoid a strike. There are two types of resolution procedures. **Mediation** is non-binding and occurs when a neutral third party assists the two parties in reaching an agreement. On the other hand, **Binding arbitration** is when a neutral third party steps in and is authorized to make a binding agreement. A **conventional interest arbitrator** will hear both sides and try to give concessions to each party. A **final-offer arbitrator** will hear both sides, pick one offer, and both sides try to find the middle ground.

Once a collective bargaining agreement is made, it is a legally binding contract. Some-

times disputes over the interpretation of contract items can emerge. These are referred to as “rights disputes” because they involve legally enforceable rights. Employees who believe their rights have been violated may file a grievance.

For the grievance process to move forward, the employee will file a grievance with a supervisor. The supervisor can have a verbal discussion with the employee in an attempt to resolve the issues, but if the employee disagrees, they can file an appeal with the next level of management. At some point, a union representative may get involved, and it may have to be settled through **grievance arbitration**. An arbitrator will analyze the terms of the contract and make a decision. Often the manager will bear the burden of proving their case, particularly if the grievance has to do with a disciplinary action.

21.6 Key Takeaways

- A union is an organization that represents employees when bargaining for better compensation and working conditions.
- Agricultural employees do not have the right to unionize under federal law.
- California is the only state that gives farmworkers the right to unionize.
- César Chávez was a prominent labor organizer who helped found the United Farm Workers of America (UFW).
- César Chávez successfully organized farmworkers in the United States.
- Other organizations have emerged to help protect farmworkers from exploitation.
- At the federal level, unions are regulated by the National Labor Relations Board.
- There are a number of rules and regulations regarding unionizing and collective bargaining.

21.7 Chapter 21 Questions

1. What is the difference between the Agricultural Labor Relations Act and the National Labor Relations Act?
2. What is the Coalition of Immokalee Workers?
3. What law was established to regulate unions in the United States?
4. What are the three types of subjects that can be negotiated in a collective bargaining process? Provide an example of each one.
5. If collective bargaining negotiations fail to reach an agreement, what happens next?
6. What is a union strike?

Chapter 22

Organizational Change

22.1 What is Organizational Change?

Organizational change refers to the actions in which a company or business alters a major component of its organization such as its culture, the underlying technologies or infrastructure it uses to operate, or its internal processes. Organizational change may be caused by a number of factors, including new leadership in the company, shifts in team structure, new technology, or the adoption of new business models.

Almost every business will undergo some organizational change at some point. These changes might include onboarding new employees, growing a department, or merging with another company. These changes can have a significant impact on the trajectory of a business.

Organizational change can also be hard for the company's employees. The manager's role will include guiding employees through the transition, so it is important to know what types of things to expect. There are two main types of organizational change. The first is known as an **adaptive change**, which is a small incremental change that the business might adopt to address evolving needs. The other is a **transformational change**, which is a large scale change that alter the company structure.

Adaptive change are minor changes that managers implement and fine tune over time. Throughout this process, managers may add, remove, or refine these processes. An example of this might be if an organization upgrades their computer operating systems to the newest Windows system. Transformational changes are larger in scale and scope and are often due to external forces such as the emergence of a new competitor. These changes can involve simultaneous shifts in the company's mission, personnel, and business processes. These types of changes take a lot of time and effort. An example could be switching from in-office work to remote work, such as what occurred during the COVID-19 pandemic.

Within the business, every employee as a role in facilitating the change. The manager's role is to concentrate on making sure the transition is successful. The manager's tasks will include designing, directing, and shaping the change process. The first step is to create a road map that clearly explains and measures the success of the change. The road map should explain how employees, customers, and others impacted by the business will be affected. Once the manager starts implementing the road map, they will need to asses the outcomes, track performance towards the goals, and train employees on the new business practices.

Factors that can influence the manager's success in navigating the organizational change include the following:

1. The manager's ability to measure changes effectively.
2. The manager's ability to effectively communicate the importance of the changes.
3. The timeline that is set to complete the transition.
4. The number of people required to accomplish the transition.
5. The financial results that the actions are expected to achieve.

Many businesses think organizational changes should occur rapidly, but research has shown that is not true. Transitions that take place of a longer timeline that are reviewed frequently are more likely to succeed. The timeline for review is more important than the timeline for the entire transition. Reviews should occur every two months, and complex transitions should be reviewed every two weeks. Scheduling milestones is also an effective way to assess progress. If milestones are not met, the manager can alter the process to achieve the change or try to gain access to more resources to ensure the change ultimately happens.

Organizational change may require employees to perform additional duties during the transition process. Ideally, nobody's workload should be increased by 10%. If it does, employee morale is likely to fall, and conflict may arise between lines employees and managers. Managers should consider if their employees' workload is already too high, and they may want to consider reducing the normal workload to accommodate the increase in new tasks. The manager may also want to consider bringing in temporary workers to help fill in the gap.

22.2 Key Takeaways

- Organizational change is likely to occur at every business at some point.
- There are different types of organizational change, some that are minor and some that are major.
- Managers have a key role to play in making sure the transitions happens over time.

22.3 Chapter 22 Questions

1. What is organizational change?
2. What are adaptive changes?
3. What are transformational changes?
4. Describe three factors that can influence the manager's success in navigating a company's organizational change and provide examples.

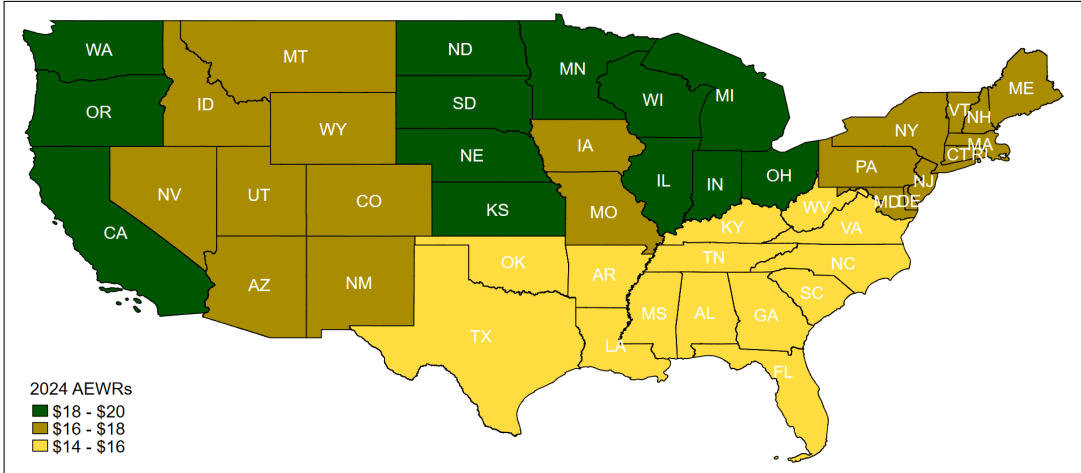
Chapter 23

Sourcing Foreign Employees Through the H-2A Program

23.1 H-2A Overview

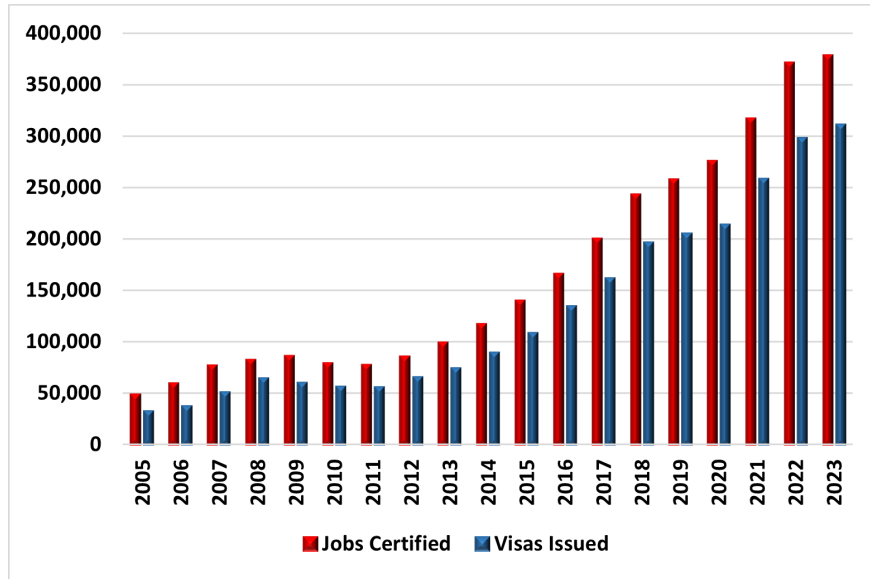
With the declining supply of domestic agri-food system labor in the US, many employers are turning visa programs to fill the void. The **H-2A visa** program allows agricultural employers to hire seasonal or temporary foreign workers when there is a shortage of labor. H-2A employees generally cannot be in the country for more than 10 months at a time, and employees must return to their home country upon conclusion of their contract. The H-2A program rules require that employers provide free housing to workers, pay for transportation to and from the source country, and pay a super minimum wage known as the **Adverse Effect Wage Rate (AEWR)**. More precisely, employers must pay the highest of the state or federal minimum wage, the prevailing wage rate as determined by a state workforce agency, the agreed upon collective bargaining wage, or the AEWR, which is almost always the highest of these wages. The AEWRs in 2024 ranged from a low of \$14.68 in the southeastern part of the US to a high of \$19.75 in California (see Figure 23.1).

Figure 23.1: H-2A Worker Source Countries



Use of the H-2A program was initially low, but over the past decade, employers have rapidly started using it (see Figure 23.2). In fiscal year 2023, there were over 375,000 jobs certified through the program, and over 300,000 visas were actually issued.

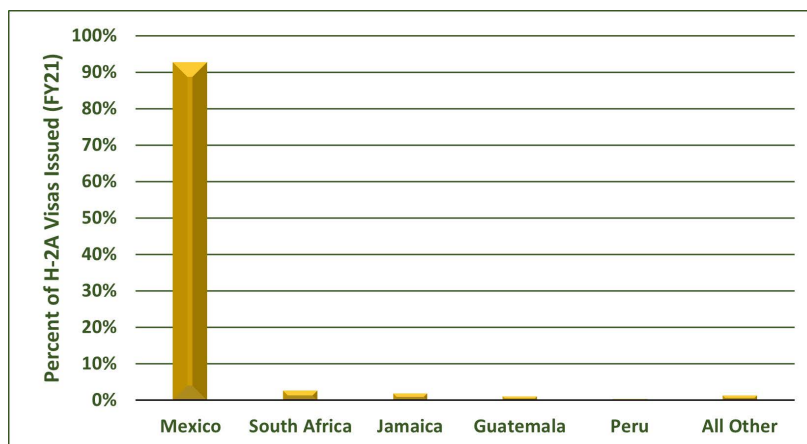
Figure 23.2: H-2A Jobs Certified and Visas Issued



Michigan is also one of the leading H-2A employment states in the country and certified more than 15,000 jobs through the program in in fiscal year 2023. Most of Michigan’s H-2A employees work in the western part of the state where most of the hand-harvested fruits and vegetables are grown (see Figure 23.3).

Most of the workers coming to the US through the H-2A program are from Mexico, with a smaller, yet significant percentage coming from South Africa, Jamaica, and Guatemala (see Figure 23.4).

Figure 23.4: H-2A Worker Source Countries

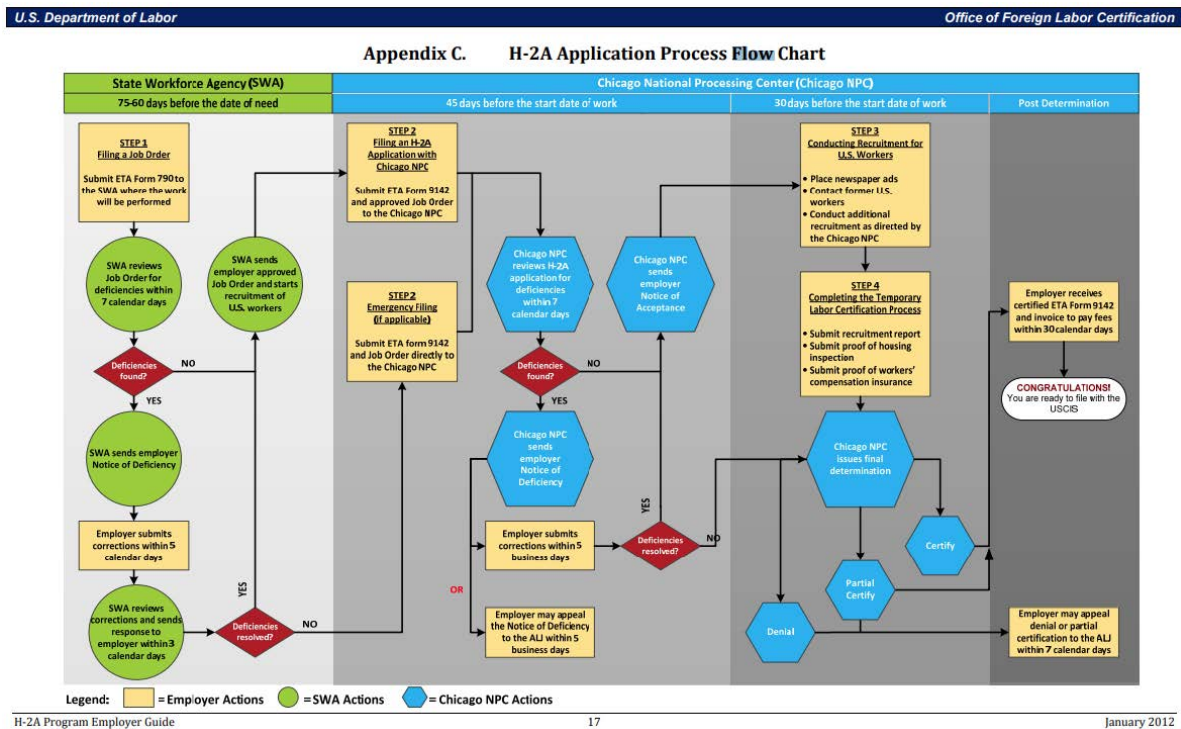


The basic requirements for being able to use the H-2A program include being an employer with a place of business physically located in the United States. Employers must possess a valid Federal Employer Identification Number (FEIN). Employers must also have the ability to hire, pay, fire, supervise, or otherwise control the workers they employ. Moreover, the work that is performed must consist of agricultural labor or services. This definition includes planting, raising, cultivating, harvesting, or production of agricultural or horticultural commodities.

In order to use the program, the work must be full-time in nature (i.e., at least 35 hours per week), and the need for labor must be seasonal or tied to a certain time of year by a recurring event or pattern. This seasonality is typically tied to an annual growing cycle that lasts less than 10 months. Farmers have complained that the application process is administratively burdensome. A flow chart of the application process is shown in Figure 23.5.

There are several different types of H-2A application models. The first type is known as a **Fixed Site** application where the employer maintains control of the workforce. In this model, the grower pays the filing fees, agency fees, and the individual worker fees plus any payroll. The second type is known as a **Farm Labor Contractor** model in which the grower contracts with an FLC for the employment services, and the FLC controls the workforce. In the FLC model, the grower pays the total payroll amount plus a specified premium to the FLC (usually a percentage) based on the payroll amount. The third model is known as a **Joint Employer** model where multiple growers file a single application together, and they share the fixed-site fees listed above. Under this model, growers share control of the workforce, as well as any liability. The last type of model is known as an **Association** model, where multiple growers form an association, file a single application, and workers can work for any of the association’s member farms. In this model, employers also have joint liability.

Figure 23.5: H-2A Worker Source Countries



Obtaining an H-2A labor certification from the Office of Foreign Labor Certification involves the following four basic steps:

1. Filing a job order using ETA Form 790A with the state workforce agency (SWA).
2. Filing an H-2A application using ETA Form 9142 with the Chicago processing center.
3. Conducting recruitment for US workers.
4. Completing the Temporary Labor Certification Process.

The first step is filing a job order with the SWA. The SWA will review the job order and will work with the employer to make corrections. The SWA will then initiate the recruitment of US workers before H-2A workers can be certified. This filing must take place 60 to 75 days before the work will begin. Filing the application with the Chicago processing center is the next step. The processing center will review the employer’s application, notify them of any deficiencies, and provide additional instructions for completing the certification process. This filing must take place at least 45 days before the work start date.

Next, employers have to try to recruit US workers. There are guidelines about when and where to advertise, the content that must be contained in the advertisement, and how to prepare the recruitment report. Employers have to place newspaper ads, contact former US workers, and conduct additional recruitment activities if they are required by the processing center.

The final steps include submitting a recruitment report, submitting proof of a housing inspection, and submitting proof of workers' compensation insurance. If the labor certification is granted, the process moves to the US Citizenship and Immigration Services Division, and the certification is granted in ETA Form 9142. Finally, the employer must pay the fees associated with the filing within 30 days. A list of costs associated with hiring H-2A employees can be found in Figure 23.6.

Figure 23.6: H-2A Costs

Type of Expense	Cost
Labor Certification	
Processing sole employers	\$100 application fee, plus \$10 per certified worker (not to exceed \$1000)
Non-Immigrant Worker Petition	
Filing Fee	\$480
H-2A Visa Application	
Consulate fee	\$190 per worker (must be reimbursed in first paycheck)
Border stamp fee	\$8 per worker
Agent fees	Approximately \$100 per worker
Transportation	
Transport from home country to worksite	\$400 to \$650 per worker
Weekly travel to and from a grocery store and other incidentals	Cost varies
Miscellaneous costs	
Association fees if applicable	\$200
Housing and livable fittings	Approximately \$9,000 to \$13,000 per worker

Separate standards and procedures are used for range herding and production livestock workers. These jobs may involve workers being on call 24 hours a day, seven days a week, so different rules apply because these workers may be located in remote areas and require non-traditional work schedules.

23.2 Key Takeaways

- More and more agricultural employers are turning to the H-2A visa program to meet their labor needs if they can demonstrate they have a shortage of US workers willing to fill the jobs.
- There are a number of rules employers must follow when using the program, including the payment of a special minimum wages.
- The application process is complicated.
- There are several different types of application models.

23.3 Chapter 23 Questions

1. What is the Adverse Effect Wage Rate?
2. What is a Fixed Site application model?

3. What is a Farm Labor Contractor application model?
4. What is a Joint Employer application model?
5. What is an Association application model?
6. Explain the steps needed to secure workers through the H-2A visa program.

23.4 Final Thoughts About Being a Manager

Your first job is unlikely to be a direct manager of people, although you might start out as a manager trainee. The transition from line worker to manager can be difficult, especially if people who used to be your coworkers now have to report to you. This problem becomes magnified if there are more experienced workers who did not get hired in the management role but wanted to.

Managing employees is not for everyone, and you can have a successful career without being a manager. However, managers usually make more money than non-managers. Some people would rather not have the additional stress of having to meet production deadlines and being responsible for other people.

If you wind up in a manager role, you should try to make a good impression because the first impression will remain a part of how employees view you. It is good practice to dress professionally, especially at first. Some jobs and employees may require an authoritative style, but as your career unfolds, you will need to adapt your style to the setting you find yourself in. Try not to micromanage other people because it is exhausting and you have employees for a reason. Don't do their job for them.

When you get to the recruitment and hiring phase, you should stay up to speed on what the going wage rates are and what other companies are offering in terms of benefits. There is no need to pay employees more than you have to, but you should also keep in mind that you will need to be competitive to retain good employees. You should understand what good performance looks like and hold employees accountable. Develop your management style in a manner that motivates employees, and don't be afraid to hire employees that look different and think differently than you.

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