Magazine of the World Federation of People Management Associations

Vol. 23 No. 1 | April 2013

WorldLink

Linking people management professionals around the globe

A Critical Time for HR in Europe

By Filippo Abramo

Small and medium-sized enterprises (SME) are important to economic growth in Europe. On average, they represent more than 70 percent of the European economy. So when they aren't expanding, neither is the economy. The financial crisis affecting most European Union (EU) countries is also affecting the competitiveness of SMEs.

Technical expertise, together with flexibility, are fundamental attributes for employees in SMEs, even more so than in larger firms. Considering the limited headcount for SMEs, finding the right people, and then motivating and retaining them, take on a greater importance. Despite this critical talent management need, SMEs are not using HR strategies at the high level of their larger counterparts.

To ensure competitiveness, SMEs must manage their people using proven, effective HR methodologies that big firms deploy, but adapt them to their specific needs. This does not require big and expensive programs; sometimes it is enough to pay great attention to the needs—psychological and economical—of employees on an individual basis. One of the strengths of SMEs is their size, which allows leaders to interface more directly and more frequently with employees. The personal relationship between the boss and the employee is more valuable than any other system or policy.

SMEs can use the advantage of being smaller to leverage talent management. Find out how, in the article on the next page discussing the 2012 report, *The Real Impact of Talent*, by the European Association for People Management (EAPM) and the consulting firm CAPITALENT.

2012-2014 WFPMA Board of Directors (l-r): Stephanie Bird (UK), Fernando Ariceta (Uruguay), Filippo Abramo (Italy), Jorge Jauregui (Mexico), Horacio Quirós (Argentina), Pieter Haen (the Netherlands), Peter Wilson (Australia), Ernesto Espinosa (Philippines), Hank Jackson (US), Bill Greenhalgh (Canada). Not pictured are: Tiisetso Tsukudu (South Africa), Hicham Zouanat (Morocco), Aida Josefina Puello (Dominican Republic) and Miguel Ropert (Chile).

Continental Divide

The growing economic divide in Europe is having a big impact on HR management. In southern Europe, the main issues are related to restructuring and collective dismissals, which result in industrial relations problems and social unrest. At the same time, HR in northern Europe is dealing with issues related to growth, such as wages, recruitment and retention.

HR leaders in multi-European companies operating in both regions see this divide firsthand. They are required to partially differentiate their HR policies to address the unique challenges. For example, the same company in northern Europe having trouble finding good technical people may have redundancies in the same types of people in southern Europe. In the United States, this problem would be solved by moving people from one state to another. But, in Europe, it is not that simple. Moving employees within the same company from Italy to Germany or from France to Spain can be very difficult and almost impossible, even for an experienced HR manager. This is because of language differences from one country to another, legal and financial barriers to employee mobility across borders within the European Union, and the cultural resistance of cross-border relocations among many workers.

Coping with this economic divide is a struggle for HR practitioners in Europe today.

A Critical Time for HR in Europe continued on **page 3**

How Europe's Smaller Businesses Manage **Big Talent**

By Pieter Haen and Philipp Zimmermann, Ph.D.

Large corporations offer various international career paths and sophisticated training opportunities such as costly leadership development. Smaller companies typically can't compete with these offerings. Nevertheless, talent is as critical for them as it is for large corporations. Management teams at these smaller organizations need to rely on simple, pragmatic approaches to identify, develop and retain talent.

Smaller European businesses have been able to compete successfully for the best people, reveals the 2012 study *The Real Impact of Talent* by the European Association for People Management (EAPM) and the consulting firm CAPITALENT. Almost 1,200 business and HR leaders from more than 30 European countries across all industries participated in the survey—mainly from companies with fewer than 1,000 employees. Deep-dive interviews analyzed more than 140 HR practices. The full report showcases 20 company examples and highlights what successful companies do differently on the topic of talent.

Talented employees appreciate smaller organizations, where they are closer to decision-makers and gain responsibility quickly. However, the 60 percent of respondents who performed talent-related projects in the past three years share an alarming insight: 90 percent state that they failed to reach the intended outcome. Even for smaller businesses that outperform the market, 80 percent still struggle with projects on talent management.

The authors asked the participants to prioritize 15 talent management topics by two dimensions—future importance and the need for improvement. Five issues shared the top of talent management agendas: leader engagement, strategic planning, pragmatic execution, success mindset and right development activities. Leader engagement and strategic planning turned out to be the most urgent priorities.

Priority #1: Ensure that Company Leaders Are Fully Engaged

For many reasons, managers are lukewarm about playing a role in talent management, so execution is less than rigorous. Our study reveals that small-business line managers are not good at screening for talent: One-quarter of respondents do not screen at all, and another one-third do not do so regularly.

How can companies motivate line managers to embrace this role? Three actions to identify and manage talent, and to help uncover the hidden strengths in individuals that can benefit businesses:

- Make sure line managers understand how and why talent matters to business success. A CEO should lead by example.
- Incentivize line managers to manage talent, such as through their performance reviews and methods such as management by objectives (MBO).
- Make sure HR supports and educates line managers about talent management so that they can perform it effectively by using simple, meaningful approaches.

> In the decades ahead, strategic planning for talent will be as critical to a business's competitiveness and long-term success as it is for general management of the business.

Dunapack Rodina AD is a Bulgarian packager that not only navigated the global financial crisis without having to downsize, but even gained market share during that time. The award-winning, 150-employee company is a firm believer in using MBOs for people management. In 2011, Dunapack set a new objective for line managers: Train and engage new employees within six months so that the employees can handle the same workload as an experienced colleague while meeting the same quality standards.

Priority #2: Do Not Skimp on Strategic Planning

Only 22 percent of smaller companies say they plan for talent more than two years out. Respondents reported lack of knowledge on methodology or commitment to strategic workforce planning or both. In the decades ahead, strategic planning for talent will be as critical to a business's competitiveness and long-term success as it is for general management of the business.

What can leaders do to strategically plan for talent? Three ways to plan strategically in a pragmatic way:

- Understand business-critical roles, grouping them into a few segments where appropriate.
- Derive realistic demand for talent by reviewing longer-term business scenarios beyond short-term replacement needs.
- Avoid highly engineered solutions. Instead, have well-prepared discussions with line managers on succession and development with regard to the business requirements.

The 100-year-old company Titan Cement, based in Athens, Greece, traditionally conducts multiyear succession planning every year in review meetings with its line managers. The exercise addresses the demand for talent as well as the preferences and development plans

Often, smaller companies that know what it takes to manage talent well may consider themselves ill-equipped for the task. Some claim a lack of resources and budget. Many believe that talent management takes lots of time and expertise—'That's for larger companies, not us.'

of each individual with potential. But when the financial crisis struck, Titan replaced its conventional succession efforts with retention plans. For example, recognizing the lack of promotion opportunities because of the economic crisis, Titan introduced "double roles," wherein talented employees hold two positions, even if each position reports to a different manager. At a time when Greece was bleeding talent, Titan managed to lose less than 2 percent of its talent workforce in 2011.

Priority #3: Commit to "Day In, Day Out" Execution

Often, companies that know what it takes to manage talent well may consider themselves ill-equipped for the task. Some claim a lack of resources and budget. Many believe that talent management takes lots of time and expertise—"That's for larger companies, not us."

What can companies do to overcome the challenge of proper talent management execution? Three ways to keep it simple and business-relevant:

- Use simple tools and approaches that can be easily understood and used by non-HR staff—for example, a simple spreadsheet as an "IT tool."
- Execute "job-near" talent development. Because 80 percent of talent development happens on the job, the rest needs to be designed "near-the-job" with systematic learning programs that use real work issues that can transfer into day-to-day business.
- Strongly involve line managers and talent in the responsibility to execute.

Noventum Consulting, a 90-person IT consulting company in Düsseldorf, Germany, provides top talent and other employees up to 10 days of individual development per year. The consultancy not only leverages providers, but also engages leaders from its client base.

Priority #4: Foster a Success Mindset

Promoting a success mindset—a performance-driving culture—is a challenge for many of the companies surveyed, especially midsize companies. They claim to lack useful ideas and techniques for fostering a success-oriented mindset and, as with most of the five top priorities, to lack management commitment.

How can companies advance a success mindset? Three strategies that empower the organization:

- Choose leaders and managers with soft skills such as communicating and dealing well with others and translating business objectives into useful behavior.
- Establish a culture in which trial-and-error has a positive connotation and goes hand in hand with appreciation of high performance.
- Make sure top leaders "walk the talk," augmenting their messages with hands-on examples.

After four years of trial, the 18-person high-tech startup Lumalive in Amsterdam, which is based within Philips Netherlands, was restructured. The initial team was reduced to five high performers, and 13 employees with strong motivation and development potential were hired.

The deliberate choice of talent sent dual messages: that passionate experimentation is essential for innovation, and that talent shares credit for success as well as responsibility for recovering from failure. The award-winning startup company went on to become the first in the century-old history of its parent company to bring a new solution from concept to market-ready in 10 months.

Priority #5: Launch Effective Development Activities

For all companies we surveyed, development was a talent priority. For the strongest performers, especially those with maturing businesses, it represented one of the greatest challenges of all five priorities. One-third of respondents stated a lack of resources, closely followed by a lack of management commitment, which is alarming given the relevance of on-the-job development.

What makes development activities effective? Three ways to leverage the business impact of talent development:

- Articulate development needs in the context of current and future business (strategic view).
- Assess talent on a regular basis. Include the business needs, but also understand how employees would like to contribute to the company.
- Hold line managers and talented employees co-responsible for determining both short-term and long-term development actions, including their business impact.

Mühlebach, a 20-employee milling company based in Zurich, Switzerland, takes a professional, systematic and very inclusive approach to talent—an approach that belies its small size. Employees assess their own performance and potential; their assessments are not limited to their conventional performance reviews. They also regularly propose improvements and personal development—moves that are translated into and followed up in individual action plans. It has been noted that larger competitors have been emulating business improvements made by Mühlebach.

Mastering talent management does not need to involve hefty investments in time-consuming programs. More than anything, it is about commitment by leaders and managers to talent management and inviting employees into the process. Smaller businesses have the advantage of their size, which allows leaders to listen to talented individuals' desires and ideas for contributing to the company. WL

Pieter Haen is president of the WFPMA, and Philipp Zimmermann, Ph.D., is partner at CAPITALENT.

A Critical Time for HR in Europe continued from **page 1**

Happy Centennial, CIPD

I end my HR in Europe reflections on a high note: In June of this year, the UK's Chartered Institute for Personnel and Development (CIPD) will celebrate 100 years of service. In that time, CIPD has achieved remarkable breakthroughs in HR management in the UK, Europe and beyond. CIPD brought the profession a well-regarded certification scheme; it fostered a mindset that HR professionals cannot separate people management problems from business problems; and it provided research and examples of leading HR practices.

The sound leadership and professionalism behind CIPD projects have served as a role model for many of us who lead HR national associations. CIPD is a founding member of EAPM and has contributed in innumerable ways to the growth of EAPM over the past 50 years.

Congratulations to CIPD on reaching this monumental milestone. On behalf of the EAPM Board, we look forward to seeing what's ahead for the next 100 years! WL

Filippo Abramo is president of EAPM and national president of the Italian Association for Personnel Management (AIDP).

A Tale of **Two Europes**

After five years of economic crisis and the return of a recession in 2012, unemployment is hitting peaks not seen for almost 20 years in Europe. Household incomes have declined, and the risk of poverty or exclusion for people pushed to the fringes of society due to long-term unemployment is on the rise.

These risks are found especially in member states in Southern and Eastern Europe, according to the 2012 edition of the *Employment and Social Developments in Europe Review* by the European Commission for Employment, Social Affairs and Inclusion, released in January.

The impact of the crisis on the social situation has now become more acute as the initial protective effects of lower tax receipts and higher levels of spending on social benefits have weakened.

A new divide is emerging between countries that seem trapped in a downward spiral of falling output, fast-rising unemployment and eroding disposable incomes and countries that have so far shown good or at least some resilience. The latter tend to have better-functioning labor markets and more robust welfare systems.

> To prevent rising poverty and long-term exclusion from becoming entrenched, policies need to be tailored to specific country situations and population groups most at risk.

"2012 has been another very bad year for Europe in terms of unemployment and the deteriorating social situation," commented László Andor, European Commissioner for Employment, Social Affairs and Inclusion. "But our analysis shows how appropriate labor market reforms and improvements in the design of welfare systems can increase member states' resilience to economic shocks and facilitate faster exit from the crisis. Moreover, it is unlikely that Europe will see much socioeconomic improvement in 2013 unless it achieves greater progress also on credibly resolving the euro crisis, finding resources for much-needed investment—including in people skills, employability and social inclusion—and making finance work for the real economy."

The average European Union (EU) unemployment rate climbed to almost 11 percent. The report also confirms a new pattern of divergence, which is most striking between the North and the South of the eurozone. The unemployment rate gap between these two areas was 3.5 points in 2000, closed completely in 2007, but has since widened to 7.5 points in 2011.

The analysis also shows that in member states that had undergone substantial reforms to make their labor markets more flexible, the unemployed have maintained much better chances of finding a new job, even during the crisis years from 2008 to today.

The absence of tangible recovery has put household incomes under pressure in the majority of member states and has increased the risks of long-term exclusion.

To prevent rising poverty and long-term exclusion from becoming entrenched, policies need to be tailored to specific country situations and population groups most at risk.The analysis finds that while there are no optimal solutions for tax shifts from an integrated employment and social policy point of view, an appropriate design of welfare systems increases the desirability of certain tax shifts.

The report's analysis of minimum wages shows that countries with higher minimum wages have not priced low-skilled workers out of jobs. On the contrary, they tend to have higher employment rates for them. Minimum wages also have the potential to narrow the gender pay gap.

Skill Mismatch

The report's analysis shows that in some countries, especially in the southern part of the EU, the match between skills and jobs is bad and/or has worsened. To reduce the skill mismatch, countries need to invest more efficiently in education and training; spend more wisely on active labor market policies; and support the creation of high-skilled jobs in growth sectors such as the green economy and green technology, information technologies and communications technologies, and health care.

Skill mismatch arises because of a discrepancy in the distribution of skill demand and supply, where the dispersion of skills is typically

approximated by the variation of educational qualifications within an economy (e.g., high-, medium- and low-level qualifications). On the supply side, the steady growth of individuals with tertiary education qualifications as a share of the active EU workforce (from 21 percent in 2000 to 29 percent in 2011) is well-documented, reflecting the gradual retirement of less-educated cohorts and the process of educational upgrading. In contrast, the share of active lower-skilled and less-educated workers has decreased from 30 percent in 2000 to 22.5 percent in 2011. A similar trend has also taken place in the past decade on the demand side.

Lower-skilled workers in particular were more severely hit as a result of the economic crisis, and their relative unemployment rose faster during this period, while high-skilled employment continued to increase, albeit at a slower pace.

About three-quarters of the increasing share of higher-educated employment during the crisis took place in so-called knowledge-intensive service industries and in high-skill occupations (managers, professionals and associate professionals, and technicians). However, the number of higher-educated workers employed in skilled nonmanual occupations (clerical support workers and service and market sales) also rose by 26.5 percent between 2007 and 2011, raising concerns about a potential increase in the incidence of overqualification. For example, university graduates are accepting jobs that require lower qualifications than their own.

In contrast, the significant fall in the employment of less-educated individuals in high-skill occupations (by about 26 percent during the period of the crisis) signals that such workers may have been dismissed faster during the economic downturn due to their lower productivity. In this case, the overall incidence of underqualification in the EU economy (workers employed in jobs requiring higher qualifications than the ones they hold) is expected to have declined in recent years.

Nearly 15 percent of European employees are overqualified, on average, while 21 percent are underqualified, implying a total incidence of vertical mismatch in the EU of about 36 percent. The magnitude of vertical mismatch differs significantly between individuals with different levels of qualifications and skills. About 30 percent of tertiary education graduates in the EU are found to have been overqualified in 2009. The corresponding rate falls to around 12 percent for medium-educated graduates, or those with at least upper secondary education. In other words, overqualification disproportionately affects graduates with tertiary education.

The EU average masks significant variation between EU countries, with more than one in five employees experiencing overqualification in Greece (26 percent), Lithuania (23 percent), Spain (22 percent), Portugal (21 percent), Italy (21 percent) and Ireland (21 percent).

In contrast, the incidence of overqualification is much lower in the Eastern and Central European countries of Poland, Czech Republic, Slovakia, Slovenia, Bulgaria and Romania (7 percent to 9 percent) and in Finland (5 percent). Similarly, the proportion of underqualified workers ranges from as high as 32 percent in France to as low as 10 percent in Slovakia, Romania and the Czech Republic.

For Europe as a whole, almost two-thirds of its overqualification can be characterized as "severe." Greece and Cyprus remain at the top of the mismatch ladder. In some of the other high-mismatch countries, such as Spain, Ireland and Portugal, a significant share of the overall mismatch is "moderate." For example, 41 percent of the overqualification rate in Spain can be attributed to upper secondary graduates taking up jobs that are mostly performed by lower secondary graduates.

The Effects of Skill Mismatch

Skill gaps and skill shortages can lead to a loss of competitiveness and can hamper enterprise productivity. Particularly in growing economic sectors, skill shortages can result in rising wage costs. Firms facing skill pressures might also be forced to place lower-skilled workers in skilled positions, at a cost of lower productivity. Skill mismatch has been linked to a number of adverse outcomes related to productivity at the firm level, such as a higher level of absenteeism and turnover of the workforce.

Skill mismatch is an endemic feature of imperfectly competitive labor markets. Public policies, in conjunction with the committed support of social partners, have a key role to play in solving the problem by:

- Facilitating mobility in the labor market, and strengthening active labor market policies and the role of public employment and guidance services in promoting efficient matching and qualification accessibility;
- Providing early intervention in career guidance, assisting students with respect to having realistic labor market aspirations, and making informed choices about learning pathways, skills development and careers;
- Ensuring that education and training systems provide opportunities to develop high-quality transversal as well as vocational job-specific skills, which allow for easier adaptation to changing needs;
- Stimulating employers' skill demand, spurring innovation and the creation of high-level jobs to absorb and fully utilize the human capital potential of Europe's increasingly talented workforce;
- Promoting high-performance workplace practices and challenging job design, supporting firms that rely on high-skill/high-productivity product strategies;
- Exploiting synergies between skills and high-productivity firms by facilitating, in close cooperation with local authorities and social partners, the growth of industrial clusters (e.g., through publicly funded training agencies catering to the specific needs of the industrial cluster);
- Emphasizing job quality as an instrument for the mitigation of labor shortages, particularly among low-skill jobs and sectors;
- Promoting diversity in education and training by allowing for a variety of routes and fields for qualifications, by strengthening pathways between education systems and by encouraging the institution of validation and recognition systems of informal and nonformal learning;
- Providing efficient incentives to firms to increase the provision of work-based training, and encouraging adult and lifelong learning—particularly targeted toward vulnerable and disadvantaged groups of the population; and
- Raising awareness of anticipated mismatches in different sectors and occupations in the European economy, and focusing on skill mismatch in addition to qualification mismatch. WL

This article is based on the 2012 *Employment and Social Developments in Europe Review* by the European Commission for Employment, Social Affairs and Inclusion.

Costs and Consequences of Skill Mismatch

	Individuals	Employers	Society
Direct costs	Loss of earnings Higher turnover	Higher recruitment costs Absenteeism Lower productivity Lower product quality Higher skilled workers' wages Higher turnover costs	Unemployment benefits Public expenses for training and other interventions
Indirect, long-run and nonmonetary costs	Loss of skills/skill obsolescence Loss of self-confidence Lower levels of trust in government Lower job satisfaction Lower participation in training	Lower innovation capacity Lower competitiveness	Underinvestment in training Low skills/bad jobs/low wages equilibrium Higher equilibrium/ structural unemployment Loss of potential output and employment Lower long-run growth

Source: Cedefop

CIPD Celebrates **100 Years** Serving the HR Profession

The WFPMA salutes the 100th anniversary of the UK's Chartered Institute of Personnel and Development (CIPD), the world's largest chartered HR and development professional body, serving more than 135,000 members. For a century, CIPD has advanced HR globally, and its history offers a vivid timeline of the profession's evolution as a whole.

"It is quite a milestone," said Peter Cheese, CEO of CIPD. "Our formation, originally known as the Welfare Workers Association, wasn't quite the birth of HR, but the profession was still in its infancy. The intervening 100 years have seen great progress. The opportunities and challenges we face as a profession today, I believe, mark a new inflection point for us."

View of Coventry Ordnance Works, undated. The National Archives.

1910s

In 1913, the Welfare Workers' Association (WWA) was established and its inaugural meeting convened by famed social reformer and industrialist Seebohm Rowntree. In 1914, the outbreak of the First World War ended a brief period of slow economic growth and rising unemployment. As men left to fight, women were recruited into production roles at accelerated rates, especially in munitions.

Lloyd George became prime minister in 1916 in the wartime Coalition Government, and the appointment of welfare workers was made compulsory in establishments run by the Ministry of Munitions. To consolidate this growth, the WWA adopted a new constitution and branch structure to incorporate a growing band of local associations. The organization ultimately became the Welfare Workers Institute in 1919.

To discourage strikes and enable the authorities a straightforward means of negotiation with workforces, workers were encouraged to join trade unions as a matter of public policy. Trade union membership doubled from 4 million to 8 million between 1914 and 1919.

1920s

In industry, negotiations between employers and trade unions were often highly fractious. Attempts to cut pay and increase working hours in coal mining was the spark that eventually led to the General Strike of 1926. Trade unions had an uneasy relationship with both welfare workers and the "labor managers" who had evolved from the Labor Officers of the First World War. The latter were seen as "bosses' men," enforcing the pay and conditions preferred by business owners, while the former were considered a sop to workers, put in place by owners to limit unrest and pressure for reform.

Rowntree's 1921 book *The Human Factor in Business* went on to shape progressive ideas throughout the decade, bringing an end to autocratic management and the beginning of works councils. The Welfare Workers' Institute became the Institute of Industrial Welfare Workers (IIWW). The decade ended much as it had begun, with another bout of economic trouble. The U.S. Wall Street Crash of 1929 triggered a global economic crisis that exacerbated Britain's already severe unemployment problem.

1930s

Britain's unemployment rate soared at the start of the Great Depression to peak at around 20 percent in 1932. Despite the demise of the Labour Government in 1931, Labour leader Ramsey MacDonald remained as prime minister in a National Government of Conservatives and Liberals.

Despite the challenges, many employers in emerging new industries began to experiment with new management techniques to recruit, retain and motivate staff. There was growing interest in the "human relations movement" led by thinkers like Elton Mayo in his 1933 study, *The Human Problems of Industrialized Societies*. Large corporations, especially in the newer industrial sectors, also started to see value in improving employee benefits such as pensions and paid holidays.

The various professional strands of welfare work and labor management began to come together when the IIWW became the Institute of Labor Management, reflecting the changing nature of its function.

1940s

Economist and Socialist Party committeeman Edgar Hardcastle at the post office workers' union. Marxists Internet Archive.

In the early '40s, unemployment fell to rates not seen since the First World War. Dealing with labor and skill shortages was a major policy priority for the wartime coalition, led from May 1940 by Winston Churchill. Full-time personnel professionals were in great demand, with the government utilizing them in war-related production activities.

This set the tone for much of the initial post-war era. The growing personnel profession gained significance across the economy, and personnel departments became a distinct feature of the workplace. In 1946, the Institute of Labour Management changed its name to the Institute of Personnel Management (IPM).

1950s

In 1952, Britain saw the first dip in economic growth since the end of the war, combined with inflation at over 3 percent. However, the slowdown was very short-lived, and full employment continued to be maintained. Indeed, labor shortages brought large waves of immigrants to Britain from the West Indies and parts of Asia formerly under British rule. Immigration brought economic benefits but also gave rise to social tensions, as evidenced by the Notting Hill race riots in 1958.

During this decade, the government became more concerned about labor productivity, pay pressure, inflation and the trade deficit—all with implications for workplace management, which would become a central focus of economic and political attention in the following two decades. In 1955, the IPM attempted to raise professional standards by introducing its own external examination scheme and by extending full membership only to qualified personnel officers over 35 with several years' experience.

1960s

The late 1950s and early 1960s were bedevilled by "stop-go" economics—periods of economic growth followed by slowdowns as governments had to cut spending or raise taxes and interest rates to combat rising inflation or balance of payments problems. These interventions were not successful, and in 1967 the Labour-led government resorted to a substantial currency devaluation.

Fragmented trade union bargaining systems—which tended to empower shop stewards and were exemplified by strikes and union work-to-rules—served to restrict productivity growth and trigger unaffordable pay increases. However, the 1968 anti-sex discrimination strike by female Ford plant workers showed that industrial action could have a positive outcome, as it led to the Equal Pay Act of 1970. The 1960s saw a large increase of women in the workplace, fueled by changing social attitudes and the contraceptive pill, which granted women greater economic freedoms.

In 1962, the IPM partnered with associations in France, Germany,

Women sewing machinists at the Ford Motor Co. plant in Dagenham, England, 1968. Pat Mantle/TUC Library Collections, London Metropolitan University.

Sweden and Switzerland to establish what is now the European Association for People Management (EAPM). The EAPM became a founding member of the WFPMA in 1976.

1970s

In 1973, Prime Minister Edward Heath brought Britain into the European Common Market (now the European Union), under which workers became covered by a variety of social protections governing employment rights. New domestic employment legislation addressed sex discrimination, unfair dismissal and trade union activity. And the arrival of thousands of Ugandan Asians, expelled by the regime of Idi Amin, added another dimension to growing ethnic diversity.

Stagflation—simultaneous slow growth, rising unemployment and rampant inflation—came to characterize the 1970s. Economic pressures forced the UK government to ask for support from the International Monetary Fund, but it had to agree on limits to public spending. By the late 1970s, unemployment, especially among youth, was becoming a major concern.

Fiscal austerity made it increasingly difficult for the government to get agreement from the public-sector trade unions on pay restraint as part of an anti-inflation policy. A rash of public sector strikes in late 1978 and early 1979 brought about the "Winter of Discontent." In this political context, Conservative Party leader Margaret Thatcher became Britain's first female prime minister in 1979.

1980s

The Thatcher government broke the post-war political consensus by prioritizing low and stable inflation, rather than focusing on full employment, as the principal objective of macroeconomic policy. Actions included deregulating markets, privatizing state-run enterprises, switching more of the burden of taxation from incomes to value-added taxes (VAT), abolishing the wages councils, and curbing the power of trade unions.

The combination of tight monetary policy, tight fiscal policy and economic restructuring gave rise to a major recession, lasting from 1979 to 1981, and soaring unemployment, especially in manufacturing. Society became imbued with a strong sense of economic and job insecurity.

There was a clear strategic decision to depart from traditional collective procedures and instead focus on employees as individuals. British managers also started to adopt the U.S. terminology and approaches of human resource management (HR or HRM). This combined the concept of treating employees as a resource with investment potential and that of treating employees as people who needed to be nurtured and motivated. More HR professionals started to specialize, focusing on specific roles in training, reward or diversity.

The development of the European Community, plus the emergence of multinational corporations operating in different countries, set in motion a shift toward what would later be labeled global HR.

HR departments started to introduce individual performance appraisal and individual performance-related pay conditioned by market forces rather than national or sectoral collective agreements. Organizations also started to be influenced by the management practices of overseas businesses, especially in the automotive industry.

Charles Handy published his study *The Future of Work* in 1984, forecasting that fewer people would have a single employer but instead would be "portfolio workers" performing jobs for a number of different employers. The shift of employment from manufacturing to services also changed the gender and hours balance and began the move to more flexible workplaces.

1990s

The economic boom of the late 1980s was followed by a bust from 1990 to 1992 that saw unemployment rise to around 3 million. The 1993 book *Reengineering the Corporation* by Michael Hammer and James Champy explored emerging corporate practices of restructuring, outsourcing, offshoring of jobs and downsizing.

This was clearly a propitious time for the IPM, which from the mid-1980s onward had been debating its direction and that of the HR profession in general. Should the IPM grow or consolidate?

A growth strategy was pursued, including the 1994 merger of IPM with the Institute of Training and Development to create the Institute of Personnel and Development (IPD). It represented all strands of what was now starting to be called the "people management" profession.

The IPD explored the growing body of research-based thinking on the strategic role of HR, such as that set out by David Ulrich in his 1996 book *Human Resources Champions*, as well as numerous independent academic studies (often instigated by the IPD itself)

highlighting the link between HR practice and organizational performance.

HR professionals were to be agents of change and strategic business partners, sitting on company boards and working alongside line managers, in addition to ensuring basic administrative tasks were effectively fulfilled. Indeed, many organizations outsourced basic personnel tasks such as record keeping and payroll management, which could be performed off-site by contract staff using new IT technologies, leaving core HR to focus on strategic matters.

2000s

In 2000, the IPD, which had brought together the personnel, training and development traditions within one institute, was granted chartered status, and the Chartered Institute of Personnel Development (CIPD) came into existence.

The early 2000s became known as the "nice" decade for the economy ("noninflationary, continuous expansion"). Britain experienced a period of sustained economic growth despite external shocks to the system caused by the Asian economic crisis of the late 1990s, the bursting of the dot-com investment bubble, and the impact of the 2001 terrorist attacks in the U.S. in 2001.

The "nice" years saw a return to near full employment and led to greater strategic emphasis on the value of employees as a competitive advantage.

Individual performance management was combined with employer "branding" and employee engagement strategies as a means of attracting, retaining and motivating staff. Policymakers likewise began to stress the importance of workplace consultation procedures and work-life balance policies as a means to reduce labor turnover and engage higher workplace productivity.

Policy reviews were even conducted into employee engagement and improving health in the workplace. The subject of stress at work as a result of rapid advancements in communications technology became a focus of attention. While e-mail and mobile technology enhanced productivity, they presented a challenge to managers in overseeing staff working offsite, and to workers who needed protection from information overload and a blurring of home life and work life. Organizations were also starting to come to terms with the arrival of social media, such as Facebook and Twitter, in the workplace.

Meanwhile, fierce competition for staff in a tight labor market in turn led many organizations to develop "total rewards" packages (mixing pay and other financial benefits with lifestyle benefits such as corporate gyms) to attract and retain staff in what, following a McKinsey study, came to be known as "the war for talent." Labor shortages were eased by record immigration, especially from Central and Eastern Europe, following EU enlargement in May 2004.

In 2007, the economy was starting to be rocked by the initial signs of an emerging crisis in the global banking system and the start of what was to become a major credit crunch as financial institutions cut back on lending in order to recoup financial losses. This first became apparent in the fall and subsequent nationalization of financial institutions—Northern Rock in 2007 and the Royal Bank of Scotland and Lloyds TSB in 2008.

The resulting global economic recession saw the UK economy suffer the deepest and longest recession since the 1930s. To prevent an even deeper depression, the Bank of England slashed interest rates to a record low level and started printing money to support demand in the economy. The government increased public spending in an effort to support financial institutions and spur demand in the economy more generally, leading to mounting public debt.

2010s

In 2010, the government introduced fiscal austerity policies that resulted in the loss of more than 400,000 public-sector jobs over the next two years. Demonstrations by students over higher tuition fees and strikes by public-sector workers created an air of social unrest that was further heightened by widespread urban rioting in the late summer of 2011. Yet despite this, the labor market appeared to perform remarkably well, with more people working overall and unemployment starting to fall once more in 2012.

By the end of 2012, the HR community was looking forward again, with the knowledge that economic times remained tough, but also hope that the decade would see a gradually brightening future.

"Organizations around the world are wrestling with issues of corporate trust and culture, skills shortfalls, learning capabilities and employee engagement," said CIPD's Cheese. "Our profession holds the levers, and has the capacity to work with our colleagues in other functions to provide the answers. If we can seize these opportunities and meet these challenges, we can only grow in our effectiveness, influence and capacity to deliver for our organizations over the next 100 years." WL

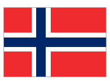
France
Labor reform

The French Council of Ministers approved the "flexicurity" agreement signed by companies, employees and unions in January. Parliamentary debate is scheduled for April, and the bill could take effect in early May. The "flexicurity" reform would mean more job security for workers on short-term contracts while making it easier for firms to cut work hours in economic downturns. It also gives employers new rights to dismiss any staff member who refuses to participate. The two unions that refused to sign the January accord reportedly will continue efforts to fight it.

The Netherlands
Executive incentive compensation

The Dutch government is planning to cap bonuses for the entire banking sector at 20 percent of pay. Bank executive incentive compensation has been limited to 100 percent of salary since 2010, but continued banking sector bailouts have prompted an outcry for stronger measures. The 2012 budget had included this 20 percent cap, and government interest in this proposal has intensified following the nationalization of another bank.

Norway
Collective agreements extend to foreign guest workers

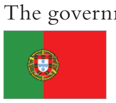


Employers must extend the provisions of collective agreements to foreign guest workers under provisions of the EU directive on the posting of workers, Norway's Supreme Court ruled last month. The decision extends to:

- Wages
- Working conditions
- Any contractual rights under collective bargaining, including free board, housing support and travel subsidy

Businesses say the Supreme Court decision will result in higher costs related to hiring foreign workers living abroad compared to hiring local workers, foreign or Norwegian.

Portugal
Incentives to hire older workers



The government has officially announced a measure that provides new tax incentives for hiring older workers for new positions. Employers will get a refund on social security contributions for hiring workers age 45 and older who have been registered with an employment center for at least six months. The amount of the refund depends on the type of employment offered. The law, which sets a cap of 20 workers per enterprise, took effect April 4.

Spain
Limits on early retirement

Spain's government announced last month changes to its social security system to increase contributions and make it more sustainable. The reforms will restrict access to long-term unemployment benefits to those over the age of 55. It will also allow retirees to collect half of their pension while working. The minimum age for early retirement will rise from 61 to 63, and workers must have contributed a minimum number of years to be eligible for early retirement. One out of two Spaniards retire before the current legal age of 65, according to Spain's Ministry of Labor. Under the reforms, companies will be penalized for laying off a large portion of workers over the age of 50.

In 2011, the government reformed pensions to phase in a higher retirement age of 67 by 2027 and to increase the number of years of contributions required to be eligible for a state pension.

Switzerland
Voters approve executive pay limits

A national referendum against excessive executive remuneration was approved by more than a two-to-one vote. Highlights include the following:

- Shareholders in Swiss-listed companies will get a yearly and binding vote on pay packages for board members and top management.
- Pension funds with shares in listed companies will be required to participate in the votes on compensation.
- Sign-on and termination bonuses for executives will be banned, as will executive bonuses when a company is taken over.
- All loans to executives will be disclosed to shareholders.

Violations of the rules can lead to substantial fines and criminal convictions. The government must implement the new provisions within one year by means of temporary legislation. The temporary legislation will remain effective until definitive legislation is adopted by parliament.

United Kingdom
Unpaid parental leave

The Parental Leave (EU Directive) Regulations 2013 went into effect last month, bringing the United Kingdom into compliance with the 2012 revised European Union's Parental Leave Directive. The regulations increase unpaid parental leave for working parents from 13 weeks to 18 weeks. Working parents with one year's continuous service are now entitled to 18 weeks' unpaid parental leave for each child, to be taken by the child's fifth birthday (or 18th birthday if the child is disabled), or, where the child is adopted, by the fifth anniversary of the child's placement for adoption (or the child's 18th birthday if that is sooner).

European Union
Record jobless rate; banking and pension proposals

The EU's jobless rate went up in January to a record 11.9 percent, from 11.8 percent in December, as the 17-member single-currency region continues to grapple with recession and the effects of stringent government cutbacks, according to figures released last month.

Within the EU, jobless rates varied widely. The highest is in Spain at 26.2 percent. Portugal saw its jobless figure climb to 17.6 percent. Unemployment in Italy, the EU's third-largest economy, grew to 11.7 percent. And in France, it edged up to 10.6 percent. Germany's jobless rate held steady at a comfortable 5.3 percent. Eurostat, the EU's statistical agency, said the jobless rate for the eurozone's youth (15- to 24-year-olds) rose to 24.2 percent.

On March 5, EU finance ministers neared an accord on a wide-ranging plan to strengthen bank capital requirements. The draft deal also includes an outright ban on bonuses that are more than twice fixed pay, with bonus payments limited to 100 percent of fixed pay unless certain conditions are met. The plan would offer banks some leeway on how to apply the measure when parts of the award are deferred for at least five years. Banks have warned that the bonus curbs would place them at a disadvantage in hiring the best recruits and force them to boost executives' basic pay.

Reform of the EU's main pensions law, the Institutions for Occupational Retirement Provision (IORP), met more resistance as Belgium joined the United Kingdom, the Netherlands, Germany and Ireland in rejecting the current proposal. The reforms, their government leaders say, would impose requirements on pension schemes that would overcomplicate pension accounting and increase capital requirements. For instance, the UK's Confederation of British Industry found that the EU pensions proposals could cost UK businesses 180,000 jobs and an extra $530 billion in deficit contributions and could potentially depress long-term economic growth by 2.5 percent.

Sources: Bloomberg, *Financial Times*, *New York Times* and Reuters.

THE WORLDLINK
HR CALENDAR

May 13-14, 2013
21st DGFP Congress
Frankfurt, Germany
E-mail: graf@dgfp.de or ellerbrake@dgfp.de

May 15, 2013
CyHRMA Annual Conference 2013
Nicosia, Cyprus
Tel: +357-22-318081
E-mail: info@cyhrma.org

June 16-19, 2013
SHRM 65th Annual Conference & Exposition
McCormick Place Convention Center
Chicago, Illinois, USA
Tel: 1-703-548-3440
Website: http://annual.shrm.org/

Editor's note:
Please submit events for the calendar to Martha Frase at Martha@frasecommunications.com.

July 17-July 19, 2013
CIGEH 2013 XXIII Inter-American Congress on Human Resources
Hard Rock Hotel Convention Center
Panama
Tel: 1-507-221-8555
Website: http://www.cigehpanama2013.com

September 11-12, 2013
48th AMEDIRH International HR Conference and Exhibition
World Trade Center
Mexico City, Mexico
Tel: 52-55 5140-2219
Website: www.amedirh.com.mx

November 5-7, 2013
26th Bi-Annual EAPM Congress
2013 CIPD Annual Conference & Exposition
Manchester Central
Manchester, UK
Tel: +44-(0)20-8612-6248
Website: http://www.cipd.co.uk

©WORLDLINK
is the newsletter of the World Federation of People Management Associations (WFPMA). It is published by the Society for Human Resource Management, which is the Secretariat for the Federation. For further information, contact Jorge Jauregui at jorge.jauregui.sma@telcel.blackberry.net

NEXT ISSUE
The next issue of WorldLink will feature the African Human Resources Confederation and HR news in Africa.

Design and Production by the Society for Human Resource Management, Alexandria, Virginia, USA

WORLDLINK
welcomes news stories, announcements of events and ideas for articles. These should be accompanied by a telephone number and e-mail address.

Martha J. Frase
Editor, *WorldLink*
E-mail: Martha@frasecommunications.com

World Federation of People Management Associations (WFPMA)

WFPMA BOARD OF DIRECTORS 2012 – 2014

President Pieter Haen, The Netherlands
Immediate Past President Horacio E. Quirós, Argentina
Secretary General/Treasurer Jorge Jauregui, Mexico
Members AHRC: Tiisetso Tsukudu, Hicham Zouanat
APFHRM: Ernesto G. Espinosa, Peter Wilson,
EAPM: Filippo Abramo, Stephanie Bird
FIDAGH: Fernando Ariceta, Aida Puello
NAHRMA: Henry G. (Hank) Jackson, William (Bill) Greenhalgh
WFPMA 2014 Chief World Congress Officer Miguel C. Ropert

MEMBER ORGANIZATIONS OF THE WORLD FEDERATION

AHRC (28)
AFRICAN HUMAN RESOURCES CONFEDERATION
Algeria, Angola, Benin, Botswana, Burkina Faso, Cameroon, Chad, Ethiopia, Kenya, Malawi, Mali, Mauritania, Mauritius, Morocco, Namibia, Niger, Nigeria, Rwanda, Senegal, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe
President: Tiisetso Tsukudu, South Africa

APFHRM (15)
ASIA PACIFIC FEDERATION OF HRM
Australia, Bangladesh, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Papua New Guinea, Philippines, Saudi Arabia, Singapore, Sri Lanka, Taiwan, Thailand
President: Ernesto G. Espinosa, Philippines

EAPM (30)
EUROPEAN ASSOCIATION FOR PEOPLE MANAGEMENT
Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Macedonia, Malta, Netherlands, Norway, Portugal, Romania, Russia, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom
President: Filippo Abramo, Italy

FIDAGH (15)
INTERAMERICAN FEDERATION OF PEOPLE MANAGEMENT ASSOCIATIONS
Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Nicaragua, Panama, Paraguay, Perú, Uruguay, Venezuela
President: Fernando Ariceta, Uruguay

NAHRMA (3)
NORTH AMERICAN HRM ASSOCIATION
Canada, Mexico, United States
President: Jorge Jauregui, Mexico