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“Human Resources’ Recruitment and Training”

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Acronyms

HR: Human Resources

HC: Human Capital

HRM: Human Resource Management

SHRM: Strategic Human Resource Management

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Introduction

In this dissertation we will analyze some components of Human Resource Management. In the beginning it is mentioned the definition of Human Resources and a basic theory developed by Schultz and Becker (1993), which explains many features of Human Resources. In continuance to this theory, it is examined the evolution of Human Resource Management throughout the years in Strategic Human Resource Management, which is the most well-known aspect of it till today. Also, researchers state that there are a lot of future challenges in Human Resource Management which we develop. The second chapter of this dissertation is about the recruitment procedure. We present the aspects of HR Recruitment such as the planning, the selection and the recruitment procedure inside organizations according to researchers.

One of the most challenging chapters of this essay is the third one. This chapter is worth focusing on because in it we analyze the training methods of Human Capital as well as the development of it. According to many researchers' findings training is one of the most important organizational aspects. There are many methods of training and development which evolved throughout the years. In chapter four we mention the costs created by training techniques used in several organizations, as well as the benefits gained by these procedures which concern organizations and employees too. Last but not least, this dissertation discusses the impact of 2008-2009 crisis on training techniques inside organizations. The results of researches are intriguing enough to be mentioned.

Chapter 1: Literature review

1.1 Human resources definition

Nowadays, human capital is becoming more and more important for organizations, because of the fast pace that global markets evolve and the harsh competition between organizations. According to the Organization for Economic Co-operation and Development (OECD), human resources is defined as the appropriate knowledge, skills, abilities, characteristics and organizational performance needed, so as employees to gain personal, social and economic welfare, while they are working in an organization. Moreover, Schultz in 1993 suggested that human capital is defined as certain procedures and incentives which operate in an organization helping its employees be trained, be educated, develop their knowledge, skills, abilities and qualifications, so as to perform efficiently and satisfy themselves as well as the aims of the company itself. According to the above, human capital is one of the most important organizations' assets, which increase productivity, employers' performance and let organizations maintain their competitive advantage in the market. Thus, in such a rapid developing market environment, organizations have to use innovations, business plans, technology, and a well-trained human capital to survive competition. Human capital is an essential input for organizations (*Rastogi, 2002*).

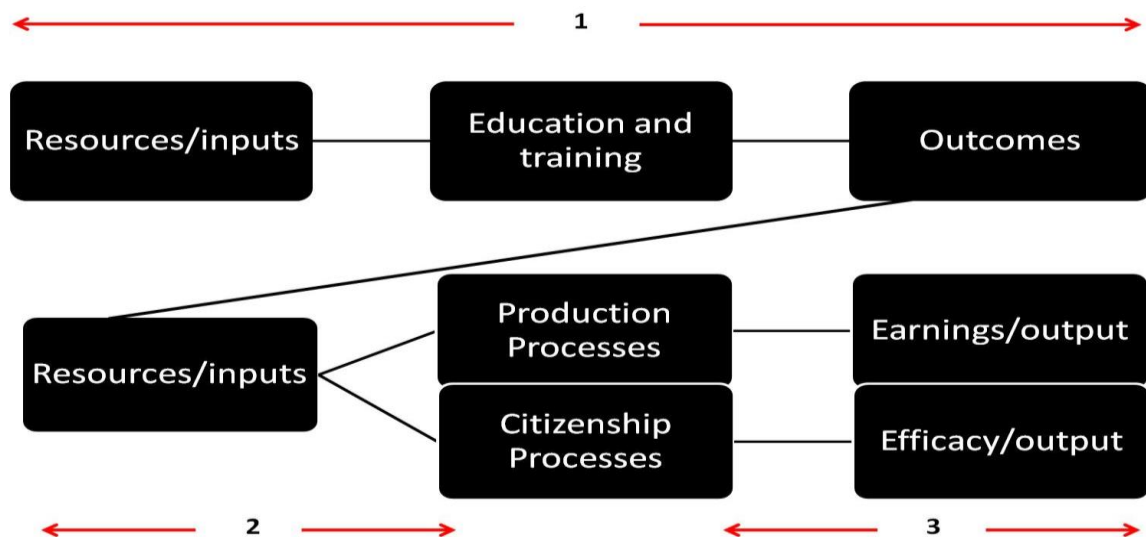
1.2 Human resources theory

According to Human Resources (HR) theory which is rooted from Macroeconomic Development Theory (Schultz and Becker, 1993), human capital is a necessary investment which is made by organizations, so as to gain profits and eliminate costs. Returns can be high enough and be calculated by organizations. From the perspective of Classical Economic Theory, human capital refers to labour asset, which can be traded in market terms. So, this theory focuses on the contribution of human capital in productivity and not in companies' investment.

According to the above, Swanson developed a model for the Theory of Human Capital (HC), which is illustrated in the figure below. In this figure 1 we can distinguish 3 flows. The first flow illustrates the fact that the productivity factor of human resources training affects production, the second flow illustrates the relationship between human resources training, productivity and wages, and the third one illustrates the impact of human resources training on business through increased

productivity, which leads to increased profits and the impact on employees whose salaries are increased, thus we observe an increase in the efficiency of the business.

**Figure 1.1: Key relations in Human Capital Theory by Swanson (2001)
and the assumptions underlying these relationships**




1.3 Evolution of human resources management

Human resource management involves recruiting, selection, training, employee relations, assessment and record keeping. In an organization, human resources management activities are categorized in transactional, traditional and transformational ones (Wright, McMahan, Snell, & Gerhart, 1998).

Transactional activities deal mostly with record keeping and everyday transactions inside the organization for example payroll information, employee status changes etc. Traditional activities involve HR programs such as recruiting, selection, planning, training, and performance management. Results or outcomes of these activities may have strategic value for organizations. Transformational activities add value to the organization, for example cultural or organizational change, strategic value, and innovation increase.

Figure 1.2: Human Resource Management Evolution

| <i>Role of HRM</i> | |
|--|--|
| <i>Early 20th Century</i> | <i>21st Century</i> |
| Caretaker | Strategic partner |
|  | |
| Employee focus Records | Cost-effectiveness Employee development |

Source: Wright, McMahan, Snell, & Gerhart, (1998)

As we can see in Figure 1.1 above, it seems that Human Resource Management (HRM) evolved rapidly in one century. In the Early 20th century it had mostly the role of caretaker in the organization. That means that it only had to deal with employees' problems such as payroll, status change, record keeping etc. It focused on employees and documentation, so it is called traditional Human Resource Management. However, in the 21st century, Human Resource Management developed from traditional one to transformational one. As time went by, it gained more strategic role, which means that it evolved its methods and strategies from employee focus to employee development and from simple record keeping to cost effectiveness awareness. Employee development practices focus on training, satisfaction, performance management activities, while cost effectiveness awareness focuses on practices concerning elimination of costs and revenue increase. That is the reason why it was named transformational Human Resource Management

Human resource management evolution is affected by information technology too. Throughout the years, technology information development has had many important effects on human resources management. That is the reason why HRM has evolved so rapidly. Activities inside organizations changed from transactional and traditional HR activities to transformational ones, which are definitely more complex and add value to firms (Thite, Kavanagh & Johnson, 2012).

In the 1990s, a period which is named as cost-effectiveness era, Human Resource Management overall functions focused on employee development and

involvement rather than employee administration like old times. Also, technology was the main tool for organizations so as to gain effectiveness, efficiency, reduction of costs and strategic value. Organizations had to incorporate technology so as to reduce costs, because employees' costs were an important part of organizations' budgets. Businesses regardless their size could afford computer-based HR systems that were user-friendly and cost-effective. This change in the function of Human Resources Management was not about the reduction of human capital in HR departments but that employees' activities and time could focus on transformational activities which add strategic value to firms rather than transactional record keeping and traditional HR activities.

After this era till now there is the Technological Advancement Era and the Emergence of Strategic Human Resources Management. Because of globalization, technological breakthroughs and competition, businesses' initiatives started focusing on the rightsizing of employee numbers, creating autonomous work teams, reduction of management, bureaucracy and outsourcing. The increased use of technology and focus on people management, which let HRM functions add value to firms, has resulted till today in emerge of Strategic Human Resources Management. According to Becker & Huselid (2006), Strategic HRM thinks of human capital as an important asset for companies, which gives them the chance to create and sustain their competitive and strategic advantage in markets and improve their organizational performance. Becker and Huselid (2006) argue that "it is the fit between the HR architecture, strategic capabilities and business processes that implement strategy that is the basis of HR's contribution to competitive advantage".

1.4 Strategic Human Resource Management

During the past twenty five years, academics, consultants, managers and generally people related to economics science have analysed methodologies, techniques and ideas concerning Strategic Human Resource Management (SHRM), in order to promote high performance in businesses and efficient Human Resource Management. SHRM defines and constitutes both organizations and individuals and their between relationship. As years passed by, the significance of SHRM emerged, because it became understood that it is an important factor which affects individuals, employability, security, profits, costs, organizational behaviour and performance. Researchers and businesses classified labour as inevitable cost and little thought was

given on recruitment, training, development and management. However, after the 1980s many things changed in market and politics. Employees and management had to be related closely, so that businesses could perform efficiently. In the beginning, many academics and managers were sceptical, but Strategic Human Resource Management was a necessity for organizations (Salaman & Storey 2005) after all.

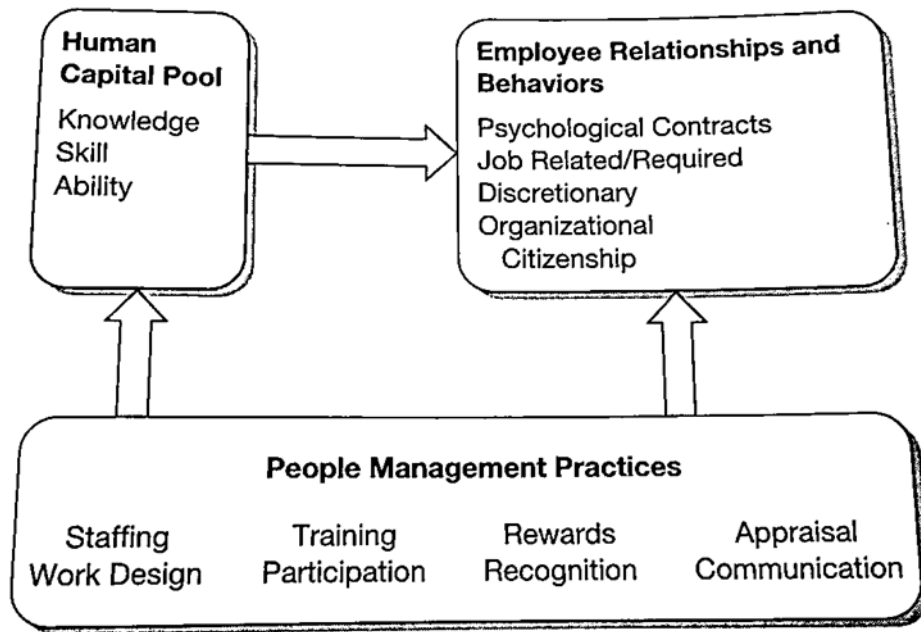
Strategic Human Resource Management is hard to be defined, because it is not a phenomenon existing on its own. It consists of many models, techniques, theories and critiques made all those years in the field of business. Of course, there are two categories of SHRM. The first one consists of tasks which have to seek, identify and assess features of businesses which lead to organizational performance and some kind of an impact on employees. This part of SHRM can be separated in two parts too. On the one hand, there is the academic perspective of features discussed above such as training, recruitment, selection processes etc. It mostly focuses on staff management processes. That means that it tries to identify and understand all the organizational characteristics, which lead to organizational performance and behaviour and have a positive effect on them. On the other hand, there is the consultancy perspective, which finds solutions for the organizations' managers. This type of SHRM has not been well-developed yet. It focuses mostly on strategies that support existing practises inside an organization (Salaman & Storey, 2005).

Strategic Human Resource Management is like a living organism, a moving target which changes a lot over time. That is another reason why its definition is so difficult to be stated. Organizational programs, ideas, strategies, factors and processes used by managers in organizations are highly changeable. Furthermore, organizational performance and success, which are affected by them, are pretty sensitive in changes too. Thus, SHRM is thought to be a “discursive formation” which consists of interconnecting elements. Storey (2001) stated that “Strategic Human Resource Management is defined as a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques”. Another approach concerning the definition of Strategic Human Resource Management is the one that Boxall and Purcell (2003) made. According to them, SHRM segues into academic field and practical techniques. Their definition

states that SHRM is not an ideology, but it combines both individual and collective practices, people management, work systems and strategic models.

HRM consists of several elements such as the resource-based view of the firm, theoretical and practical elements. The resource-based view of the firm is something like an idea concerning the ability of firms' human resources to provide a sustainable competitive advantage (Wright, McMahan & McWilliams, 1994). According to the above, SHRM models based on that idea assume that a set of employees' behaviors and attitudes is demanded by certain business strategies and employees' set of responses is produced by certain human resource policies (Cappelli & Singh, 1992). Resource-based view can provide a theoretical background for this question: Why HRM can implicate the formulation and implementation of needed HR strategies, so that the firm can achieve a sustainable competitive advantage? However, in two articles published in 1994, Wright et al. argued that HR theories and practices cannot sustain a competitive advantage because they can be easily identified and copied by competitive organizations. On the other hand, Lado and Wilson (1994) stated that HR practices and systems cannot be copied and imitated by competitors, because they can be designed so as to be unique or to give uncertain outcomes to other companies that are not familiar with them. Furthermore, Boxall (1996) suggested that there are two parts concerning human resource competitive advantage. Firstly, this advantage refers to the possibility of hiring an exceptional, qualified and productive human capital which will emerge after human resource processes which will support innovation, learning and cooperation inside an organization. Secondly, this advantage refers to processes that increase employees' and teams' learning capability which leads to organizational advantage. In figure 1.3 is depicted the procedure with which organization gain this advantage.

Figure 1.3: A model of the basic strategic Human Resource Management components



Source: Salaman, Storey and Billsberry (2005)

Figure 1.3 presents three components of Human Resource Management. The first one is the Human Capital Pool, which consists of the appropriate knowledge, skills and abilities of HC in firms. This pool of Human Capital changes throughout the years so that it matches with firms' demands.

Also, the second component, constituted by Employee Relationships and Behaviors, is an important component of HRM because it lets employees decide and relate with others on their own way. Either way, they are free people with free will who affect organizations' practices.

Finally, we see the People Management Practices, which is the last component. By using this term, we mean that firms affect their people and people affect firms, so there are developed practices which help enterprises' generate organizational advantage (Salaman, Storey and Billsberry, 2005).

1.5 Future Challenges in Human Resources Management

Some really important challenges that companies will have to encounter are:

- Motivation: It is difficult to define what motivation actually is (Vinke, 1996). Employee motivation is challenging because it requires the understanding of limits, dynamics and abilities of them. Motivation defines if employees really want to commit to the organization in which they are working.
- Change management: is about the ability of change that employees can or will perform (Caluwé and Vermaak, 2006). Changes may be difficult to be applied in an organization, but a friendly environment, which supports change and innovation is necessary to be created.
- Knowledge management: is important because it ensures that significant knowledge is kept and maintained inside a company. That means that it ensures that the right employees get the right information at the right time at the right place. This requires careful Human Resources Management all the time.
- Training and skills development: includes a long range of activities, which will be analysed afterwards. Training has to take into account previous training and skills gained in the past and new ones required so that the company can meet and face new challenges in the future.
- Management development: a good management development plan inside an organization can bring positive results and opportunities, but success in one area of management does not mean success in the whole organization. Management development needs careful planning because it plays a vital role for the organization.
- Attracting and retaining people: is a key factor for organization, which needs to be carefully created and organized so as to provide positive working atmosphere, diversity, effective communication and quality training.

Chapter 2: Recruitment procedure

2.1 HR planning

HR planning: is a procedure that exists in every organization, according to which vacant job positions are filled with suitable candidates from internal or external environment of labor market in a certain period of time. HR planning adds an important strategic effect on firms and includes business plans, data and statistics concerning human resources (Mondy & Martocchio, 2018).

According to Rothwell and Sredl (2000), HR planning (HRP) is an integration of HR procedures which coordinate all HR activities such as hiring, promotion, training, recruitment etc. There are several types of HR Planning connected to three schools: rationalist, the evolutionist, and the processural. One of the most important types, strategic HRP was a result of assumptions made by rationalists (Chermack et al., 2001). Strategic HRP is always about choosing the best or closet answer to problems occurring during HRM activities inside an organization.

According to Mintzberg (1990, as cited in Chermack et al., 2001), the evolutionary school focuses on successful previous strategies inside organizations. It is believed that organizations have a memory system which remembers which strategies were successful, so they can be repeated and which were not so that they can be avoided. In this strategies are filtered by organizations.

The processurals believe that organizations can create processes that help their system adjust its strategies and learn from its mistakes, so that they will not be repeated again (Chermack et al., 2001).

The practices of HR are changeable. They are being developed from organizational support to strategic processes in business. According to Rothwell and Sullivan (2005), “a major change has been a movement away from activities or techniques and toward a greater focus on results and on demonstrated, measurable achievements”. HRP is a critical business process because it is used to identify the needs of human capital, its goals and incentives concerning organizations (Brush & Ruse, 2005).

2.2 *HR recruitment*

Since the HR planning decides that there is a need in new personnel so as to fill new job positions HR recruitment is the next step followed by the organization so that new qualified people enter the organizations' empty job positions (Mondy & Martocchio, 2018).

HR Recruitment: is a procedure, which exists in every organization, according to which several applicants are recruited by the organization in order to fill a vacant job position offered by the organization. Applicants must have the appropriate qualifications so that the organization can select the most suitable candidate for the job.

“Candidates are the ones who select an organization and not the opposite. That means that organizations do not choose candidates themselves” (BIS, 2014).

That is the reason why an organization has to advertise a vacant job position so as to recruit as many as possible candidates, find the suitable ones without rejecting any qualified candidates and select the best one of them all. An appropriate advertisement of a vacant job position should include:

- Information about the job position
- Information about the organization itself
- Information about the candidate needed
- Information about the application procedure (Κάτου, 2017)

Recruitment researchers have given considerably high attention to job advertisements. Firms spend a considerable amount of money in several job advertisements. We could mention that there are numerous types of advertisements and each and every one of them has different effects to organizations as well as to candidates too. Researches have shown that the content of each advertisement is really important. The amount of information included in a job advertisement can define, according to researchers, who is going to read it, how attractive it will appear to candidates, how much credibility it contains etc (Allen, Mahto, & Otondo, 2007). For example, advertisements that contain more information about the job opening are thought to be more attractive and credible than those that have less information

(Allen, Van Scotter, & Otondo, 2004). Also, other researches (Roberson, Collins, & Oreg, 2005) have shown that the more specific the information about the job position it is on an advertisement the more candidates it will recruit, so the position will be filled with the best candidate that really fits the organization most. Finally, position information such as work hours, pay and job tasks attract the attention of applicants and are more important for them than the design of a company's web site, a recruiter's behavior or the advertisement content itself (Breugh, J. A. 2008).

In conclusion, an employer can begin by providing only the necessary information about the job position in the advertisement such as information about the company, working hours, job tasks, characteristics of applicants he needs (Breugh, J. A., & Starke, M. 2000). Following this, he could increase those information in job interviews which will be held at his company by his recruiters. Recruiters would have understood the demands of this job position, so they will provide candidates with more information such as the salary. Additionally, the candidate can visit the companies site so that he gathers as much information as he needs for the company and the job position before the interview takes place (Wanous, 1992).

Except for advertising techniques an organization can use certain recruitment sources. *Recruitment sources* are sources that an organization can use so as to track candidates for a vacant job position. Recruitment sources are separated in two categories: internal and external recruitment sources.

1. Internal recruitment sources

Current employees, former employees, employees' friends constitute internal recruitment sources. Those familiar to the organization people are evaluated so that the most qualified one gets the job. This way, the job position is filled by a person who is known to the organization. This can happen with two ways: promotion or transfer. If an employee is promoted he gets upgraded in a higher hierarchical position. If an employee is transferred he goes to another job position inside the organization, so he just switches tasks and responsibilities.

There are a lot of methods of internal recruitment such as (Katou and Budhwar, 2015, BIS, 2014, Mathis and Jackson, 2010, Mondy, 2008, Παπαλεξανδρή και Μπουραντάς, 2003, Χυτήρης, 2001):

- Job posting: the organization informs its employees that it is willing to fill a vacancy with a current employee. The organization uses bulletin boards, emails, newsletters etc.
- Job bidding: the organization urges its employees to apply in a job position that they think they are qualified for.
- Employee referral: the organization takes into account its employees recommendations so as to find the suitable one for a vacant job position.
- Employee database: every organization has a database where all skills and qualification of employees is registered. Organization uses it so as to identify which of its current employees is appropriate for the job offered.

2. External recruitment sources

Possible qualified candidates recruited by the organization constitute external recruitment. This way, organizations evaluate unknown candidates so as to fill a vacant job position. Some methods of external recruitment are (Katou and Budhwar, 2015, BIS, 2014, Mathis and Jackson, 2010, Mondy, 2008, Muller-Camen et al., 2008, Noe et al., 2006, Παπαλεξανδρή και Μπουραντάς, 2003, Χυτήρης, 2001):

- Word of mouth: friends or relatives who work in an organization inform candidates about a vacant job position.
- Personal contact: candidates are urged to apply for a job position by known employees of an organization.
- National and local newspapers, publications, posters and journals: advertising of vacant job position in the press so candidates can see it and apply
- Job centers: public centers which offer employ services for free are used so that candidates and firm get in contact

- Employment agencies: private firms which offer employ services are used so that employees find jobs and employers find appropriate candidates
- Vocational schools: sometimes vocational schools offer employ services
- Higher education career advisers: consultants that advise students for their future careers
- Head-hunters: people who seek qualified candidates from other competitive organizations so as to offer them new job positions.
- Internet (Smith and Rupp, 2004): is used for e-recruitment, online recruitment agencies, corporate websites and social media networks so as to recruit personnel
- Career days and open house events: give the chance to employees and employers to contact each other
- Internships: a student is placed in a job position temporarily. This way, future employees are tested in certain job position by organizations.

According to Breugh (2009) there are six major recruitment methods used in a business:

- employee referrals
- organization's web site
- job boards
- social networks
- college recruitment
- collection of unusual methods

Employee referrals: the use of current employees as a source of finding suitable candidates to fill a job position is effective according to several surveys (Overman, 2008). This happens mostly because of five reasons (Breugh, 2008):

1. The most of the times current employees suggest candidates who are believed to be good at their work and that they will perform well, because they are afraid of their reputation inside the organization.

2. Because of the fact that current employees are fully informed about the vacancy they will inform their candidates pretty well, so they will make a more informed and mature decision about whether they should apply or not.
3. Also, current employees are more likely to help their applicants with their work tasks if they finally get the job.
4. Applicant who know current candidates are more likely to try to perform well to their jobs, so they do not ruin their reputation.
5. Last but not least, this is a great way to attract people who are not currently looking for a job, but they are qualified. Also, the word of mouth power is unquestionable.

Organization's web site: is the way of attracting candidates through their own web site. Web sites are increasing in popularity and businesses are using them as a major method for recruitment. In fact it is a low-cost way to promote job openings, provide information about them and attract applicants. However, businesses before relying on their own web sites they must be sure that their site will be thought as credible to candidates, and that it will reach the right candidates that they want it to reach. Thus, web sites should be tested before being available to people (Breaugh, 2009).

Job boards: are the most common way of advertising a job position and attract applicants. Many companies rely only on them so as to recruit candidates (Steel, 2007).

Social networks: are evolving as a method of attracting candidates, although they are not widely used yet. Businesses which used this method focus mostly on two strategies (July-September, 2008). The first one is by placing an advertisement on a site by an employer and the second one is by using filters available in social networking sites so that employers can find suitable candidates and contact them (for example LinkedIn) (Sherman, 2008).

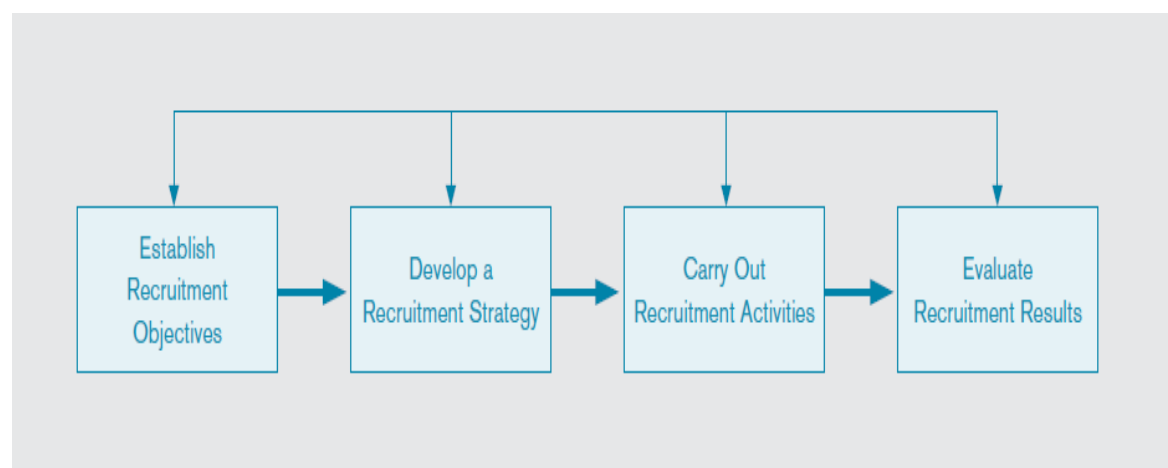
College recruitment: is the way of attracting college students so as to fill vacancies. This happens mostly by offering student internship programs, creating a

campus presence, selecting campuses and suggesting companies' recruiters to influence students (Boswell. et al, (2003).

Collection of unusual methods: by urging the companies' recruiters to find new unusual ways of attracting suitable and qualified applicants for the offered job positions (Breugh, 2009).

A famous model of employee recruitment process is the one that James A. Breugh mentioned in his article "Recruiting and attracting talent: A guide to understanding and managing the recruitment process". This model appears at Figure 1.3 below, and gives useful suggestions about employee recruitment.

Figure 2.1: Model of Employee Recruitment process by James A. Breugh (2009)



In the beginning, the first step of recruitment procedure is for recruiters to establish recruitment objectives. When a job opening is given to recruiters, so that they find the appropriate person for it, they have to understand the role and tasks of that person. Also, they have to prioritize which qualifications of the applicant are worth being given attention and which are a must for the job position. Some recruiters may focus on post-hire outcomes, such as the performance and retention of new employees, while some may focus on pre-hire outcomes such as the time spend to fill the job opening. Recruiters should take into account all factors included in recruitment procedure such as number of job openings, date that they have to be filled, number of

candidates, applicants' qualification features, their performance after they are hired and their retention in the organization. As a result, either way recruiters may react, they have to prioritize things and establish objectives about the recruitment position. Another thing recruiters should do is asking for feedback at first from their Human Resources Managers and then from Managers of other department of the company so as to understand if new employees were a good choice. This way they understand from their mistakes and they fix them in the future.

The second step of recruitment procedure that James A. Breugh suggests is the development of HR Strategies inside the organization. Every organization has to have a specific plan which will help recruiters attract suitable candidates. One strategy is communicating your employment brand by several methods of advertisement mentioned above. This way the organization can find out if they should start a recruitment campaign, which job openings must be filled and when, what kind of recruiters should work on it, what candidates should be attracted and if the recruitment message should be communicated widely or not.

The recruitment process consists of a third important step which is named recruitment activities. As mentioned above those activities might include: Social networks, College recruitment and some other unusual methods. Last but not least we should mention the fourth step of employee recruitment process which is the evaluation of recruitment results. Many managers are concerned about the results of their recruitment strategies so they evaluate them. But in many organizations this does not happen at all. (Carlson, K. D. et al., 2002). This happens because managers did not gathered as much data as they needed so as to evaluate processes or because there are too much data gathered that they cannot evaluate them properly. HR Managers should consider two things. Firstly, evaluation helps answering many recruitment problems and employees learn from them. Secondly, this whole procedure will turn out to be valuable to the organization in the future. Furthermore, in the evaluation process some HR metrics should be considered such as time and cost of filling positions, recruiters' performance, new employees' performance and satisfaction and managers' satisfaction.

2.3 *HR selection*

After the recruitment process, selection is the procedure which takes place in an organization so as to limit the number of candidates who have applied for a vacant job position to a manageable number. This helps people in HR department handle things more easily and finally choose the most suitable one to fill in the vacancy.

Selection: is a procedure, happening in organizations, according to which applications of candidates are evaluated so that the most qualified and suitable candidate is hired to fill in a vacant job position. The selection procedure is really important for an organization because not only does it help the organization survive through competition, but also hides a lot of costs for it. Some of them are:

- process cost: costs resulting from the hiring procedures and methods used
- future costs: costs resulting from adaptation and training of new employees
- turnover cost: costs resulting from possible replacement of inappropriate hired personnel (Κάτου, 2017)

There are a lot of selection methods that compose a selection process. The most of the times they are separate in three stages (Katou and Budhwar, 2014, Woods et al., 2014):

1. Early stage: this stage aims to select-out or shift candidates that do not have the appropriate qualifications for the job offered. The most common methods are application forms, curriculum vitae and biographical data submission
2. Mid stage: this stage aims to limit even more the number of suitable candidates to a short-list. At this stage the organization takes into account the intellectual competency, psychomotor abilities and certain tests of candidates
1. Latest stage: the evaluation of the short-list of candidates happens at this stage. This stage focuses on the selection of the best candidate out of the most qualified ones. The most common methods used here are (Katou and Budhwar, 2014, Mondy, 2011, Παπαλεξανδρή και Μπουραντάς, 2003, Χυτήρης, 2001):

- Interviews: interviews are the most popular kind of selection. There may be only one interviewer, a group of them or a panel. Also, sometimes there may be a lot of interviews needed so as to select the right person (Mondy & Martocchio, 2018)
- Situational judgment tests: process in which certain problematic situation are presented to candidates and they try to act properly and find solutions
- Work samples tests: candidates are asked to do a task concerning the job position and they are evaluated
- Assessment centers: many complex techniques are used to evaluate skills and qualifications of candidates.

The HR selection process includes mostly several selection tests. The most common selection tests are skills and knowledge tests, performance tests, personality tests, job knowledge tests etc.

Furthermore, there are a lot of indicators according to which an organization can evaluate its recruitment's efficiency. Every company has to identify which one is the most efficient for it, according to its goals and standards. Some indicators are:

- New employee quality: Many employers believe that it is the most important indicator. It can be measured by efficiency of communication, efficiency of work, motivation, leading skills, cultural identification inside the company etc, depending on organizations' systems and culture. A manager should assess its employees at least for a time period around two to three years so that this indicator can be valid.
- Time needed till the hiring: This indicator is really important for an organization because its department of Human Resources must find a suitable candidate in short period of time (this is approximately one to ten days). Moreover, if the company has slow procedure for hiring staff suitable candidates may be hired by other competitive businesses.
- Rate of retention of newcomers: Costs are pretty high when a job position must be filled a lot of times continuously. So, this indicator is needed so as to show many new employees stayed in the organization and for how long. It can

be measured for one to two years and it can show to managers if the recruitment, selection and hiring systems lack efficiency.

- Managers' satisfaction of the selection and recruitment system: If a manager believes that the employees of the department he is in charge do not have high quality and performance in their jobs he is not satisfied by the recruitment procedure. This indicator can be measured easily by sharing questionnaires to managers and can assess quickly this procedure.
- Rate of change of staff: This indicator calculates how many times employees in an organization are replaced each year. If it is up to 100% the company faces serious costs, can be avoided.
- Cost per hiring: We can easily estimate this indicator by simply measure the total expenditure and divide it by the number of newcomers.
- Rate of acceptance: This indicator estimates how many qualified candidates accepted a job offer. If it is in a low percentage hiring costs are rising.
- Rate of return: This indicator estimates how many qualified candidates were invited to an interview, how many of them got a job offer and how many accepted it.

Chapter 3: Training and development

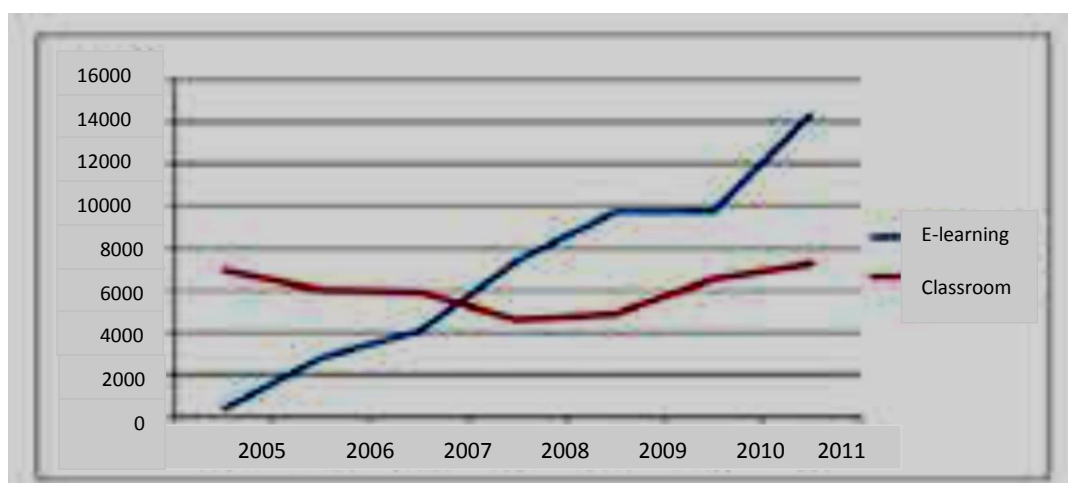
3.1 Training process

According to Gary Dessler training is defined as methods that teach present or new employees the appropriate skills so as to perform well on their jobs. This might happen by showing them what they have to do on the job or by teaching them off the job their duties. Employees must know the companies' goals and objectives, what they have to do according to their organizations' goals, the way they have to do it, the specific skills and knowledge needed to perform their jobs.

The training process may consist of five steps. These are:

- *Needs analysis step*: includes the appropriate skills and knowledge needed for employees' jobs, evaluates every employee according to them and develops new techniques and measures to avoid deficiencies on their jobs.
- *Instructional design*: includes development and formation of all training techniques and programs, which will be discussed later.
- *Validation step*: includes solution of mistakes made in steps mentioned above and presentation of them in small groups of employees.
- *Implementation*: the training program is implemented into targeted employee groups.
- *Evaluation*: the training program is evaluated by supervisors, who point out its failures or successes.

FIGURE 3.1: Number of trainees by learning type (2005-2011)



3.2 *Training techniques*

3.2.1 *On-the-job training*

On-the-job training consists mostly of three types. The first one is called *coaching or understudy technique*, in which a supervisor or an experienced worker or an expertise trains employees while they are working, or employees observe him while he is working. The second one is called *job rotation* and happens when an employee is moved from one job to another, so as to learn new experiences and further develop his knowledge. The last one is *special assignments*, in which lower-level executives try to solve actual problems

This kind of training has several advantages such as employee learning while producing with immediate feedback and no need for learning facilities such as classrooms or learning devices.

Also, according to Gary S. Becker the on-the-job training consists of general and specific training. *General training* trains employees to be the “general human capital” of the company. It is the one that does not result in any “profit” for the company that provides it to its employees, because it does not force its employees to stay in the organization that is it does not have any effect on employee retention. Knowledge from general training is acquired by employees and it can be used to other organizations as well. It can be gained through employee interaction, seminars, reading, working papers etc. (Lazear, 2003).

Specific training is a specialized knowledge that is gained by employees and cannot be used in another company or duty (Becker, 1964). The productivity of firm-specific human capital is higher in the current organization, because specific training increases with retention to the organization. Examples of specific training are not so clear identified (Lazear, 2003).

3.2.2 *Informal training*

According to several surveys, 80% of the training that employees receive inside an organization is informal training which occurs during his collaboration with his coworkers (Weintraub & Martinesau, 2002).

Informal training is any unplanned interactions between the worker, his colleagues and his supervisors which result in non-designed by the company learning for a worker.

3.2.3 Apprenticeship training

Apprenticeship training is a really old-fashioned way of employee training. It combines classroom teaching and on-the-job training. It is widely known and used in different kinds of organizations, so as to train a lot of employees of different duties (Frazis, Herz & Horrigan, 1995).

3.2.4 Job instruction training

This kind of training according to Gary Dessler consists of a learning process taught to workers step-by-step. The sequence of steps is important so as to be defined what needs to be done, how and why.

3.2.5 Lectures

Lectures give the chance to organizations to train large groups of employees simply and quickly. There are some useful guidelines such as:

- List things so as trainees follow your ideas
- Make a good first impression
- Conclude your sentences
- Maintain eye contact
- Watch body language
- Speak loud enough
- Take notes to read them
- Practice enough (Michalak & Yager, 1979)

3.2.6 Customer service training

Customer service training aims to train employees so as to learn how to treat customers in a hospitable and gentle manner.

3.2.7 Training for teamwork and empowerment

Teamwork is really important for organizations. Supervisors can use specific exercises and procedures to train employees how to work in group, to cooperate effectively and to understand bad and good employee attitudes.

3.2.8 Diversity training

Diversity training provides multicultural sensitivity among workers in an company and as a result harmonious relationships between them. Some diversity training programs are improving interpersonal skills, understanding cultural differences, socializing employees and improving cooperation.

3.3 *E-learning*

In the near future e-learning is going to become a dominant way of training inside organizations. E-learning is the skills and knowledge transferred by computer and network. It contains internet-based training, web- based training, virtual and digital training. The means of delivering e-learning are the internet, satellite TV, audio tape, video tape, CD-ROM etc and they include texts, streaming video and audio, animation and images. In many cases where training can takes place the term “U-learning” (ubiquitous learning) is used, where mobile technologies are used the term “M-learning” (mobile learning) is used and where smart-phones we refer to the term “S-learning” (smart-learning) (Enrico Giovannini 2013).

3.3.1 *Programmed learning*

Programmed learning is a combination of a three part self-learning procedure:

- Presentation of actual problems and questions to trainees
- Chance for trainees to respond
- Feedback according to the answers

On the one hand, this training method’s main advantage is the reduction of training time (Schultz & Shultz, 1998). Also, the trainee the chance to be trained in his own way and at his own pace, eliminate mistakes and get a quick feedback. On the other hand, it does not offer the appropriate kind of learning that a traditional textbook would offer. So, organizations should weigh the cost of developing systems for programmed learning and the possibility that their trainees may not learn so much.

3.3.2 *Audiovisual training*

Audiovisual techniques are used when a sequence of tasks needs to be followed, when live-lectures cannot demonstrate certain events to trainees effectively and when trainees need to be transferred outside the company for training and costs are too high

3.3.3 *Vestibule or simulated training*

Vestibule or simulated training occurs mostly when training of employees on the job is too costly or dangerous. So, employees are trained in separate rooms, off the job, but with the same or similar or simulated equipment with the one that they will use on their job. Nowadays, this method usually is computer-based.

3.3.4 *Computer-based training*

Computer-based training is supported by computer-based systems, which improve their knowledge and skills (Falconer, 1994). Employees' application form and information about tasks are shown in a computer screen to the trainee. The trainees have to answer certain questions related to the job. Their answers are evaluated and supervisors decide whether they are capable to fill in the job requirements. Eventually, trainees are informed about their mistakes and are given instructions about correcting them.

Computer based programs such as intelligent tutoring systems, interactive multimedia training, and virtual reality training have a lot of advantages. Some of them are instructional uniformity, mastery of learning, trainee motivation and retention and learning time reduction by 50% because of interactive technologies.

3.3.5 *Electronic performance support systems*

Electronic performance support systems are something like the old times called job aids. Job aids provided methods to train and guide employees at their job. Electronic performance support systems are modern systems that provide automate training, documentation and phone support more quickly and efficiently than traditional methods.

3.3.6 *Distance and internet-based training*

There are three types of distance and internet-based training

- Teletraining: Television hookups are used to train employees in remote locations by a supervisor who is located in a central location.
- Videoconferencing: Audio and visual equipment is used so people from different location can communicate live with each other
- Training via the internet: Online course providers are used to train employees with internet-based learning programs (Blotzer,2000).

3.3.7 *Learning Management System*

Learning Management System (LMS) is a software which is used by organizations so that training of its employees can be delivered, tracked and managed. Employee progress, time spent on tasks and attendance can be easily tracked when organizations use learning management system.

3.4 *Lifelong learning*

Organizations sometimes provide lifelong learning to their employees by offering constant educational and training experiences while they are working. The aim of lifelong learning is the continuous training of employees so as to expand their knowledge, skills, abilities to perform well at their job and to use them in the rest of their lives (Becker, 1964).

3.5 *Managerial development and training*

Managerial training is separated in two categories: managerial on-the-job training and off-the-job management training.

3.5.1 *Managerial on-the-job training consists of:*

- *Job rotation:* Movement of trainees from one position to another so as to be trained, broaden their skills, abilities and knowledge. This can happen by simple observation or by actually working on the job.
- *Coaching/understudy approach:* A supervisor trains an employee, who the most of the times is going to replace him, while he is working with him. This way the trainee understands the responsibilities and duties of his future job.
- *Action learning:* Groups of employees perform problem solving and analyzing in different departments than theirs. At the end, they are evaluated and being coached (Dessler, 2005).

3.5.2 *Off-the-job management training consists of:*

- The case study method: A scenario expressing an organizational problem is given to the trainee. He has to read, understand, analyze the problem and then provide solutions which will be evaluated.

- Management games: Groups of employees have to cooperate and take important decision for the company according to instructions given.
- Outside seminars: Traditional conferences or web-based seminars offered to trainees by the company.
- University-related programs: Programs online or not provided by universities mostly in leadership, supervision, management.
- Role playing: Presentation of a realistic situation to employees who try to understand the role of each person
- Behavior modeling: Procedure that involves presentation of a situation to employees, role playing in a simulated situation, feedback and exploitation of skills and knowledge by trainees on their job.
- Corporate universities and in-house development centers: Programs and materials needed for employees' job provided by the firm in cooperation with academic institutions, web-based educational portals, program providers.
- Executive coaches: Outside consultants used by organizations so as to enhance employees' performance by identifying their strengths and weaknesses (Dessler, 2005).
- Team building: Activities proposed by the organization which help employees get to know each other and build relationship so as to work more efficiently as a team. These may be group trips, group external activities, group trainings offered by the organization.

3.6 *Development*

3.6.1 *Organizational development*

A professional consultant is often hired by organizations to help with the procedure of organizational development. Organizational development is formed and performed by employees, who point out changes in their jobs and it has several characteristics:

1. Action research: collection of data by an organizations' department or group of employees, identification of problems occurred during their jobs, feedback to employees so as to analyze and solve them.
2. Need of behavioral science knowledge: productivity and effectiveness increase because if behavioral science knowledge exists in an firm.

3. Change of values and attitudes of employees: this way employees can identify changes in cultural, technical, procedural environment of their jobs and improve the situation.
4. Focus in one direction: organization is focused in one specific direction. This might be effectiveness, productivity, high profits or quality of work (Dessler, 2005).

3.6.2 *Human process applications*

Human process techniques have the goal of improving employees' relationships inside an firm. Employees have the chance to identify aspects of their behavior and the behavior of their coworkers and express their feelings and problems about them. This way, conflicts are avoided and employees' relation and communication is improved a lot.

There are three such techniques:

1. Sensitivity training
2. Team building
3. Survey research

Sensitivity training is the most popular technique. It aims at expressing feelings and opinions about other employees' behaviors at a group of employees at that time. That means that only during the time of the meeting people are encouraged to talk about others and get a feedback from them (White and Wooten, 1983).

Team building is a technique which includes interviews of supervisors and employees by a professional consultant. People are asked about their feelings, obstacles and problems during their work. Then, the consultant gives them his collected data. The employees evaluate the problems and the most serious one is discussed in a meeting (French & Bell, 1995), where solutions are suggested.

Survey research obligates employees to complete attitude surveys. Data are being processed and problems occurring in organizations become known to all employees so solutions may be suggested more easily.

3.6.3 Technological interventions

Technological interventions focus on changes in methods, techniques and designs in the employees' tasks so as to increase productivity, efficiency and effectiveness of the organization.

3.6.4 Human resource management applications

Human resource management applications is one of the organizational development techniques that targets in changes in the performance appraisal, reward systems and diversity programs so as to change employees' practices and to comply them with the organizations' goals.

3.6.5 Strategic organizational development applications

This technique aims to adapt the external environment of the organization with the actual goals, culture, strategy and structure of it. Integrated strategic management is one type of strategic organizational development applications technique. It has four steps (Mendelow & Liebowitz, 1995):

1. Current organizational and strategic design is analyzed and evaluated by supervisors and employees
2. Then, they choose another desirable organizational and strategic design
3. They plan the methods and techniques that will be used so as to move from the current organizational and strategic design to the desirable one
4. The design is implemented and results of it are evaluated.

3.7 Evaluation of training methods

Evaluation of training is the procedure happening inside businesses which aim to identify whether the goals of a training program have been achieved. Thus, it consists of certain activities which measure the results of a training program and its features. The evaluation process is necessary for the success of a business because it indicates serious and various mistakes made inside organization and it helps to the identification of those mistakes, it helps the organization deal with them and it provides useful conclusion for the organization. So, everyone learns from their mistakes and they try to fix them and not to repeat them again.

The evaluation process may take place in different time schedules, different spaces, for different employees and different aims each time. As a result we separate it in:

- Formative evaluation: Is the type of evaluation that provides information about educational activities, training methods and learning environments so that the appropriate improvement is made (Laurilland, 1993). Or according to Scriven, M. (1967), formative evaluation is the procedure with which an organization can identify a system's evolution and the changes made inside of it, so as to use them for improvement.
- Summative evaluation: Is the type of evaluation that investigates educational activities, training methods and learning environments and provides information about employees who use them (Laurilland, 1993).
- Interpretive or illuminative evaluation: is a different type of evaluation according to which evaluation happens inside organization but it is inspired by several researches and methods used widely (Parlett & Hamilton, 1972).
- Integrative evaluation: Is the type of evaluation that aims to improve training with the most effective, integrating and innovative techniques. It tries to find out if training has actual results using the measurement and observation of training methods (Draper et al., 1996).

Another separation that can be made in evaluation forms is by type of results expected to come out of the evaluation process:

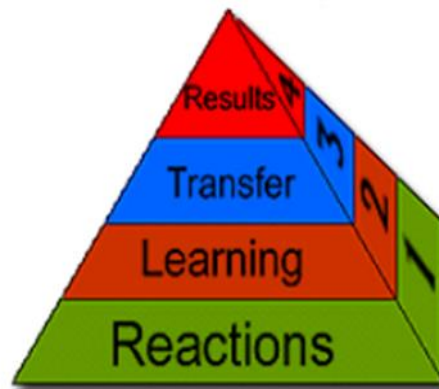
- qualitative evaluation: focuses mostly on training processes and examines the resulting values of them
- quantitative evaluation: focuses mostly on measurement of results and as a result on quantitative data

It is a fact those two evaluation categories complement each other. On the one hand there are qualitative techniques used in interpretation and in adding value to firms and on the other hand quantitative techniques which are appropriate for demonstration and measurement of results (Oliver, 1997).

According to Donald Kirkpatrick (1994), there is well-known model named after him, which allows us to measure the effectiveness and efficiency of a training program. This model consists of 4 stages:

- Did they like it?
- Did they learn it?
- Will they use it?
- Will it matter?

Figure 3.2: Stages of Kirkpatrick Model (1994)



The evaluation process has to start from stage one necessarily. Then, if the factors included in stage one let the procedure continue to the other steps we move on to stages two, three and four. According to Figure 3 located above the first stage is called “Reactions”, the second one “Learning”, the third one ‘Behavior or Transfer’ and the last one “Results or Impact”.

- Stage 1: it is called Reactions because lets organizations measure and evaluate the reactions of employees who are involved in a training program. They measure the satisfaction of employees by the program. That is that they get a feedback through questionnaires shared to them according to which they have to mention and grade how satisfied they are from the program, the trainer, the training tools etc. Research has

shown that questionnaires that are imprinted give better feedback to organizations (Phillips, 2012) than those which are in computerized form (Dessler, 2005).

- Stage 2: it evaluates how much knowledge has been transferred to employees and how much of it has been assimilated by them. This stage is not about employee's satisfaction. It is about the knowledge they have gained and if they can keep it while they are working. The measurement of those results is more difficult than the ones in stage 1. Here the measurement process happens with tests, examinations or simulation exercises.
- Stage 3: measures the changes in behavior of employees trained by a certain program throughout the training process and afterwards. This stage shows the exact effectiveness of the training program. It is really hard to measure the results of stage three. Researchers suggest that results should be measured 6 months of the training process.
- Stage 4: is the most important stage of all in which the organization measures the result of the whole process. They see if the training program has improved the procedures inside the organization or if it has no effect on them. This can be measured by lots of indicators such as the increase in profits, in productivity and efficiency, the improvement in the quality of products, the elimination of costs, the increase of employees' performance, their retention in the enterprise etc.

As the company moves on from stage one to stage four, managers can understand the difficulties occurring in every process. As they move on to stage four they encounter more difficulties. As a result, stage one is simpler than stage two and the stage three is simpler than stage four. However, as we move on to more difficult and time consuming stages the given information that comes out from measurement processes is clearer and better for the organization. That means that its feedback becomes more necessary if they want to get better in the future.

Table 3.1: Myths and prejudices about evaluation process

| | |
|------------|--|
| 1. | Measuring and evaluating performance costs a lot |
| 2. | The evaluation process is very time consuming |
| 3. | There is no reason for trouble if managers of the organization do not demand for it |
| 4. | The evaluation process takes only into account a few features of the training process |
| 5. | Evaluation is not as much repeatable as organizations require |
| 6. | Evaluation is a very subjective procedure |
| 7. | Evaluation is difficult when the training program is simple |
| 8. | Evaluation is only necessary for specific organizations |
| 9. | It is difficult to distinguish between changes in the organization which came from either training programs or other factors |
| 10. | Managers cannot evaluate employees for their work unless they have gone through this stage themselves before |
| 11. | Employees are not responsible for any failure of training programs so there is no reason in evaluating them |
| 12. | Evaluation is the responsibility of CEOs and of the whole organization |
| 13. | Evaluation procedures require specific statistical knowledge and can be measured by specialised staff |
| 14. | If the evaluation is negative it may result in dismissals or salary reductions |

Chapter 4: Costs and benefits of training

According to Gary S. Becker's writing work "A Theoretical and Empirical analysis, with special reference to Education" every enterprise, which wants to train its human capital so as to increase productivity, efficiency and effectiveness, has to deal with many costs. The procedure of training does cost a lot to enterprises. These costs include the time and effort spent from trainers, the time and effort spent from trainees and the appropriate equipment and educational tools needed for the training program. Each and every one of them is current costs made by an enterprise. They could have been spend in production, while they are being used so as to produce products in the future. This happens mostly because trainees are not getting involved in the production process right now. However, they are trained so as to produce products afterwards. In terms of the amount of training costs, they depend on the type of training, for example a trainee in a head position obviously requires more costs for the company than a machine operator.

The training process provided by the company is divided into several categories. Initially, there is the on-the-job training, which is divided into general education and specific education.

Starting with on-the-job training, it is assumed that the product market and the labor market are completely competitive and that a company hires employees without training them. The enterprise is in balance if the marginal products produced are equal to the salaries of the employees:

$$MP = W \quad (1),$$

that is, when marginal revenue equals marginal costs. Assuming that this procedure is being repeated for t periods where each employee has a unique marginal product and a unique salary because employees are hired for a period of time in which their salaries and marginal products do not depend on their current market behavior so:

$$MP_t = W_t \quad (2).$$

It is now assumed that the company trains its employees. This training program will reduce its current income, but it will increase its current expenses. Income is therefore neither equal to marginal products nor to salaries. Due to this hypothesis the above relationship will change to:

$$\sum_{t=0}^{n-1} \frac{R_t}{(1+i)^{t+1}} = \sum_{t=0}^{n-1} \frac{E_t}{(1+i)^{t+1}} \quad (3),$$

where E_t is the businesses' expense, R_t its revenue in time t , i the discount market rate and n the number of periods. This change has occurred because there is now a relationship between present and future business income and expenses. Therefore, we introduce into the equation the notion of present values of business income and expense.

Assuming that the company provides training to its employees only in the initial period, then the initial period's expenses include salaries and training expenses and at the subsequent periods they only include salaries, while the income for the following periods includes only the marginal products. Therefore equation (3) becomes:

$$MP_0 + \sum_{t=1}^{n-1} \frac{MP_t}{(1+i)^t} = \sum_{t=1}^{n-1} \frac{W_t}{(1+i)^t} + W_0 + k \quad (4),$$

where k is the expenditure on education.

If we set $G = \sum_{t=1}^{n-1} \frac{MP_t - W_t}{(1+i)^t} \quad (5),$

that is, as G the difference between the present values of the income and expenses of the enterprise (4) becomes:

$$MP_0 + G = W_0 + k \quad (6)$$

But k only measures the costs included in training procedure and does not include the time spent in which the employee could produce a product that is not

being produced at the moment because of his training. The difference, therefore, between the product that could have been produced if the employee had not been trained MP_0' and that which is now produced MP_0 , is an opportunity cost for the business. Thus, C is the sum of the total costs of training and opportunity costs that occur. Therefore (6) becomes:

$$MP_0' + G = W_0 + C \quad (7)$$

Therefore (7) indicates that marginal products will be equal to salaries in the initial period only when G equals C . In conclusion, on-the-job training is summarized in the above two relationships (3) and (7).

One of the components of on the job training is general education. According to Gary S. Becker, general education is useful for businesses but not for those who provide it to their employees by themselves. To support his point of view he presents the example of a doctor who is trained in a hospital but uses the knowledge and skills he has acquired in other hospitals too. He also argues that in a competitive market, the on-the-job training can increase the marginal productivity of each employee inside the company, but general education increases the marginal productivity of other businesses and the salaries of their employees.

In many market companies training is required. These businesses can only benefit from general education if employees' marginal productivity exceeds their salaries. They will only agree to provide general training to employees if they do not have to pay for it, because this kind of training does not oblige their employees to stay in business. Therefore, employees who want to be trained are willing to pay for their training now, as this will increase their salaries in the future.

According to the above, W_t which represents the wages and MP_t which represents the marginal products will increase by the same amount, so:

$$G = \sum_{t=1}^{n-1} \frac{MP_t - W_t}{(1+i)^t} = 0 \quad (8)$$

And (7) becomes:

$$MP_0' = W_0 + C \quad (9) \text{ ή}$$

$$W_0 = MP_0' - C \quad (10)$$

Or in terms of marginal product that is currently being produced:

$$MP_0 = W_0 + k \quad (9') \text{ ή}$$

$$W_0 = MP_0 - k \quad (10')$$

H (10), therefore, shows that the marginal products produced by employees are not equal to their salaries because they receive lower salaries so as to cover the costs of their training.

The second component of on-the-job training is specific education. Here, Gary S. Becker argues that specific education results in a tremendous increase at the productivity of the enterprise. Unlike general education, the specific one has no effect on the productivity of trainees who will be able to apply their knowledge to other businesses.

Businesses waste resources while training of human capital occurs so that they integrate training into their requirements. This apparently leads to many costs. Special education is therefore an investment of the company, thus, it invests on its human capital. This kind of training is called specific training because it only increases the productivity of the particular enterprise and investment in human capital because it increases the productivity of the enterprise, that is, the productivity of its employees. The company must be sure that if the trained workers leave the company, they will lose the extra value that came from specific training given by them, because if this does not happen the productivity of other companies to which those employees are transferred will increase at their own cost. A company cannot allow this to happen because if it does so it will have tremendous costs and competition will force it to close.

If employee training, in conditions of perfect competition, was fully specialized then the salaries that employees would receive in any business would not depend on their training. Businesses would benefit from increased productivity, as their profits would increase and they would not need to provide additional training unless the costs exceeded their revenue.

So according to (5), (7) the equation would become:

$$MP_0' + G [\sum_{t=1}^{n-1} \frac{MP_t - W_t}{(1+i)^t}] = W_0 + C \quad (11),$$

where C is the training costs of the period t , MP_0 the product that could have been produced if the employee were in another company, W_0 the trainees' current salary and W_t , MP_t the trainees' salary and marginal product at the period t . W_t , according to the above, is the salary that can be acquired in any business the employee is transferred to. Therefore, the $MP_t - W_t$ difference is the business reward in period t due to training in the initial period 0 and G is the present value of these benefits. So, MP_0 will be equal to W_0 , that is, the product that can be produced elsewhere will equal the salary that can be given to the employee if transferred to another company. Therefore, in equilibrium conditions, G equals C , that is, the reward for specialized training equals its costs.

Furthermore, we need to consider two factors, before accepting the above equations. First, that the initial period includes opportunity costs too, so that wages may be higher than the actual marginal products, and second, that even if wages and marginal products are equalized in the initial period, later wages will be significantly lower because they reflect the future benefits of the enterprise from the training of its employees and therefore these benefits are concentrated by the enterprise and not given to its employees.

We can assume that businesses are the ones that pay all costs and those that receive all benefits. The question which occurs now is: whether employees would pay for their training by receiving lower wages. If this were the case, then equation (11) would be converted to:

$$MP_0' - C = W_0,$$

cause MP_t would be equal to W_t and G would be zero.

However, if employees of a business, that has spent money to train them, leave the business, for example because of resignation or dismissal, then the business expenses spent for their training will be considered as a waste of money. So, the business will suffer a loss of cash. On the other hand, if the employee, who has paid for his training, leaves the company, he is the one facing loss of money now. The question is what determines who will ultimately pay for specific education. Staff mobility, replacement and retention rate are the factors that will determine which of the two sides is going to pay for the training costs. This rate is important when various costs are imposed on businesses or employees. This happens when specific training occurs inside a company.

The solution suggested in the question stated above is that the company may pay for the specific training of its employees, but will force them to stay. So, managers will give them a salary slightly higher than the salaries of other competitive companies in the market, but a little smaller than the marginal product they produce.

Suppose that there is a company which uses general and specific training. Because of this phenomenon, the productivity of other businesses increases and the salaries that employees can receive from other businesses are increased too. Therefore the equation becomes:

$$MP' + G = W + C \quad (12)$$

If G' is the reward for employees and G'' is the sum of G and G' in equilibrium $G'' = C$. Suppose also that a is a percentage of the rewards of the business, therefore $G = a G''$ and $G'' = C$ where (12) is converted to:

$$MP' + aC = W + C \quad (13)$$

$$W = MP' - (1-a) C \quad (14)$$

Employees pay part of their training costs so if training was only general $a = 0$ and (14) is converted to (10), if the company was reaping the full rewards from training $a = 1$ and (14) turned into $W = MP'$ and if $0 < a < 1$ then none of the above relationships satisfy the assumptions made above.

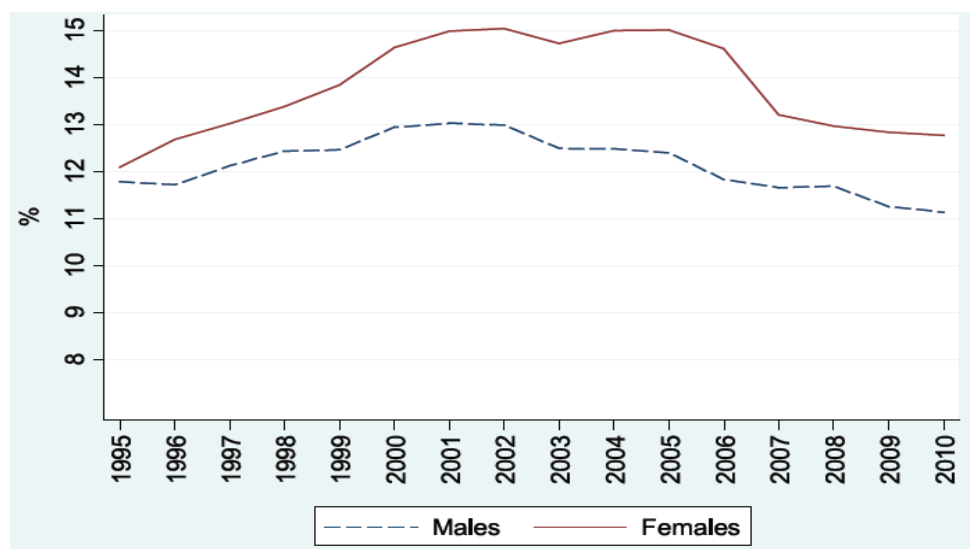
Chapter 5: Impact of recession 2008-09 on training

Both general and more specific theories concerning the impact of recession on training seem to concur that during downturns employee training is one of the sectors that faces serious cuts (Kingston, 2009, Charlton, 2008). But, Brunello (2009) questioned the fact that training follows the economic cycle, arguing that it might rise or fall during a recession. The reason why training might rise during a recession is because firms which face short and mild downturns in their activities tend to keep training high skilled personnel, although they might fire some staff. Therefore, opportunity costs are reduced, training of specialized staff is enhanced so, when the economy recovers from the crisis, this staff will be more productive.

Regarding the view considered mainstream, that training falls during recessions, there are two main approaches. The first one suggests that employers are more likely to start firing personnel and reduce recruitment and the second one suggests that training budgets will have to be reduced due to cost pressures emerging from the recession (Felstead, Green & Jewson, 2012). Also, questionnaires given to managers of Adecco Group of Companies (2019) and to Visible Company (2017) revealed that companies reduce retention of employees and training programs. They try to find sources of funding through offered programs by public sector or private one, so as to survive through the crisis in Greece and other countries around the world. In general, the costs of training may outweigh the benefits of training; hence cuts in training may be a necessity (Felstead, Green & Jewson, 2013). The decision to cut training or not depends on the depth and duration of the crisis as well as the expertise of the personnel. In a recession like the one in 2008-09, which is defined as deep and prolonged, cost pressures are high. So, training benefits are doubtful and costs are high. In contrast, in shallow and short downturns highly skilled personnel is retained in the expectation that when economy recovers they will increase productivity as mentioned above. Whatever the effects of deep and prolonged recessions or shallow and short ones are employers have the chance to reconsider the training method that they use in their organizations. They might think of reducing costs by renegotiating wages and changing training techniques and not by firing employees or stopping training.

The impact of recession on training is expected to affect some groups of employees more than others. According to a survey (Felstead, Green & Jewson 2012), experiences of men and women are different. In *figure 2a* is presented a four-week training rate from 1995 till 2010, separated in two lines, the one with the red colour represents women and the one with the blue colour men respectively. It seems that while men's reduction in training rate is in general steady and slow beginning from 2002, women's decline began in 2005 but the results were sharper for the next two years. The decline of training happened right before the serious 2008-09 recession.

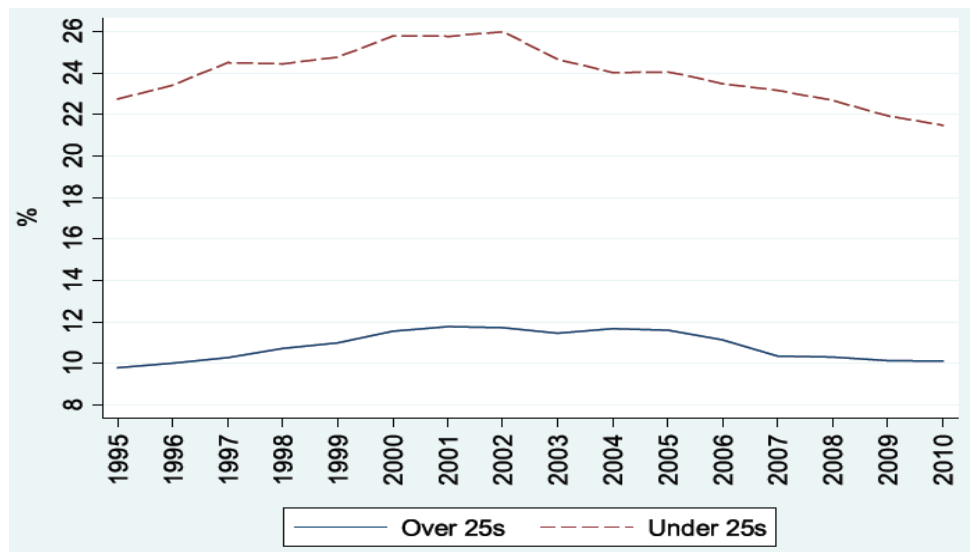
Figure 5.1: Training rate by sex



Source: Felstead, Green & Jewson (2012).

Figure 2b presents training rates by age group under 25 years and over 25 years. The red line represents employees under 25 years old and the blue one those over 25 years old. It seems that here there is no evidence of the recession. The training rate of young people under 25 has declined since 2002 continuously till and after the recession. Those who are older than 25 years, show a decline since 2005, which hardly changed till and after the recession.

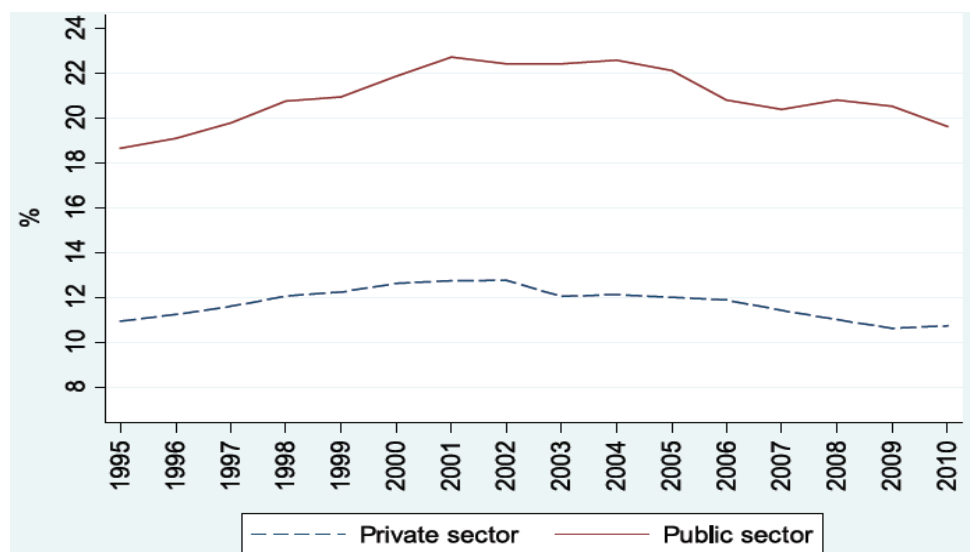
Figure 5.2: Training rate by age



Source: Felstead, Green & Jewson. (2012).

The public sector is one area on which the recession has an impact, still a small one. *Figure 2c* presents the different impact of recession on training rates between public and private sector from 1995 till 2010. Private sector is presented by the blue line and its rates are almost steady during those years, however, public sector rates, which are represented by the red line, started declining from 2006 and even more during the 2008-2010 period nearly to a percentage point.

Figure 5.3: Training rate by sector



Source: Felstead, Green & Jewson. (2012).

Conclusion

This dissertation was written with the purpose of present several issues concerning the Human Resources and the Management of it. This industry is being developed the latest years in or country too. Many researchers and many companies which hold researches for their employees lead to many interesting results well-mentioned.

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