

HR Will Have More Opportunities to Demonstrate Value in 2012

By Rhonda Smith

The U.S. economy, which is showing subtle signs of improvement, in 2012 once again will have a major impact on HR's ability to address hiring, employee engagement, compensation, and other key workplace issues, business and legal experts told Bloomberg BNA.

“The big challenge is still this question of uncertainty in trying to figure out where the economy is going,” said Peter Cappelli, a management professor and director of the Center for Human Resources at the University of Pennsylvania's Wharton School in Philadelphia.

“The big difference now is that there's some evidence—weak evidence—that businesses are coming back,” he said. “It certainly seems to be the case that some hiring will come back.”

At first glance, it might seem that the HR profession is facing challenges identical to those it confronted last year, but there are key differences, employment analysts said.

“In 2011, we were a lot more focused on restructuring, downsizing, rebalancing the workforce, consolidation of HR into smaller, more centralized groups, budget-cutting, and trying to prepare for the economic recovery,” said Josh Bersin, chief executive officer and president of Bersin & Associates, a research and advisory consulting firm in Oakland, Calif. “This year, HR organizations we talked to are increasing their budgets. This is more a year of building, and less of retrenchment.”

In addition to the economy, Cappelli predicted that employee engagement could be a major focus for HR in 2012 because, during the past three years, many employers asked workers “to do more, double-up on jobs, and work more hours.”

Another trend this year involves the “steady movement” by HR practitioners toward integrating more self-service and employee-centric forms of technology into the workplace, said Tom Keebler, global practice leader for HR technology in consulting firm Towers Watson's Philadelphia office.

“[L]arge companies still have an average of seven HR [information-technology] systems in place, making it difficult to create a single integrated environment for analytics, reporting and decision-making,” according to the Bersin & Associates report, *Strategic Human Resources and Talent Management: Predictions for 2012*. “We expect companies to focus heavily on integrating these systems during 2012.”

Employment analysts said other issues HR practitioners are likely to face this year include finding (and keeping) workers with critical skills, managing a much more globally diverse workforce and, of course, reining in rising health care costs.

In addition, the U.S. Supreme Court in March will hear arguments related to the Patient Protection and Affordable Care Act. Among the issues the high court will consider is a U.S. Court of Appeals for the Eleventh Circuit ruling that Congress exceeded its authority under the Constitution when it enacted an “individual mandate,” scheduled to take effect in 2014, that would require virtually all U.S. residents to purchase health insurance or pay a penalty.

The Society for Human Resource Management, which has 260,000 members, has not taken a position on this issue, Mike Aitken, SHRM's vice president of government affairs, told Bloomberg BNA.

“We continue to believe employer-sponsored health care plans are still where most individuals get their health care coverage, and we remain committed to comprehensive reform that lowers cost and improves quality,” Aitken said. “But [any health care reform] should strengthen the employer-based system and make sure [the Employee Retirement Income Security Act] survives and thrives as part of that program.”

Legal cases involving military veterans and workplace harassment and failure-to-hire actions are likely to increase as a result of President Obama's recent approval of the Veterans Opportunity to Work (VOW) to Hire Heroes Act, attorney Shawn Kee, a partner with Jackson Lewis and a lieutenant colonel in the U.S. Army Reserve, told Bloomberg BNA.

And as is typical during the last year of any presidential term, Aitken said, HR can expect an uptick in federal regulations.

According to the employment analysts interviewed by Bloomberg BNA, the top 10 issues facing HR in 2012 are:

1. Economic uncertainty looms. The U.S. economy has yet to fully rebound from the Great Recession, though economists have noted slight improvements recently.

Cappelli said HR practitioners have been responding to the economic downturn by using “damage control” and automation. “They basically trained the vendors to do the work,” he said, by using IT-related tools and, to some extent, turning to outsourcing. “It's a little quirky for the organizations because a lot of this is just driven by peculiar internal accounting, which makes it easier to get money for outsourcing than it is to get money for real positions and permanent hires.”

In 2012, Cappelli said, HR must make the case that it is providing organizations with positive benefits and saving employers money. “The necessity is to start making the case for the benefits of good human resources,” Cappelli said. “That's going to require a different way of talking, and a different way of making the arguments.”

2. NLRB actions cause concerns. Several NLRB-related actions last year will have major implications for HR practitioners in 2012, attorney Stefan Marculewicz, a shareholder in Littler Mendelson's Washington, D.C., office, told Bloomberg BNA.

“NLRB continues to have an interest in social media, and I think you will see more cases related to this,” Marculewicz said.

Meanwhile, NLRB Dec. 23 announced that it is postponing until April 30 its controversial rule for employers subject to NLRB jurisdiction to post a notice informing workers of their federal labor law rights.

On another NLRB matter, the U.S. Chamber of Commerce and the Coalition for a Democratic Workplace Dec. 20 filed a lawsuit in the U.S. District Court for the District of Columbia seeking to enjoin NLRB from enforcing its final rule amending its election representation case procedures (*Chamber of Commerce v. NLRB*, D.D.C., No. 1:11-cv-02262, complaint filed 12/20/11).

The complaint in part asserted that the final rule violates the NLRA and exceeds the board's statutory authority.

Finally, President Obama Jan. 4 announced the recess appointment of two Democrats and a Republican to serve as NLRB members, restoring a quorum to the five-seat board.

3. Curbing health care costs. Employer efforts to rein in the cost of health care will remain on HR radar screens this year.

Helen Darling, president and chief executive officer of the National Business Group on Health, said NBGH noted in a report last year that its mostly large employer members estimated their health benefit costs will jump an average of 7.2 percent in 2012.

In response, large employers plan this year to have workers share more of the cost for health care benefits, Darling said, in part by raising the employee percentage contribution to premium costs and increasing in-network deductibles.

4. Veterans' employment rights. In November, President Obama signed into law the Veterans Opportunity to Work (VOW) legislation, which in part amended the Uniformed Services Employment and Reemployment Rights Act. As a result, it is now easier for employees to sue employers based on hostile work environment claims related to an employee's military status, attorneys said.

“USERRA litigation has, in my tracking, doubled in the past six months of 2011, from the initial six months,” management attorney Shawn Kee, a partner at Jackson Lewis who has offices in Stamford, Conn., and Denver, told Bloomberg BNA. “There's no accurate way to track this nationally but there has been an increase in the last few months.”

Kee said he is not sure what is causing this uptick, but he predicted that USERRA cases will increase even more based on the new law and likely budget cuts at the Department of Defense that lead to more military members seeking employment in the private sector.

5. Rewarding top performers. Average increases in base pay are expected to be about 3 percent in 2012, a slight increase from 2011 levels of about 2.8 percent, global consulting firm Mercer predicted last year.

More recently, in Mercer's Compensation Predictions for 2012 and Beyond update, the firm said, "Mercer expects 2012 to continue down the path of economic recovery, but with periodic bumps and continuing cost constraints.

"Organizations can weather the rough patches by focusing on talent, pay for performance, communication, workforce segmentation and engagement," the update noted.

6. Federal government actions. On Capitol Hill, Aitken at SHRM said, employers are watching a proposed rule from the Labor Department's Office of Labor-Management Standards that would make substantive changes to the forms for reporting labor persuader agreements.

Employer groups, including SHRM, generally view the proposal as a pro-union measure that would impair the business sector's ability to make profits and create jobs. Unions, meanwhile, generally see the proposal as a reasonable measure that begins to bring the reporting required of employers and their persuader consultants in line with the voluminous reporting required from unions.

In addition, Aitken said SHRM this year expects guidance from the Equal Employment Opportunity Commission on the use by employers of credit and criminal background reports during the hiring process.

Meanwhile, the Labor Department's Office of Federal Contract Compliance Programs recently issued a proposed rule that would require federal contractors to set a hiring goal of having 7 percent of their workforces be persons with disabilities. The deadline for commenting on the proposal is Feb. 7.

7. Globalizing talent management. Another key issue in 2012 for HR practitioners will be talent management—whether it involves finding talent or developing talent in emerging markets, said Jason Jeffay, Mercer's Atlanta-based global practice leader for talent management.

He cited emerging markets such as Brazil, Russia, India, and China, as well as the Middle East, broader regions of Asia and Latin American countries, including Mexico, Costa Rica, and Panama. "In all of these countries, companies face a shortage of qualified talent, and severe competition for talent," Jeffay said. "So HR will be very much focused on building a pipeline of talent in emerging markets."

8. Technology integration a priority. In the technology arena, the biggest looming challenge for HR this year is, "Can we get these different systems to talk to each other," said Cappelli at the University of Pennsylvania.

HR practitioners also are trying to determine how to get IT systems that are "more plug-and-play, instead of having to tinker with them to get them up and running," he added.

In addition to technology integration, Keebler said there will be a much greater focus in HR on leveraging the data it currently has and analyzing it to make various workforce projections about the future.

9. Employee engagement critical. As a result of “change fatigue,” employee engagement or “burnout” also will be a concern for employers, predicted Atlanta-based Jackie Greaner, Towers Watson's talent management and organizational alignment, North America practice leader.

“One way to deal with engagement issues is that employees are still looking for career opportunities, and not necessarily promotion opportunities,” Greaner said. “They are looking to [develop] skills and capabilities that are current. So HR will need to continue to invest in career management programs.”

10. HR profession evolving. Changes in the business world also mean more career opportunities for HR practitioners in 2012, various sources said.

“HR is one of the fastest-growing professions right now,” Greaner said. “The jobs are becoming more interesting, and HR has an opportunity to be much more strategic in working with their business clients and really having a high impact.”

Bersin shared a similar view. “If you don't have HR people who understand leadership, talent management, and social networking, they will not be that useful.”

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