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## **Changing patterns of human resource management in construction**

Adrian Wilkinson, Stewart Johnstone and Keith Townsend

### **Introduction**

Recent years have seen increased emphasis on the need for construction organisations to be more client and market oriented - a tantalising vision of a new quality world driven by clients with an emphasis on best value. This is likely to have significant implications for the business model and management in the industry. However, while construction constitutes an important component of global economic activity, and the very nature of the work is labour intensive, there has been a lack of attention given to the study of human resource management issues. Yet it has long been recognised that the way employees are managed can have important implications for organisational performance, and can even be a differentiator between successful and unsuccessful organisations (Marchington and Wilkinson, 2012). Context-specific factors are believed to partly explain typical approaches to managing people in the sector. These include the nature of complex project-based environments, ingrained cultural norms, cyclical demand, and structural flexibility. Delivery of construction projects often requires the co-ordination of a multiplicity of actors, within a largely fragmented, transient and heterogeneous workforce. The construction industry therefore offers a rich and distinctive context for the study of employment issues, and an interesting counterpoint to the employment models traditionally associated with many manufacturing or service contexts.

Much of the existing research tends to paint a fairly bleak picture of employment practices and industrial relations in the construction sector, often depicted as an informal, casualized and even cavalier approach to the management of people with long working hours (Townsend et al, 2011; Lingard et al, 2008) and high rates of health and safety incidents (Loudoun, 2010). Though management styles clearly vary between firms and across countries, thus making it difficult to generalise, the construction industry has been beset by a poor image in relation to approaches to human resource management and workforce relations (ILO, 2001). In contrast to the model of HRM developed by Storey (1995) which emphasises an approach to people management concerned with developing and utilising employees in pursuit of organisational objectives, people management in construction is often characterised as a 'Black Hole' or 'Hard HRM'. Perhaps it is a by-product of the

gendered nature of the construction industry, but Ness and Green (2012) report hostility of project managers towards HRM as a concept, citing evidence from managers who described investment in HR as “a luxury”, “namby-pamby” and viewed HR practitioners as “pen pushers”. Indeed the British government has published various reports exhorting the need for a review of traditional employment practices, for both economic and social reasons. Encouragingly, there is also some evidence of the existence of more ‘enlightened’ approaches to managing people. This special issues aims to take stock and evaluate such changes.

### **Managing people in the construction context**

The construction industry has long been dominated by project-based work of a determinate duration, and economic and contractual factors have long exerted a strong influence over dominant personnel strategies (Druker et.al, 1996). Extensive labour outsourcing has been the norm in most countries (ILO, 2001), and this has made relationships between employers and employee more fluid, transient and opaque than in many other industrial sectors. The highly cyclical nature of the demand for construction projects means maintaining a flexible labour force which can expand and contract to meet peaks and troughs in demand has been a key concern, resulting in most firms staffing for troughs rather than peaks (Green and May, 2003; McGrath-Champ and Rosewarne, 2009). Equally, the wide range of tasks required on a project can vary considerably, meaning the skills and expertise required change from project-to-project as well as on a day-to-day basis (Dainty et.al, 2007). The sector is distinctive in terms of the extensiveness of subcontracting, joint ventures, alliances, and even the creation of new organisations to deliver a particular project (Rubery et.al, 2004).

The desire to maintain workforce flexibility has meant that subcontracting and outsourcing arrangements have been central to the business recipe of the industry worldwide for some time (Druker et.al, 1996; Forde et.al, 2009). Druker and Croucher (2000) suggest use of casual contracts and subcontracting has become even more widespread in the last few decades across several European nations including Germany, Sweden, the Netherlands and Spain. As a result, while full-time permanent employment remains the norm in many countries and across a range of industrial sectors (Nolan and Wood, 2003), in construction ‘non-standard’ or ‘atypical’ models of employment, such as fixed term work and self-employment have a long genesis (Beardsworth et.al, 1987). For example, Raiden et.al (2007) estimate that around 36% of the UK construction workforce is self-employed, compared to 12% of the UK workforce. Winch (1998) also notes that the extensiveness of

casualised forms of labour, and labour-only subcontracting in particular, has been much greater in the UK than in several other European nations.

This complexity has potentially far reaching implications for wider human resource and employment relations issues, including pay and reward, training, career development and employee representation. HR policies can become “fragmented, disjointed and blurred” (Marchington et.al, 2010). The variety of commercial relationships has an impact on the nature of employment relationships and the employer proposition. While subcontracting allows contractors to effectively free themselves of many direct employment obligations, it requires that contractual relationships with subcontractors are well managed, and assumes that in turn they will manage and motivate their workforce effectively (Druker and White, 1996).

### **Perspectives on HRM**

To explore how HRM in construction is changing we look at both micro and macro perspectives on elements of HRM across three dimensions: (a) a human focus, (b) a resource focus, and (c) a management focus (see Wilkinson et al, 2009). Second, we describe the structure of the issue and how the papers deal with the issues raised by this matrix of HRM perspectives.

#### *A Human Focus*

The history of HRM emphasizes its longstanding concern with a human focus. Historically this focus placed a strong emphasis on employee rights, needs and wellbeing. This perspective is evident in developments in the areas of occupational health and safety and grievance management, as well as broad debates about work design, work-life balance and equality and diversity. At its root, HRM focuses on managing the employment relationship and the implicit as well as explicit agreements that are established between individuals and organisations. From a micro standpoint, HRM is concerned with managing the nature of employment and issues of employee voice, as well as the employee’s experience at work and their work-life balance (see for examples, Townsend et al, 2011; Lingard et al, 2008). Insights from psychology inform debates on attracting and developing a committed and engaged workforce. From a more macro perspective, employment relations has traditionally focussed upon exploring the collective processes, structures, actors and relationships associated with the governance of employment (Heery et.al, 2008). A guiding assumption is that the employment relationship is neither a straightforward economic transaction nor simply a legal contract between employer and an individual employee, and emphasis is placed upon understanding the political, social and societal aspects of employment.

Contemporary employment relations is increasingly concerned with a broader range of issues including management style and practices, work organisation, workforce development, personnel policies, and the nature of the relationships between employers and workers, irrespective of trade union presence (Sisson, 2010). Typical areas of interest include the underlying nature of the relations between employers and employees, the role of trade unions as representatives of employees, and the processes through which employers negotiate, consult and communicate with employees.

#### *A Resource Focus*

HRM has the complicated responsibility of balancing the needs and interests of employees against the needs and interests of the organisation. Can HRM be an “employee champion” and a “business partner”? While HRM by its very nature has a human focus, it also focuses on employees as a resource in driving performance. Many of the practices that are typically associated with HRM focus on increasing productivity and enhancing the competitiveness of the firm. From a micro perspective, HRM focuses on individual practices that ensure employee ability and motivation to perform effectively. Recruitment and selection, training and development, and appraisal and rewards all build and develop the talent base of the organisation and close the gap on required skills, abilities, and other factors. From a more macro perspective, a resource focus of HRM addresses the set of practices for managing the aggregate of human capital in organisations. Much of this literature is informed by the resource-based view of organisations as it applies to HRM, and it is the issue of how people management can improve project and organisational performance which has attracted most attention in the literature of HRM in construction (Dainty et.al, 2007; Dainty and Loosemore, 2012).

Perhaps the most distinctive characteristic of the construction sector is the extent of the emphasis upon the flexibility of human resources. According to Atkinson’s model of labour flexibility workers can be divided into two main groups: ‘core’ workers and ‘peripheral’ workers. Core workers are likely to be highly regarded permanent employees, to be well paid and enjoy good career prospects, though in return they are expected to be functionally flexible. They will be involved in key business activities requiring high levels of skill and expected to be adaptable across a range of tasks. Examples of such roles may include professional engineers, and commercial, building and construction management roles. Peripheral workers, on the other hand, provide businesses with a high level of numerical flexibility, in terms of both the number of staff working at a particular time, as well as over the amount of hours worked. They have less job security and may be employed upon short or fixed-term contracts or supplied by an employment agency to complete a specific job.

Examples of such roles may include a range of skilled and semi-skilled personnel in areas including craftworkers, operatives, labourers and administrators, as well as highly qualified specialist professional staff. Employees in this category are likely to have significantly less responsibility and discretion over the work undertaken. The population of peripheral workers also includes those who are self-employed, those selling their labour only (labour-only sub-contractors), as well as those offering both labour, material and equipment and trading as small businesses.

A flexible workforce can have various advantages and disadvantages for employers and workers. For employers, commonly cited benefits include the ability to respond to cyclical and unpredictable demand by providing access to the required skills and to vary labour levels on an ad-hoc basis. Limited numbers of direct employees also allow contractors to effectively outsource many of the labour and employment relations issues to third parties. However, given that those working together on a project may be employed with different sets of terms and conditions, for different periods of time and with contractual obligations to different employers, a potential challenge concerns the requirements of effective project co-ordination and employee motivation (Atkinson, 1984). This leads to possible challenges in terms of work quality, cost escalations and project completion delays. For workers, working for a range of employers on projects might offer a stimulating variety of work, and the opportunity to have some choice over where and when to work. On the other hand, fragmentation, casualisation and individualisation have led to many concerns being raised regarding the work experiences of contingent workers. These include access to adequate training, development and career opportunities, job insecurity, health and safety risks, and a lack of access to employee representation or social security (Druker and White, 1996; Green and May, 2003).

Despite dominant trends in the sector, organisations have a degree of latitude regarding the management workplace relations, and are not entirely victims of external forces. While the hollowed-out flexible firm model remains dominant, there is also evidence of firms which have engaged much more in a direct employment model. This would suggest that the emphasis on flexibility in the sector is not merely an inevitable consequence of employment in project-based industries, but perhaps also the relationship between the underlying business model and HRM strategy. If the business model is premised upon low cost, then a flexible firm model could be viewed as a way of keeping employment and HR responsibilities at a minimum. A business model premised upon overall quality and value, however, might view a subcontracting model as problematic because of the potential management difficulties, such as the challenges of achieving the buy-in, commitment and engagement of

all workers believed to underpin a quality output. Employers may also be influenced by the work of professional, industry and policy bodies.

### *A Management Focus*

While much of the literature on HRM has focused on the needs and concerns of employees (as humans) in organisations, as well as their potential contribution as resources contributing to organisational performance, an important subset of concerns relate to the management of the HR function itself. Within the construction industry, the multiplicity of parties and workers involved in the delivery of a project means the challenges of managing a diverse range of interests is arguably even more acute (Raja et.al, forthcoming). Although the earliest roles and responsibilities of HR managers emerged from the administrative and transactional requirements of employment and personnel issues, the contemporary setting requires HR managers to adopt a more strategic set of roles that focus on managing change, building organisational culture, and becoming a partner in the business. The skills, knowledge, and behaviours of HR managers and leaders in this context are substantially different, and many companies are challenged with identifying and developing the next generation of HR professionals. From a macro perspective the HR function has undergone a significant amount of change as well. The conduct of HRM relations is contingent upon a range of contextual factors at national, industry and workplace level, and which influence the regulation of work. At national level, factors such as legal regulations and cultural norms vary significantly internationally, and determine what kind of relations between firms and workers are deemed acceptable or unacceptable. Scandinavian construction workers, for example, are considered to be well paid and protected in comparison with their counterparts in China and India (ILO, 2001). Even within groups of countries which share important cultural similarities, such as Australia, the UK, and the USA, there are important institutional differences regarding the conduct of employment relations. Furthermore, within the parameters of a particular national context, employers will typically have a degree of latitude and choice regarding how they manage employment relations issues, but will also be influenced partly by industry and sectoral norms. For example, most construction work is carried out in situ at the project location, and the structure of construction industry in most developed economies is characterised by the domination of major projects by a few international contractors, who in turn rely upon subcontracting (McGrath-Champ and Rosewarne, 2009). Often this requires engagement with local suppliers, and with international projects the construction industry remains heavily influenced by local employment laws, regulations and institutions (ILO, 2001).

Firms operating across international borders may adopt different employment relations approaches in different territories in an attempt to achieve a better fit with local conditions, or they may attempt to harmonise policies and transfer practices from their home country to overseas operations. Alternatively, the subcontracting business model enables international contractors to minimise employment obligations associated with direct employment, and to transfer employment relations issues and responsibilities onto domestic subcontractors. Finally, employers may be influenced by fashionable management techniques. Examples include 'Lean Production' and 'Business Process Re-engineering' which have attracted the attention of employers worldwide, though the employment relations implications have been controversial (Green and May, 2003).

### **Key themes of the special issue**

This special issue contains six papers which all address issues related to HRM in construction, and reflect the range of perspectives outlined earlier. The first three papers stress the *human perspective* of HRM and are concerned with the employee experience of work, wellbeing and the regulation of the employment relationship.

From a micro perspective, Caven and Diop draw on an Anglo-French comparative study of architects' careers to investigate the extent to which informal working relationships compensate for the poor financial rewards and job insecurity which accompany the erosion of the 'traditional' rewards – professional power, status and recognition - associated with professional employment. Adopting a grounded theory method and conducting in-depth interviews with 84 architects in the East Midlands region of the UK and the Poitou-Charentes region of Western France, the authors identify that a large amount of personal satisfaction is gained from the informal relationships and strong personal bonds which arise from the networks formed for the duration of the construction project. The authors argue that this cannot be reasonably foreseen prior to the formation of the team and are not necessarily permanent, but they provide a strong intrinsic incentive for the practitioners acting as a powerful inducement to remain in the profession while providing an additional form of compensation to counter the poor financial rewards and attendant job insecurity. The authors challenge existing work on intrinsic rewards arguing it does not adequately acknowledge the importance of social relationships on job and career satisfaction.

From a macro perspective, Wolfson and Thornqvist examine the evolving Swedish model of industrial relations, from both an HRM and contractual perspective. In particular, they explore the so-called Laval case in the European Country of Justice, which addressed the right to defend existing labour standards with the European Community against erosion by



workers prepared to work for lower wages with inferior conditions. They argue that the rulings from the ECJ have had negative implications for employees, with the Court prioritising economic priorities over the social dimension. While they acknowledge that it is difficult to draw definitive conclusions at this stage, they suggest that the ECJ ruling makes it very difficult for organisations in receiving countries to take action against competition for low-wage countries. They conclude that there is now a greater risk of lower terms and conditions being imposed in order to provide competitive bids, with potentially far-reaching consequences for employment relations in Europe.

The paper by Gall examines the somewhat turbulent recent industrial relations of the engineering construction industry in Britain. Drawing on a range of primary and secondary sources, he uses the wildcat strikes of 2009 as a prism by which to consider the issues, processes and outcomes of conflict. The article considers both industrial action as well as 'blacklisting' by employers. Gall suggests that a number of factors can explain recent developments in industrial relations, including closeknit occupational identity of the workers involved, the vibrancy of workplace unionism, and the ramifications of the complex patterns of sub-contracting. He concludes that while the 2009 strikes were the apex of recent industrial conflict, prior and subsequent years show that while workers have the ability to mobilise collectively, they are not always so successful. From a policy perspective, Gall proposes that the rewriting of the Posted Workers Directive is required to reduce the propensity towards industrial conflict in the industry in Britain.

The next two papers reflect the *resource perspective* on HRM, concerned with improving competitiveness and performance through the effective management of people as organisational resources. Phua argues that human resource management (HRM) is still being researched and taught as a largely acultural subject. Even if we intuitively know that there are different culturally-derived variations of HRM practices, the persistent lack of research to articulate the nature of these relationships makes it difficult to advance critical knowledge in this area. This is a salient issue particularly in light of the ongoing skills shortages problem in the construction industry. In this study the author examines the extent to which national cultural differences influence individuals' preference for types of remuneration and job autonomy, and whether actual organisational HRM practices in relation to remuneration and job autonomy reflect such preferences. Using 604 surveys of construction professionals from Hong Kong and Australia, the author found significant difference in HRM preferences between Australian and Hong Kong respondents and these are reflected in the distinct types of HRM practices adopted by construction firms in the two countries. Furthermore, the results show that the gap between individuals' preferences and

actual organisational HRM practices is associated with job satisfaction – a proxy often used to determine job performance and turnover rate. The author suggests that these under-explored cultural and other neglected contextual effects need to be robustly incorporated into the CM literature to facilitate a more sophisticated, fine-grained analysis of HRM and its characteristics.

In the next paper, based on the theory of planned behaviour, Zhang and Ng examine the psychological motivations underlying individual knowledge sharing behaviour in construction teams in Hong Kong. They propose a research model to predict professionals' knowledge sharing behaviour. A questionnaire survey was conducted among professionals from contractors in Hong Kong. Using structural equation modelling, they reveal that professionals' knowledge sharing behaviour is mainly predicted by their intention to share knowledge, which in turn is significantly determined by their attitude towards and perceived behavioural control over knowledge-sharing. In light of the results, a number of possible managerial actions for construction companies are suggested to maintain employees' positive attitude toward knowledge-sharing and enhance their perceived behavioural control over knowledge-sharing. This also provides a starting point for other researchers to further explore factors affecting knowledge-sharing attitude and perceived behavioural control in order to explain knowledge-sharing behaviour.

The final paper illustrates the *management perspective* on HRM. In the construction context, much of the responsibility for managing HR issues such as recruitment and training is devolved to project managers. Lindebaum and Jordan investigate the effects of emotional intelligence (EI) on project manager performance in construction. Drawing on previous research which suggests that EI improves all types of work performance, they identify a need to test such propositions to take account of both context as well as the nature of the tasks. Using data collected from a sample of 55 project managers in the UK construction industry, the authors argue that while project managers levels of EI are linked to most relational performance dimensions, project manager EI was not associated with cognitive task related performance dimensions. The main implication is that while EI is relevant to some aspects of project manager performance, the benefits of EI must not be overstated but thought of as one of a set of competencies required by successful construction project managers.

## **Conclusion**

The articles in this issue highlight the importance of HRM issues in the construction sector. The overall quality of HRM can affect a range of issues, and in the context of construction,

poor employment relations may have an impact upon levels of work quality, innovation, project delays, and corporate reputation. In simple terms, employment relations issues can affect both the ability of firms to meet client needs, and the day-to-day experiences of those working in the sector. Ongoing debates in construction – such as skill shortages, health and safety, or migrant working - all have important employment relations dimensions. They also have potential implications for the competitiveness and productivity of individual construction firms, as well as the performance and reputation of the industry as a whole. The nature of the employment relationship is even more complex because of the emphasis upon maintaining ‘flexible firms’, the project-based nature of the industry, and the transient and fluid nature of the workforce. Yet as Dainty and Loosemore (2012) note, an elevation of the profile of HRM for construction research and practice is long overdue. However, it is clear from this review that HRM can be viewed from different perspectives which place different levels of emphasis upon the human, resource, and management dimensions of work and employment. The articles demonstrate this range of viewpoints, and underline the importance of investigating HRM issues in the construction industry from *both* organisational performance *and* employee wellbeing perspectives.

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