

Cambridge AS & A Level · Business 9609 · Notes

Human resource management (HRM) strategy

A2

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Read first: **Human resource management (HRM), Management**

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What you need to know

By the end of this topic you should be able to:

1. **Explain the difference between "hard" and "soft" HRM:** treating employees mainly as a cost to be controlled, or mainly as people to be developed.
2. **Explain the flexible working contracts** and judge their advantages and disadvantages: temporary contracts, zero hours contracts, part-time, full-time, annualised hours, flexi-time, home working, shift working, job sharing, compressed working hours and the gig economy.
3. **Measure poor employee performance**, explain its **causes** and its **consequences** for a business.
4. **Explain and judge strategies for improving employee performance.**
5. **Explain how Management by Objectives (MBO) is put into practice**, and judge how useful it is.
6. **Explain how Information Technology (IT) and Artificial Intelligence (AI) are changing HRM**, with their benefits and drawbacks.

Workforce planning, labour turnover, recruitment, training and employment contracts are in human resource management (HRM); management styles are in management; motivation theories are in motivation.

Questions on this topic use all of them, so revise those first.

Understand it

What an HRM strategy is

An **HRM strategy** is a business's long-term plan for managing its employees so that the business meets its objectives. It sets how many people the business employs and on what contracts, how they are managed, paid, trained and appraised, and how their performance is checked. A business trying to cut costs and a business trying to be the most innovative in its market need very different HRM strategies.

Hard and soft HRM

The two approaches are the ends of a scale; most businesses sit somewhere between them.

	Hard HRM	Soft HRM
How employees are seen	A resource, like machinery, whose cost should be kept as low as possible	An asset whose skills and commitment can be developed
Planning horizon	Short term: match staff numbers to today's demand	Long term: build the workforce the business will need
Contracts	Flexible and temporary where possible, so staff can be added or cut quickly	More permanent contracts, with flexibility the employee chooses
Management	Close supervision, targets set from the top, little delegation (closer to autocratic)	Delegation, consultation, involving staff in decisions (closer to democratic)
Training	Only what the job needs now	Continuing development and career paths
Pay	Linked closely to output; little beyond the market rate	Fair pay plus non-financial rewards such as recognition and responsibility
Communication	Mostly instructions, top down	Two-way: appraisal, meetings, suggestions

Strengths of hard HRM: labour costs stay low and can be cut quickly when demand falls; tight control gives consistent output in routine work; decisions are quick. **Weaknesses:** staff feel like a cost, so motivation falls; labour turnover and absenteeism rise, which pushes recruitment and training costs back up; staff stop suggesting improvements; relations with trade unions can get worse.

Strengths of soft HRM: loyal, motivated staff stay longer, so recruitment and training costs fall; skilled staff use their judgement and come up with ideas; customers get better service. **Weaknesses:** training, consultation and better conditions cost money now, while the benefits arrive later; decisions take longer; trained staff may be hired away by competitors; some staff prefer clear instructions.

Which one fits? It depends on the business and the workers:

- **The type of work:** creative, skilled or customer-facing work gains from soft HRM; simple, repetitive work can be run efficiently with harder methods.
- **The labour market:** if skilled staff are scarce, a hard approach makes them leave for rivals; if many people want the jobs, it costs the business less.
- **Objectives and competition:** a business competing on price may need hard cost control; one competing on quality or ideas needs committed staff. A business with social or ethical aims may choose soft HRM even when it costs more.
- **Mixed approaches:** many businesses use soft HRM for core, skilled staff and harder methods for peripheral staff. That can be efficient, but staff who see others treated better may resent it.

Flexible working contracts

A **full-time permanent** contract gives the employee a standard working week (often 35–40 hours) with no end date. The other contracts change **how many hours, when, where** or **for how long** someone works.

Contract	What it means	Main advantage to the business	Main disadvantage to the business
Temporary	Employment for a fixed period or a single project	Staff only when needed, e.g. a busy season; a trial before a permanent job	Little loyalty; training is lost when they leave
Zero hours	No minimum hours guaranteed; the employee is offered work when it is needed	Labour cost follows demand exactly	Workers may refuse shifts or leave for steadier work; low commitment
Part-time	Fewer hours than the full-time week	Cover for busy times of day; attracts people who cannot work full-time, such as parents and students	More people to train and manage per hour worked
Full-time	The standard working week, usually permanent	Committed staff who are always available	Paid even when there is little work
Annualised hours	A set number of hours a year (say 1,700), worked unevenly, with the same pay every month	Long weeks in busy periods without overtime pay	Hard to plan; staff may resent long weeks at short notice
Flexi-time	Staff choose start and finish times around fixed core hours	Better morale and punctuality; longer opening hours covered	Harder to arrange meetings and supervision
Home working	Working from home for some or all of the week	Saves office space; recruit from a wider area	Harder to supervise, train and build team spirit
Shift working	The day is split into shifts so work continues for 16 or 24 hours	Expensive machinery used all day and night	Night shifts tire staff; extra pay for unsocial hours
Job sharing	Two part-timers split one full-time job	Keeps skilled staff who want fewer hours; one can cover for the other	Needs good handovers between the two
Compressed hours	Full-time hours in fewer, longer days (e.g. four 10-hour days)	Popular with staff, so recruitment and retention improve	Tiredness late in long days; gaps in cover on the day off

Contract	What it means	Main advantage to the business	Main disadvantage to the business
Gig economy	Self-employed workers paid per task, often found through an app	No employment costs such as holiday pay; scale up or down at once	Little control over who is available or the quality of service

For employees, flexibility helps when they choose it (fitting work around family or study) and hurts when the business imposes it (unpredictable income, no sick pay, insecurity). This is the key to judging a contract: **who gets the flexibility**. A business that uses flexibility only to cut costs is using hard HRM; one that offers flexibility staff ask for is using soft HRM.

Core and peripheral workers. Many businesses keep a **core** of permanent, full-time, skilled staff and use a **peripheral** workforce on temporary, part-time or zero hours contracts to cover peaks. The core gives skills and continuity; the periphery gives flexibility.

Measuring employee performance

Measure	How to calculate it	Poor performance shows as
Labour productivity	$\frac{\text{output in a period}}{\text{number of employees}}$	A fall
Absenteeism rate	$\frac{\text{days lost through absence}}{\text{total possible working days}} \times 100$	A rise
Labour turnover	$\frac{\text{number of employees leaving}}{\text{average number of employees}} \times 100$	A rise
Waste or reject rate	$\frac{\text{faulty units}}{\text{total output}} \times 100$	A rise
Others	Accidents, lateness, customer complaints, missed deadlines	A rise

- **Productivity is in units of output per worker**, never dollars, and always for a stated period. Annual productivity uses annual output: if you are given monthly output, multiply by 12 first. Average monthly productivity over several months is the average monthly output divided by the average number of employees.
- **Total possible working days** = number of employees × working days per employee. For 40 staff each due to work 220 days, it is 8,800 days.
- **Average number of employees** is usually (number at the start + number at the end) ÷ 2.
- Compare a figure with **last year**, **other parts of the business** or the **industry average** before calling it poor.

Causes of poor performance: low motivation (boring work, no recognition, pay seen as unfair); poor management (too strict, or no direction at all); poor communication, so staff do not know what is expected; too little training; targets that are unrealistic or imposed; poor equipment or working conditions; job insecurity, for

example after redundancies or a move to zero hours; poor recruitment, so people are in the wrong jobs.

Consequences: higher unit costs (paying for absent staff, overtime cover, waste, recruitment and training of replacements); lower quality, more complaints and a damaged reputation; missed orders and lost sales; a spiral in which the remaining staff are overloaded, so they leave too.

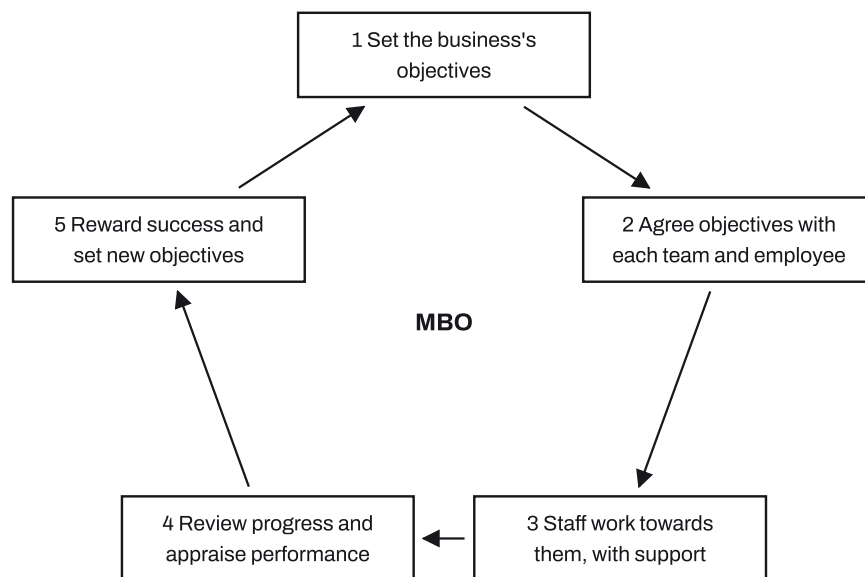
Strategies for improving employee performance

The right strategy depends on the **cause**, so diagnose first. Pay rises do little if the problem is poor training or a strict supervisor.

- **Training:** skills gaps closed, fewer mistakes; also shows staff they are valued. Costs money and time; trained staff may leave.
- **Better recruitment and selection:** the right people in the right jobs from the start.
- **Financial rewards:** bonuses or performance-related pay linked to clear targets. Can raise output quickly, but may encourage speed over quality.
- **Non-financial rewards:** job enrichment, job rotation, team working, recognition, promotion routes (link to Herzberg and Maslow).
- **Empowerment and participation:** staff help set targets and solve problems, so they are more committed to the result.
- **Appraisal:** regular reviews that set goals and identify training needs.
- **MBO:** see below.
- **Flexible working staff choose:** lower absenteeism and turnover among staff with other commitments.
- **Better equipment and working conditions.**
- **Discipline:** clear procedures for persistent lateness or absence. A hard method: it can work for a few individuals, but used widely it lowers morale.

Management by Objectives (MBO)

MBO, described by Peter Drucker, links every employee's work to the business's objectives through objectives that managers and employees **agree** together.



Putting it into practice:

1. The directors set the business's objectives (for example, cut delivery times by 20% this year).
2. These are broken down into objectives for each department, team and employee, **agreed** in discussion rather than imposed, and made SMART (specific, measurable, achievable, realistic, time-bound).
3. Employees get the resources, training and authority to meet them.
4. Progress is checked regularly, and performance is reviewed at appraisal.
5. Success is rewarded, problems are dealt with, and new objectives are set.

Usefulness:

- Everyone knows what is expected and how their work fits the whole business, so effort is coordinated.
- Agreeing objectives gives staff some control and a sense of achievement, which motivates (soft HRM; Herzberg's motivators).
- Performance becomes measurable, so appraisal is fairer and training needs show up early.

Limits:

- Agreeing and reviewing objectives for every employee takes management time.
- If objectives are imposed, or unrealistic, MBO becomes a target-driven hard method and demotivates.
- What is easy to measure gets attention; quality, teamwork and helping colleagues can be neglected.
- Objectives set for a year can go out of date quickly when the market changes.
- Some jobs, especially in teams, make individual objectives hard to set fairly.

IT and AI in HRM

IT in HRM means computer systems that store and process staff information: an HR database of every employee's records, payroll software, online application systems, e-learning, rota and attendance systems. **AI** goes further: software that performs tasks needing human-like judgement, such as reading and ranking job applications, answering staff questions through a chatbot, predicting which employees are likely to leave, or matching shift rotas to forecast demand.

Use	Benefit to the business	Drawback or risk
Online recruitment and AI screening of applications	Hundreds of applications ranked quickly and consistently; vacancies filled faster	The software may copy past bias and reject good candidates; applicants may dislike being judged by a computer
HR database and payroll software	Fewer errors; less administrative staff time	Set-up and training costs; data protection rules must be met
Chatbots for staff questions on policies, pay or holidays	Answers at any time without HR staff time	Impersonal; complex or sensitive problems still need a person
Performance monitoring (tracking output, location, keystrokes)	Real-time data on productivity; problems spotted early	Staff feel distrusted (hard HRM); data can be inaccurate or unfair
E-learning and AI feedback in training	Training at the employee's own pace; instant feedback cuts mistakes	Less suited to practical skills; needs staff willing to use it
Rota and scheduling software	Staff numbers match demand, so less idle time and overtime	Rotas can change at short notice, which staff resent
Data analysis of absence and turnover	Patterns found early, so causes can be fixed	Only as good as the data; may be seen as surveillance

The role of HR staff is changing: routine work (records, payroll, first-round screening) is automated, so HR staff spend more time on judgement, such as planning, coaching managers and handling difficult cases. Some HR jobs are lost. Whether IT and AI support soft or hard HRM depends on how they are used: to free managers to develop people, or to watch and control them.

Key facts and formulas

There is no formula list for this subject in the exam. "Learn it" means you must remember it.

Formula or fact	Status
Labour productivity = $\frac{\text{output in a period}}{\text{number of employees}}$ (units per employee, not dollars)	Learn it

Formula or fact	Status
Absenteeism rate = $\frac{\text{days lost through absence}}{\text{number of employees} \times \text{working days per employee}} \times 100$	Learn it
Labour turnover = $\frac{\text{number of employees leaving in a period}}{\text{average number of employees}} \times 100$	Learn it
Average number of employees = $\frac{\text{number at start} + \text{number at end}}{2}$	Learn it
Hard HRM: employees as a cost to control (close supervision, imposed targets, flexible contracts to cut cost, minimum training); soft HRM: employees as an asset to develop (training, delegation, consultation, appraisal)	Learn it
Flexible contracts: temporary, zero hours, part-time, full-time, annualised hours, flexi-time, home working, shift working, job sharing, compressed hours, gig economy	Learn it
Measures of employee performance: labour productivity, absenteeism, labour turnover, waste or reject rate, accidents, lateness, complaints	Learn it
MBO: objectives agreed between managers and employees, linked to the business's objectives, then monitored, reviewed and rewarded	Learn it

How to do it

We have tagged 21 questions on this topic (2021–2025), all from Papers 3 and 4. 3 of them mix two types (a calculation and an evaluation), so the counts add up to 24.

Question type	Questions
Evaluate a business's HRM approach or HR strategy (hard vs soft)	8
Evaluate the importance of workforce planning	4
Analyse or evaluate flexible / changed employment contracts	4
Calculate employee performance measures (productivity, absenteeism, labour turnover)	3
Evaluate or advise on ways to improve employee performance	3
Analyse two benefits of an HRM approach or tool (soft HRM, AI)	2

The marks are for four skills: **K** (knowledge: a correct definition or point), **App** (application: using facts from the case to support a point, not copying them), **An** (analysis: a chain of causes and consequences) and **Eval** (evaluation: a supported judgement). Below, (K), (App), (An) and (Eval) after a sentence show the mark it earns.

How the papers mark them.

- **Paper 3, Analyse [8]:** 2 K, 2 App, 4 An. A definition earns at most 1 K; the other K comes from naming the advantage or benefit. App is at most one per point. One link in a chain is Level 1 (1–2 An); two or more links is Level 2 (3–4 An), and 4 needs both points developed.
- **Paper 3, Evaluate [12]:** 2 K, 2 App, 2 An, 6 Eval, each by levels. Developed K needs both knowledge of the HRM idea and of its effects (or of the factors in the decision). The top Eval level (5–6) needs a developed judgement **in the business's context**.
- **Paper 4, Evaluate or Advise [20]:** 3 K, 2 App, 8 An, 7 Eval. No App, An or Eval marks are given without some K. Limited analysis (single links) stops at 3 An; the top marks need developed chains and a **counter-argument** to them, so the analysis of the whole strategy is two-sided.
- **Calculations:** 1–3 marks each, with method marks for the formula and the right figures, and own figure rule (OFR) in the evaluation that follows.
- **2021–2022 papers** used older grids: [16] as 2 K, 2 App, 6 An, 6 Eval; [12] "assess" as 2 K, 2 App, 4 An, 4 Eval; [10] analyse as 3 K, 2 App, 5 An.

1. Evaluate a business's HRM approach or HR strategy (hard vs soft) (8 questions)

Set as a Paper 3 Evaluate [12] (the business's approach, its HRM decisions, using two approaches for two groups of staff, or the key factor before changing approach) and as a Paper 4 [20] about an HR strategy carried out over several years.

1. **K:** define hard and soft HRM, and name the effects an approach has: motivation, labour turnover, absenteeism, productivity, quality, labour costs.
2. **App:** **classify** the business's approach from the evidence. Hard signs: close supervision, targets imposed, temporary or zero hours contracts, redundancies, minimal training, penalties, monitoring software. Soft signs: training, delegation, consultation, appraisal, promotion routes, good facilities, flexibility chosen by staff. Many businesses are mixed: say which parts are which. Use the case's numbers (labour turnover, absenteeism, productivity, profit) as evidence of the effect.
3. **An:** chains both ways. Soft: training → better skills and morale → fewer leave → lower recruitment costs and better service → repeat sales. Against: training and facilities cost money → higher unit costs → harder to compete on price. Hard: zero hours → wage bill follows demand → lower costs → higher margin; against: insecurity → staff leave → recruitment costs and inexperienced staff → more mistakes.
4. **Eval:** judge whether the approach suits **this** business. It depends on:
 - the **type of worker** (skilled, creative or customer-facing against routine);
 - the **labour market** (can staff easily get jobs elsewhere?);
 - the business's **objectives** (profit, growth, social aims) and its **competition** (price or quality);
 - **short term against long term** (soft costs now, pays later);
 - whether the results really come from HRM, or from other causes (the economy, competitors, marketing, new machinery).

Variations you will meet:

- **Two approaches for two groups of staff:** argue why each group suits its approach, then weigh the risk that the group treated more harshly resents the difference, and what management could do about it.

- **The most important factor before changing an approach** (for example after a takeover): choose one factor (cost of the change, the nature of the workforce, the culture gap, managers' willingness) and argue why it outweighs the others in context.
- **Paper 4 [20] over several years**: separate the parts of the strategy (redundancies, contracts, pay, training, technology), analyse each with its counter-argument, then judge the strategy as a whole against the objective it was meant to meet, and ask what else could explain the results.

2. Evaluate the importance of workforce planning (4 questions)

All four were 2021–2022 Paper 3 [16] questions. They are still useful practice, because the answer depends on the choice of contracts in this topic.

1. **K**: workforce planning means comparing the current workforce with the **number and skills** of employees the business will need, then planning how to close the gap: recruitment, training, redeployment, and the mix of contracts. Core and peripheral workers, and flexible against permanent contracts, are the tools.
2. **App**: what in the case makes the need for staff hard to predict or hard to fill: seasonal peaks, a shortage of a particular skill, high labour turnover, an expansion or a new contract.
3. **An**: the right number and skills at the right time → no lost output or waste from too few staff, no wages paid for idle staff → lower costs, better service, objectives met. The chain must end in a result for the **business**: an effect on employees counts only when you say what it means for the business.
4. **Eval**: a plan is only as good as its forecast (demand, weather, the economy); it cannot create skilled workers who do not exist in the labour market; existing full-time staff may resist new contracts; and it must fit the long-term objectives. Judge how important it is compared with these other factors. Some mark schemes give no Eval marks unless the answer also has App.

Workforce planning is **not** motivation. Answers that drift into how to motivate existing staff do not answer the question.

3. Analyse or evaluate flexible / changed employment contracts (4 questions)

Mostly Paper 3 Analyse [8]: two advantages, or one advantage and one disadvantage, of a type of contract for the business in the case. Once, an Evaluate [12] on giving some workers a guaranteed amount of work.

1. **K**: one short definition is enough (it earns at most 1 K): a zero hours contract guarantees no hours, a part-time contract is fewer hours than the full-time week. Then name each advantage or disadvantage.
2. **App**: one case fact per point: seasonal or uncertain demand, a small workforce, low margins, skilled staff who are hard to recruit, quality that depends on experience.
3. **An**: each point at least two links, ending in a result **for the business**:
 - zero hours → staff paid only when orders arrive → lower labour costs in quiet months → lower unit cost → competitive prices or higher profit;
 - part-time with chosen hours → staff fit work around family → fewer absences and resignations → lower recruitment costs and steady output;

- imposed zero hours → insecure staff → skilled workers leave for steadier jobs → recruitment and training costs rise, quality slips.

Write exactly the points asked for (only the best ones are marked), in the direction asked (if the question says advantages, disadvantages earn nothing), and no conclusion: "analyse" has no Eval marks.

The [12] version: both sides (security and loyalty for the chosen workers, better service, easier planning against paying for work when demand is low, lost flexibility, and resentment among those not chosen), then a judgement on whether it suits this business and what it depends on, such as how steady demand is and whether workers want the contract.

4. Calculate employee performance measures (productivity, absenteeism, labour turnover) (3 questions)

Always a Paper 3 part (a), feeding the evaluation that follows.

1. **Write the formula** in words first. It earns the method mark even if the arithmetic goes wrong.
2. **Pick the right figures:** annual output (monthly × 12 if needed), average number of employees, total possible working days (employees × days each).
3. **Substitute and calculate**, then give the unit: units per employee (not dollars), or %.
4. **Use the answer** in the evaluation: compare it with the previous year or the industry average, and say what it shows about the HRM approach.

Showing the steps matters: a wrong answer with no working can earn nothing, while correct figures in the right formula earn method marks.

5. Evaluate or advise on ways to improve employee performance (3 questions)

Set as a Paper 3 Evaluate [12] on the best approach for a business, and as Paper 4 [20] questions that judge a strategy already used or ask for advice on a new one.

1. **Measure:** use the case's figures to show performance is poor and how (productivity, absenteeism, turnover, rejects, accidents, lateness).
2. **Diagnose:** find the causes in the case. Check what is **not** the cause: if pay is already above the industry average, more pay is unlikely to fix the problem.
3. **Recommend or judge:** match each strategy to a cause (no training → training; imposed targets → agreed objectives through MBO; strict supervision → empowerment; no promotion → career routes), and chain it to performance and then to costs, quality or sales.
4. **Eval:** compare two or three strategies on cost, speed and how well they tackle the cause; say what success depends on (managers' willingness to change, finance, the labour market); then make a clear recommendation in context. For a strategy already used, weigh what improved against what got worse, and separate HRM's effect from other causes.

6. Analyse two benefits of an HRM approach or tool (soft HRM, AI) (2 questions)

Paper 3 [8] (and a [10] in 2022): two benefits of the business's soft approach, or two benefits of using AI in HRM.

1. **K**: name each benefit (a definition earns at most 1 K).
2. **App**: one case fact per benefit, such as what the business makes, which HR task the AI would do, or how the business trains and delegates.
3. **An**: chain each to a result for the business: AI screening → applications ranked against the job's criteria in hours → better candidates chosen faster → fewer costly hiring mistakes and quality kept high. Soft HRM's delegation → local staff decide quickly → customers better served → repeat sales.

Benefits only, exactly two; a drawback earns nothing.

Worked examples

Example 1

Tidewater Tiles (TT) makes ceramic floor tiles. Data for 2025:

	2025	Industry average
Employees on 1 January	46	
Employees on 31 December	54	
Employees who left during the year	9	
Average monthly output (tiles)	20 000	
Working days per employee	230	
Days lost through absence	690	
Absenteeism rate		4%
Labour turnover		12%

(a) Calculate TT's annual labour productivity for 2025. [2]

(b) Calculate TT's absenteeism rate for 2025. [3]

(c) Calculate TT's labour turnover for 2025. [2]

(a) Annual output = $20\,000 \times 12 = 240\,000$ tiles and average employees = $\frac{46 + 54}{2} = 50$, so labour productivity = $\frac{240\,000}{50}$ (1 for output divided by employees) = 4800 tiles per employee (1).

Dividing the monthly output by 50 gives 400, the monthly figure: the method earns 1 mark, but the answer mark needs the annual figure, so remember to multiply by 12.

(b) Total possible working days = $50 \times 230 = 11\,500$ (1). Absenteeism rate = $\frac{690}{11\,500} \times 100$ (1) = 6% (1).

(c) Labour turnover = $\frac{9}{50} \times 100$ (1) = 18% (1).

Both TT's absenteeism (6% against 4%) and its labour turnover (18% against 12%) are 1.5 times the industry average, which is evidence that something in its HRM is going wrong, the starting point for an evaluation.

Example 2

BrightBuild (BB) repairs and maintains the buildings of 40 schools. Most of its work must be done while the schools are closed, so about 70% of BB's work falls in the 13 weeks of school holidays. Its 30 electricians and plumbers are on full-time contracts of 38 hours a week, all year. In holidays they work long overtime at 1.5 times their normal hourly rate; in term time some days have little work. Last year BB paid \$210 000 in overtime. The tradespeople complain that their pay is very high in some months and much lower in others. Qualified electricians are hard to recruit in the area. BB plans to move all 30 to **annualised hours** contracts of 1,760 hours a year.

Analyse two advantages to BB of using annualised hours contracts. [8]

Lower labour costs. Annualised hours contracts set a total number of hours for the year, which the business can schedule unevenly (K). BB's tradespeople can work long weeks in the 13 holiday weeks and short weeks in term time, at the normal rate (App). The long holiday weeks are part of their contracted hours, so BB no longer pays 1.5 times the hourly rate for them (An); much of last year's \$210 000 overtime bill is saved, so BB's cost per repair job falls, which raises its profit or lets it charge schools less than rival maintenance firms (An).

Keeping skilled staff. A second advantage is lower labour turnover, because staff on annualised hours are paid the same amount every month (K). BB's tradespeople dislike pay that swings from month to month, and qualified electricians are hard to recruit in the area (App). With a steady monthly income they can plan their finances, so they are more satisfied and less likely to leave for another employer (An); BB keeps trained electricians, avoids the cost and delay of recruiting scarce replacements, and has enough skilled staff for the holiday peak (An).

Each advantage earns K + App + a developed chain: $2K + 2App + 4An = 8$. No judgement is needed: "analyse" has no evaluation marks.

Example 3

Larkspur Architects (LA) designs schools, libraries and offices. Its 60 employees work flexi-time and may work from home two days a week. Each architect agrees project objectives with their team leader every quarter, and every employee has 8 days of paid training a year. LA's labour turnover is 5%, against 14% for architecture practices in the country, and LA won three design awards in 2025. But in 2025 a rival charging lower fees took 4 of LA's 20 regular clients, and LA's profit margin fell from 15% to 9%.

A new partner, Dominic, wants LA to end home working, set each architect a target number of hours charged to clients, check it with time-tracking software, and cut training to 3 days a year.

Evaluate Dominic's proposal to move LA to a harder approach to HRM. [12]

Knowledge. Hard HRM treats employees as a cost to be controlled, with close monitoring and targets set from above; soft HRM treats them as an asset to be developed, with training, trust and consultation (K). A harder approach can cut costs and raise output, but it often lowers motivation and raises labour turnover (K).

For the proposal. LA's margin has fallen by 6 percentage points and it has lost $\frac{4}{20} \times 100 = 20\%$ of its regular clients to a cheaper rival (App). Cutting training from 8 days to 3 saves $5 \times 60 = 300$ working days a year, and targets for hours charged to clients push architects to spend more of their time on paid work (App). More chargeable hours per architect → lower cost per project → LA can lower its fees and win back price-sensitive clients, which would lift its margin (An).

Against the proposal. LA's work is creative and skilled, and its soft approach seems to be working: turnover is 5% against 14% for the industry, and its designs win awards (App). Ending home working and imposing monitored targets tells architects they are not trusted → motivation falls → some leave for practices that offer flexibility → LA pays to recruit and train replacements and loses the design quality that won the awards (An).

Evaluation. The problem LA faces is price, not staff performance: nothing in the case suggests its architects are unproductive, so a harder approach treats the wrong cause (Eval). The saving is small compared with the risk: 300 training days a year is little against the cost of losing even a few experienced architects in a market where competitors keep staff for a much shorter time (Eval). Time-tracking may also push architects to spend their time on chargeable work and less on the design quality that wins awards (Eval).

Judgement. Dominic is right that LA must respond to the price competition, but a broad move to hard HRM is likely to harm LA more than help it, because its advantage over the cheaper rival is the quality its loyal, skilled staff produce (Eval). A better route keeps the soft approach and uses its own MBO system: agree, not impose, objectives on chargeable time within the quarterly objectives, keep home working, and trim training only where it is not linked to clients' projects (Eval). The decision depends on how many clients choose on price alone: if most of the remaining 16 value design quality, LA should compete on quality, not on fees (Eval).

The marks: 2 K, 2 App, 2 An, and 6 Eval for a developed judgement in LA's context that weighs cost savings against the loss of skilled staff and quality, and says what it depends on.

Example 4

Meridian Labs (ML) runs six laboratories that test medical samples for clinics and hospitals. It employs 400 staff.

Year Event

2021	Many results are reported late; staff complain of unpredictable overtime
2022	Priya, the new HR director, introduces MBO: each laboratory manager agrees targets for on-time results and errors with their team, and teams that meet both share a bonus
2022	Scientists are offered compressed hours (four 10-hour days a week); 60% choose them

Year Event

2023 AI rota software matches shifts to forecast sample numbers; AI screening of job applications cuts the time to fill a vacancy from 9 weeks to 4

2023 Two hospitals close their own laboratories and send samples to ML; the number of samples rises by 30%

2024 Automated analysers are installed in 4 of the 6 laboratories

	2021	2023	2025
Results reported late	22%	15%	8%
Error rate	1.9%	1.6%	0.9%
Absenteeism rate	7%	5%	4%
Labour turnover	24%	17%	13%

Evaluate how far Priya's HR strategy explains the improvement in ML's employee performance between 2021 and 2025. [20]

HR strategy and performance. An HR strategy is a long-term plan for managing employees so that the business meets its objectives (K). Employee performance can be measured by absenteeism, labour turnover and the quality and timeliness of work (K). Priya's strategy combines MBO, flexible contracts and AI in HRM (K).

MBO and team bonuses. Laboratory teams agree their own targets for on-time results and errors (App). Because they helped set them, they are more likely to accept them and to change how they work → late results fell from 22% to 15% by 2023, before any new machines arrived (An). But a shared bonus for meeting both targets could tempt a team to under-report errors, so part of the fall in the error rate may be on paper only (An).

Compressed hours. 60% of scientists chose four 10-hour days (App). Flexibility they chose → staff feel trusted and can fit work around their lives → absenteeism fell from 7% to 5% and turnover from 24% to 17% by 2023, so ML spent less on recruiting and training and kept experienced scientists who make fewer mistakes (An). Against this, 10-hour days are long for close laboratory work; tired staff in the last hours may make errors, which may be why the error rate fell only from 1.9% to 1.6% by 2023 (An).

AI in HRM. Rota software matches shifts to forecast samples, so the unpredictable overtime staff complained of is reduced → less fatigue and resentment → fewer absences (An). Filling vacancies in 4 weeks instead of 9 means teams are short-staffed for less time, so results are less often late (An).

Other causes. The automated analysers in 2024 came from investment in machinery, not HR (Eval). Between 2023 and 2025 the error rate fell from 1.6% to 0.9%, which is $\frac{1.6-0.9}{1.9-0.9} \times 100 = 70\%$ of the whole fall, so most of the improvement in accuracy happened after the machines arrived (Eval). On the other hand, ML improved in 2023 although it was handling 30% more samples, which would normally make results later and errors more likely: that improvement came before the analysers and points to the staff (Eval).

Bringing it together. The data split the credit. By 2023, before automation, ML had achieved half of the fall in late results ($\frac{22-15}{22-8} \times 100 = 50\%$), $\frac{7-5}{7-4} \times 100 = 67\%$ of the fall in absenteeism and $\frac{24-17}{24-13} \times 100 = 64\%$ of the fall in labour turnover (An). So the HR strategy explains most of the improvement in attendance and staff retention, and about half of the improvement in timeliness; the analysers explain most of the gain in accuracy (Eval). The strategy probably also helped the analysers succeed, because a stable, experienced workforce learns new equipment faster than one where a quarter of staff leave each year (Eval). Overall, Priya's HR strategy is the main reason for the improvement in how ML's employees perform, but not for the accuracy of its results. ML should check whether the bonus is distorting error reporting, and keep watching errors on the long compressed-hours days before judging the strategy a full success (Eval).

The marks: 3 K, 2 App, 8 An (each part of the strategy analysed with a counter-argument, and the parts connected through the data) and 7 Eval (a judgement in ML's context that separates the HR strategy from the analysers and the rise in samples, and says what it depends on).

Common mistakes

- **Giving productivity in dollars.** Labour productivity is output (units) per employee in a period. A "\$" in front of it is wrong.
- **Mixing up monthly and annual figures.** If the question asks for annual productivity and gives monthly output, multiply by 12 first; a monthly answer earns only part of the marks.
- **Turning a formula upside down,** for example employees $\div$ leavers. Write the formula in words before the numbers, and show every step: a wrong answer with no working earns nothing.
- **Forgetting the total working days** in absenteeism. Days absent must be divided by employees $\times$ working days each, not by the number of employees.
- **Treating workforce planning as motivation.** Workforce planning is about the number and skills of staff the business will need, and how to get them.
- **Stopping at the employee.** "Zero hours contracts leave workers with an unpredictable income" is not yet a disadvantage **to the business**. Continue the chain: insecure workers leave $\rightarrow$ recruitment and training costs rise.
- **Adding a conclusion to an "analyse" question.** It earns nothing and uses up time; save judgement for "evaluate", "discuss" and "advise".
- **Writing more than two points** in a "two advantages" question. Only the best two are marked, and each extra point leaves less time to develop the two that count.
- **Answering the other direction.** If the question asks for benefits or advantages, drawbacks earn nothing.
- **Describing hard and soft HRM in general.** Classify **this** business's approach using its actual decisions and figures, then judge it.
- **Assuming flexible contracts always motivate (or always demotivate).** It depends on who chose the flexibility and what the workers want.
- **Copying the case.** Repeating the timeline or the table is not application; say what each fact shows.
- **Ignoring other causes.** Results in a case can come from new machines, the economy or competitors as well as HRM; a strong evaluation separates them.

How to get the marks

- **Command words.** *Calculate*: formula, figures, answer with unit. *Analyse*: the points asked for, each with a case fact and a chain of two or more links; no judgement. *Evaluate* or *Assess*: both sides, then a supported judgement. *Advise*: a recommendation the business can act on, with reasons from the case.
- **[8] analyse two**: one short definition at most (1 K), then exactly two points, each with its own case fact (one App each) and a developed chain ending in costs, sales, quality or profit.
- **[12] evaluate (Paper 3)**: 2 K, 2 App, 2 An, 6 Eval. Half the marks are for evaluation, so leave time for it. The top level needs a judgement about **this** business and what it depends on.
- **[20] (Paper 4)**: 3 K, 2 App, 8 An, 7 Eval. Knowledge of the HR strategy unlocks every other mark. Analyse each part of the strategy both ways, connect the parts, and judge the strategy against the objective it was meant to achieve.
- **Use your calculations.** If part (a) asked you to calculate productivity or absenteeism, use the answers as evidence in the evaluation; examiners follow your own figures through.
- **Name the approach.** Say whether a decision is hard or soft HRM, which contract it uses, or that it is MBO; knowledge marks come from correct terms used to answer the question.
- **Weigh against something specific**: the cost of the approach, the type of worker, the labour market, the business's objectives, or other causes of the results. A judgement of "it depends" without saying on what stays low.

Quick check

1. Name the type of contract in each case. (a) Two part-time receptionists split one full-time job. (b) A designer works her 38 hours in four days. (c) A lifeguard is contracted for 1,600 hours a year, worked mostly in summer, with the same pay every month. (d) An office worker may start between 7:00 and 10:00 but must be in from 10:00 to 15:00. (e) A self-employed courier is offered single jobs through an app.
2. Hard or soft HRM? (a) Appraisals that agree a development plan with each employee. (b) Hiring on three-month temporary contracts to keep the wage bill low. (c) Software that records every employee's keystrokes. (d) A team that plans its own rota.
3. A garden-furniture workshop employed an average of 24 people last year, each due to work 240 days. They made 4,320 chairs, lost 432 days through absence, and 6 employees left. Calculate the labour productivity, the absenteeism rate and the labour turnover.
4. Rewrite "improve customer service" as an objective that could be used in MBO, and give one reason why MBO might fail in practice.
5. Explain one benefit and one drawback to a business of using AI to screen job applications.

Answers

1. (a) Job sharing. (b) Compressed hours. (c) Annualised hours. (d) Flexi-time (10:00 to 15:00 are the core hours). (e) Gig economy.
2. (a) Soft. (b) Hard. (c) Hard. (d) Soft.
3. Labour productivity = $\frac{4320}{24} = 180$ chairs per employee. Total possible days = $24 \times 240 = 5760$, so the absenteeism rate = $\frac{432}{5760} \times 100 = 7.5\%$. Labour turnover = $\frac{6}{24} \times 100 = 25\%$.
4. For example: "Reduce the average time to answer a customer email from 2 days to 1 day by the end of June", agreed between the customer-service manager and the team. It is specific, measurable and time-bound. MBO might fail if the objective is imposed rather than agreed, or set too high, so staff feel it is unfair and are demotivated; or if staff chase the measured target (fast replies) and neglect what is not measured (whether the reply solves the problem).
5. Benefit: the software can rank hundreds of applications against the job's criteria in minutes, so vacancies are filled faster and HR staff spend less time on screening, cutting recruitment costs. Drawback: if it learned from past hiring decisions it may repeat their bias, rejecting strong candidates and reducing diversity, which can mean weaker recruits and damage to the business's reputation.

Past questions to try

- 9609/33/M/J/23 Q5: the impact of moving some casual workers onto more secure contracts.
- 9609/32/M/J/24 Q1: two advantages of flexible contracts for a seasonal business.
- 9609/31/O/N/24 Q2: two benefits of AI in HRM.
- 9609/42/O/N/24 Q1: judging a hard HR strategy for improving employee performance over four years.