Creating the HR Department



Establishing human resources functions is a matter of legal compliance. An employer with as few as one employee could have as many as 10 or more different employment laws with which to comply. As the employer increases its number of employees, the number of employment law requirements increases too. Many small employers wait to establish human resources functions until unexpected employee issues drive the action or a government agency demands compliance. Unfortunately, for many small employers delay in establishing a human resources component in the organization can be very costly and result in major consequences.

WHERE TO BEGIN?

Ensuring basic legal compliance is the first step in establishing the essential functions of human resources. To become legally compliant the small employer, based on the number of employees, must review and audit all current human resources practices for unlawful intentional and unintentional actions and inactions. Based on the outcome of its evaluation, corrective measures must then be implemented. Customized company policies and procedures are created to clarify employment relationships, responsibilities, and consequences. If a company’s past practice is continued in contradiction to newly established policies, then the new policies are negated. This creates a liability for the employer. Therefore, emphasis is placed on the tying of newly created policies and procedures as closely as possible to current lawful company practices.

WHY CREATE COMPANY POLICIES AND PROCEDURES?

When properly written and implemented, company policies can help defend the company in employment litigation. Policies and procedures establish clear relationships, responsibilities and consequences. This is important because it shows that the employee had prior knowledge of a responsibility or consequence. However, simply having something in writing is not enough. Supervisors and managers must be trained in applying and interpreting the company policies and procedures in a uniform and consistent manner.

The employee must also be informed of what the company policy is and what the procedures they must follow are. To demonstrate that the employee has this knowledge, the employer should have a

well written handbook, ensure that the policies are incorporated into the hiring procedure, and that the employee's acknowledgment or receipt and understanding of such policies and procedures is documented in the employee's personnel file.

WHAT IS NEXT?

Potential loss of profits can result from poorly written or a lack of job descriptions, performance system, and compensation system. These three items can help solve or avoid many behavior and performance-based employee problems. In addition, they help protect against employee charges and government fines related to enforcement of employment laws such as the Americans with Disabilities Act, Title VII of the Civil Rights Act, the Fair Labor Standards Act, and the Family and Medical Leave Act. Legally compliant job descriptions establish job requirements in selecting job applicants for Title VII, for example. They can also help define essential functions for employees under the Americans with Disabilities Act as well as determine key employees under the Family and Medical Leave Act, and define employee classifications of exempt or non-exempt pursuant to the Fair Labor Standards Act. A performance system can objectively evaluate each employee on the same criteria, addresses employee problems, and provide objective information for promotions and financial compensation. Whereas, a compensation system can establish the compensation theory and an objective measure of job worth for compensation decisions. Compensation systems when applied consistently help defend the company from employee lawsuits and government charges of wage discrimination.

HOW CAN HUMAN RESOURCES FUNCTIONS SAVE COSTS?

There are many ways that these basic human resources functions can be used to save costs. The degree to which these functions will save money depends on the individual company. The implementation of human resources functions within an organization can potentially result in the following cost-saving measures:

- Reduce the cost of employee turnover. When a position or group of positions has higher than average turnover, potential costs can be saved by identifying the factor causing the turnover and taking corrective action.
- Reduce the cost of employee absenteeism and tardiness. When the absence of an employee creates a burden on other employees or extends the work hours creating overtime costs, effective human resources policies can reduce costs.
- Reduce the cost of mismanaging human resources. Hiring too many employees and paying wages for non-productive time; hiring too few employees and paying them overtime.
- Reduce the cost of negative employee attitudes and employee misconduct. When an employee is insubordinate to management or disrespectful to the customer such conduct can result in loss talent or loss of customers
- Reduce the costs related to poor job performance. When an employee's performance is below expectations or standards this can create duplication of unnecessary work for others.
- Reduce the cost of payroll through development programs that train current employees and promote from within.
- Reduce the cost of high unemployment insurance rates through carefully drafted discipline policies that are implemented and administered correctly.
- Reduce the cost of employee dissatisfaction and turnover through properly

written job descriptions combined with comprehensive new employee orientation/onboarding procedures.

- Reduce the cost of non-productive time through properly written and administered employment guidelines.
- Reduce the cost of harassment and wrongful discharge claims through supervisor training in administering employment policies and documenting employee actions and performance.
- Reduce the cost of losing highly trained and valuable employees through exit interviews.