

- **Strategic Role**

HR is concerned with the relationship between employers and employees in order to achieve the strategic goals of the firm. HR functions are:

- Acquisition / Recruitment
- Training and development
- Performance management
- Maintenance
- Separation
- Working within the legal framework

Developing employees can be costly to business as labour makes up 60% of business costs, however maximising productivity will lead to long term profitability

- **Interdependence**

HR is a vital support function to other KBFs as it provides the necessary employees and training to ensure business activities are continued efficiently.

The HR manager must be aware of:

- Best global practices
- Changes in law
- Risk management
- Conflict resolutions

- **Outsourcing**

Many HR functions are outsourced in order to reduce costs and improve productivity. Such functions include:

- Payroll
- Call centres
- Property management

Outsourcing benefits include:

- Reduced costs
- Focus on core activities
- Improve quality

- ***Using Contractors***

A contractor is an external provider of services and could be a business or an individual. Usually used for non-core business functions. Two types:

- Domestic subcontractor - common in Aus to fill a missing skill
- Global subcontractor - reduce costs offshore
 - Process outsourcing → outsourcing repetitive, easily measured work
 - Project outsourcing → use mainly in R&D, marketing design and HR and involves IP. Harder to measure success.

- **Influences on HR**

Stakeholders
Technology
Economic
Ethics and CSR
Legal
Social

STEELS

- **Stakeholders**

- **Employers**
 - Stakeholders responsible for the working conditions and salaries of their employees. Employees can be seen as a cost that affects the bottom line, or, as a company's most valuable asset.
- **Employees**
 - Stakeholders responsible for the physical functioning of a business. Industrial action can negatively impact the business
- **Employer Associations**
 - Organisations that represent employer members.
- **Unions**
 - Organisations that represent employee members.
- **Government Organisations**
 - Fairwork Australia
 - Fairpay commission
- **Society**
 - HR outcomes affect greater society both directly and indirectly

- **Technology**

Technological advancements are a major driver of increased business productivity, communication and competition.

The major impacts are on:

- Recruitment
 - Potential employees can now search and apply for jobs using the internet and businesses may perform background checks on applicants.
- Employee self-service
 - Employees can check payslips and access other work related accounts, schedules and applications
- Productivity of business overall
 - Some employees are now able to work from home, allowing longer hours and more efficient work in most cases

One disadvantage of technological advancements are in the costs involved in training and retraining as software and hardware is continually updated.

- **Economic**

An economic downturn typically results in less employment for lower skilled workers. Employees are also less likely to go for wage increases during times of downturn.

During an economic boom there is usually higher employment and worker bargaining power increases as inflation grows, thus there may be increased industrial action.

It is the role of the HR manager to adjust to the influence of economic activity in their approach to hiring employees with adequate skills

Globalisation has played a large role in the global economic cycle and as such HR managers must be able to continue to reduce costs and become more efficient in order to remain competitive on a global scale. This involves managing multicultural diversity and language differences and ensuring the correct levels of labour are hired in relation to the economic cycle.

- ***Ethics and CSR***

The majority of ethical issues around HR are unethical work practices in regards to unfair dismissal, bullying, harassment, discrimination, accidents and stress.

A socially responsible firm recognises that if the above issues are dealt with and minimised then morale, productivity and industrial action are all improved. Staff retention rates are higher, staff turnover rates are lower and absenteeism is improved.

An ethical employer should:

- Observe all HR laws
- Provide safe working conditions
- Provide challenging and interesting work
- Foster teamwork and good communication
- Offer flexible working hours
- Implement change by negotiation with staff
- Develop a code of ethics and/or conduct for the firm to follow

The casualisation of the workforce, outsourcing and off-shoring of jobs has become a major ethical issue. Exploited workers is the largest example of unethical HR practices, such as the off-shoring of low-skilled workers who make up to 50% of Australian clothing in order to improve shareholder return.

In response to strong criticism over the employment of labour in 'sweatshops', many clothing manufacturers have sought accreditation from the Ethical Clothing Australia agency.

- **Legal**

Current Legal Framework

The *Fair Work Act 2009* was introduced by the Rudd Labor government and replaced the previous *Work Choices* legislation. The largest change was introducing the 5 new employment standards, creating the 10 National Employment Standards (NES):

- Maximum weekly hours of work
- Requests for flexible working arrangements
- Parental leave and related entitlements
- Annual leave
- Personal carers' leave, compassionate leave and domestic violence leave
- Community service leave
- Long service leave
- Public holidays
- Notice of termination and redundancy pay
- Provision of a Fair Work Information Statement

Minimum Wage

- The ***Fair Work Commission*** is responsible for setting minimum wages for employees.
- Minimum wage is assessed annually with the provisions and objectives outlined in the ***Fair Work Act 2009*** being considered.
- ***Fair Work Ombudsman*** focuses on providing information about pay rates and investigating complaints around workplace laws, awards and agreements.
- From July 1, Australia's national minimum wage will be **\$19.49** an hour or **\$740.80** a week for full-time workers

Following the **10 NES**, there are ***Awards, Enterprise Agreements*** and ***Employment Contracts***.

- ***Awards***

A modern award sets out minimum terms and conditions of employment on top of the NES for individual industries. Modern awards came into effect on 1 Jan 2010 and can also pose the disadvantages of:

- Higher production costs, leading to the need for HR to cut costs in other less needed labour (possibly by casualisation)
- Greater inflationary pressures due to the flow-on effect of wage increases
- Completely inflexible for businesses

- *Enterprise Agreements*

EAs are employment contracts at the workplace level of terms and conditions and covers groups of employees.

- Single EA - one employer and a group of employees
- Multi EA - two or more employers and a group of employees
- Greenfields EA - new enterprise with no employees yet

These agreements modify awards through the negotiation of terms. The Fair Work Commission must approve of the agreement, and it must pass the Better Off Overall Test (BOOT).

For the HR department, negotiating EAs can be complicated as Unions push for greater employee benefits. HR managers are however becoming more skilled in this area.

- *Employment Contracts*

Individual Common Law Contract - a private agreement based on bargaining which covers an individual and employer.

These must be more beneficial than the NES.

These are more common in the private sector for professional and manager positions.

Employment contract terms can be either common law or statutes.

Common law is formed by the decisions of a court and relies on both employers and employees fulfilling rights and responsibilities. Whereas statutes are laws passed by parliament and take priority over common law, such as the 10 NES.

- *Other Employment Contracts*

- Contractors

- Many HR managers now opt to hire contractors rather than employees, allowing them to cut costs such as leave and redundancy pay and avoid unfair dismissal laws. This has led to many ethical and legal complications within businesses and therefore can be risky for a HR manager.

- Casuals

- 21% of the workforce are classified as casuals. They have short-term, irregular contracts. Most casuals tend to be females or young people and many employers take casuals for ease of dismissal and fixed cost savings. 25% loading at the sacrifice of some NES

- Part-time employees

- 29% of employees are part-time. They have a continuous employment contract and are entitled to the NES on a pro-rata basis. Many part-time and casual employees in Aus are underemployed.

Occupational Health & Safety and Workers Compensation

- ***Work, Health and Safety Act 2012*** is the legal framework for minimum standards for workplace conditions.
- Different industries may have slightly different WH&S requirements to protect the physical and mental well-being of employees.
- Employers have a duty of care to minimise the risk in the workplace.
- Workers compensation is legally provided financial support to workers who are injured at work.

Anti Discrimination

- In Australia, we have laws regarding equal employment opportunities and anti-discrimination in the workforce.
- Anyone applying for a job should be judged based on merit alone.

- Social

Changing work patterns

Key factors in the changes to work patterns in Australia include:

- An increasing number of females in the workforce. 59% of women aged 15-69 are part of the workforce (employed or unemployed)
- Growth in part-time workers
- Increase in white-collar work with a decrease in blue-collar work
- Increase in contracting and casualisation of the workforce
- Workforce aging as baby boomers retire could lead to skill shortage

HR must change to reflect these social changes. Eg. more females require more family-oriented policies.

Living standards

Company policy to reduce costs and increase productivity could lead to conflict with employees and unions as leave entitlements, hours of work, holidays and pay are gradually whittled down.

Loss of weekend and work-life balance is becoming an issue as more contractors are put on-call.

Underemployment of casuals and part-timers is affecting their income and therefore living standards.

- **Processes of HR Management**

- ***Acquisition***

The process of attracting and recruiting the right staff for the business roles.

- Internal environment
 - Dictates type of staff for role
 - Refers to culture, goals and business objectives
- External environment
 - Refers to economic conditions, competition, technology, legal and social influences

- ***Recruitment, Selection and Placement***

Refers to the process of locating and attracting the right quantity and quality of staff at an adequate cost.

This process is most effective when managers consider:

- High motivation and similar work ethic / culture
- A fair, non-discriminatory and legally compliant selection policy and process
- A realistic description and understanding of required job
- Policies that fit the current business environment

- ***Development***

The process of developing and improving the skills, abilities and knowledge of staff through induction, ongoing training and further professional development. Effective development programs involve the retraining of staff.

- *Induction*

Introducing a new employee to their job, co-workers, the business and its culture. There is a high level of resignation in the first 3 months of a new job.

- *Training*

Seek a long-term change in employees' skills, knowledge, attitudes and behaviour in order to improve work performance in the business.

- *Organisational development*

Increasing flatter organisations and short-term projects has caused promotion and career ladders to become limited. Encouraging employees to stay includes:

- Job enlargement → increasing breadth of tasks in a job
- Job rotation → moving staff from one job to another
- Job enrichment → increasing job responsibilities
- Job sharing → two people share the same job with different tasks
- Self-managing teams → roles and decisions determined by team members
- Mentoring and coaching

- **Maintenance**

Processes needed to retain staff and manage their wellbeing at work.

- *Communication and Workplace Culture*

Effective workplace relationships are heavily dependent on strong business communications systems. Poor communication often results in higher turnover rates and workplace conflict.

Common methods of effective communication include:

- Team meetings
- Staff bulletins + newsletters
- Social functions
- Surveys and staff suggestion boxes
- Email and intranet use

- *Employee Participation*

Encouraged through ownership or employee surveys and feedback.

- Through ownership → employees buy shares or receive shares, leading to increased commitment. This can conflict with other objectives
- Through surveys and feedback → employers seek improvement info and suggestions to create a better workplace for employees.

- *Remuneration (benefits)*

Benefits require both internal (pay rates) and external (competition) equity.

- Monetary → salary and bonus, paid training, travel allowances, health insurance
- Non-monetary → car, phone, housing, flexible hours, family daycare for children

- *Legal Compliance and CSR*

Maintenance of employees must be both legal and ethical. Issues around a business' exposure to legal risk can be costly for HR management and the business.

- **Seperation**

Occurs when an employee either chooses to leave an employer voluntarily through resignation, voluntary redundancy or retirement, or involuntarily through retrenchment or dismissal.

- *Unfair Dismissal*

Occurs when an employee is dismissed on seemingly harsh, unreasonable or unjust terms. The Fair Work Commission is the dictator in this situation. Unfair dismissal can prove to be costly for a business as they create negative publicity and pose high compliance costs.

Syllabus Flow

Acquisition

- Leadership style - recruitment (decisions made)
- Job design
- Recruitment
- Global
- Corporate culture
- Staff turnover
- Benchmarking key variables

Development

- Leadership style
- Training and development
- Job design
- Performance management
- Global
- Benchmarking key variables
- Accidents
- Worker satisfaction

Maintenance

- Leadership style - rewards (promotion-based)
- Training and development
- Performance management
- Rewards
- Workplace disputes
- Corporate culture
- Benchmarking key variables
- Absenteeism
- Accidents
- Levels of disputation
- Worker satisfaction

Seperation

- Workplace disputes
- Corporate culture
- Staff turnover

- **Strategies in HR Management**

- **Leadership Style**

Leaders in business should:

- Be open and honest
- Have good communication skills
- Be encouraging and listen well
- Present support
- Have good skills / ability and vision

- *Autocratic*

An authoritarian leadership style typically found in businesses with a hierarchical organisational structure and classic style of management.

Positives	Negatives
One person makes the final decisions	Limited flexibility
Defined levels of command	Limited employee participation and engagement
High obedience levels	Strict rules may damage employee productivity
Effective in providing direction	

- *Democratic*

AKA participative leadership style; encourages employees to work together in making decisions.

Positives	Negatives
Higher employee participation = productivity gains	Difficult to conclude decisions as one person must still decide
Employers gain valuable info about employees	Process of decision making may take longer, hurting productivity
Increases business efficiency (clear communication)	

- *Delegative (Laissez-Faire)*

AKA free-rein leadership; leader allows employees to make decisions. There may be an autocratic leader however trust is placed in employees to make decisions. Combines autocratic and democratic leadership styles however can lead to costly mistakes.

- ***Job Design***

Managers develop and specify the work activities of individuals or groups within the business. It involves the process of determining the type of tasks an employee needs to complete.

Effective job design must meet the objectives of both the business and employees.

- *Job Satisfaction*

Extent of employee satisfaction in current business position. Can be achieved through frequent job rotation. Job rotation minimises boredom and increases broad skill base.

- *Job Enrichment*

Extent of utilisation of existing employee skills within job design. Minimises boredom through challenging the employee.

Job design can be either:

- General → overall job and objectives

Or

- Specific → Single tasks and short-term objectives

- **Recruitment**

Managers seek to employ an individual for an inter-organisational vacancy. Can be either internal or external.

- *Internal recruitment*

Occurs when position is filled by an existing employee from the business.

Positives:

- Incentive for staff to improve their performance (promotion of staff seen as reward)

Negatives:

- Staff overlooked for position may lose motivation

- *External recruitment*

Occurs when a position is filled by an individual who has not yet worked for the business.

Positives:

- Encouraging new ideas hides possible issues from current staff

Negatives:

- May take time to settle in, resentment from existing staff

Issues that must be considered include:

- The need to replace staff
 - Replacement / external recruitment can be costly
 - May be more viable to spread workload over existing staff through upskilling
- Recruitment firms
 - Allows a greater degree of expertise to be used in recruitment process

An HR manager should consider both general and specific skills;

- General skills → general culture, behaviours, skills that fit business vision. Essential within flat organisations. Often cannot be taught.
- Specific skills → shortage in Aus forces outsourcing.

- ***Training and Development***

The means by which a business is able to provide its employees with an avenue to develop and enhance their knowledge, skills and understanding of various activities related to business operations.

Training may be informal or formal and aims at developing both current and future skills.

- *Informal training*

An employee is either shown or modelled the correct skills through the use of a coach or mentor, or learning whilst on the job

- *Formal training*

An employee takes on a student-like role whereby they are shown how to apply themselves to new operations, and then later assessed on their level of understanding.

- Provides a greater chance of employee retaining the information

- ***Performance Management***

Refers to the process of recognising the efforts and contributions of employees.

Involves an ongoing process of communication between a supervisor and an employee. This communication process involves:

- Clear expectations
- Employee workplace objectives
- Feedback
- Evaluation of employee performance

Performance management benefits:

- Employee has improved understanding of role
- Employer is able to identify problems early
- Review and improvement provides incentive for employees to work hard

- *Developmental performance management*

Concerned with assessing an employee and then planning a development pathway to improve areas of weakness

- *Administrative performance management*

Concerned with collecting data on employees so that future development programs can be designed. These programs could include rewards, training, benefits and performance management aspects.

Performance management typically has three steps:

1. Planning
 - a. Goals are set and expectations are developed
2. Checking in
 - a. Regular observation and feedback
 - b. Improves communication
3. Assessment
 - a. Measuring performance against goals
 - b. Assess against industry and business averages/benchmarks

- **Rewards**

Motivation for employees to work to their potential and cooperate within the workplace.

*Note that super is not a reward (legal compliance)

- *Monetary*

Additional payments above legal entitlements

- *Non-monetary*

Additional non-monetary benefits for increased motivation. Can be categorised as fringe benefits, status-related benefits and intrinsic rewards

Extrinsic	Intrinsic
<ul style="list-style-type: none"> • Initiated from management • Ie. Promotion, bonuses 	<ul style="list-style-type: none"> • Initiated by employee • Ie. Achievements, autonomy, personal growth

- *Individual or group*

Work teams often strive for common goals.

Positives	Negatives
<ul style="list-style-type: none"> • Encourages teamwork = productivity • Motivation to work for others • Improves communication between staff 	<ul style="list-style-type: none"> • Not all employees may apply equal effort • Employees may have separate personal goals not achieved through team • Conflict may occur within the group, damaging performance

- *Performance pay*

Linking employees' income to performance. Heavy financial motivation to perform at work.

Positives	Negatives
<ul style="list-style-type: none"> • Monetary rewards encourage increased performance • Encourages unmotivated workers to improve performance • Attracts highly skilled employees 	<ul style="list-style-type: none"> • Performance may be difficult to measure due to external factors • Conflict may emerge as employees consider they performed better than assessed.

- **Global**

- costs, skills, supply

Costs associated with HR management can be minimised by outsourcing HR functions or operating in lower-wage countries.

In Australia, there is a large skill shortage so many businesses choose to bring staff to Australia on a temporary working visa (457 visa).

The main factor in this decision is the cost of training unskilled workers overseas vs. the cost of employing highly-skilled workers in Australia.

- Ethnocentric employment
 - Parent-country staffing is emphasised, enabling company policies to be carried out under strict conditions.
 - Eg. Australian company in Vietnam uses Australian staff
- Polycentric employment
 - Host-country staffing is favoured for local knowledge.
 - Eg. Australian company in Vietnam uses Vietnamese staff
- Geocentric
 - Hiring the best person for the position, allowing flexibility.
 - Eg. Australian company in Vietnam searches globally for staff

- **Workplace Disputes**

Disputes are generally caused by:

- Wage demands
- Working conditions
- Management policy
- Political goals / social issues

- *Dispute resolution process*

1. Dispute arises
2. Parties notified
3. **Negotiation** between employers/employees
4. Unions and/or **mediator** enter process
5. Fair Work Commission intervenes - **conciliation**
6. Fair Work Commission concludes - **arbitration**

- *Grievance procedures*

Formal procedures written into contract (Award or EA) that states agreed process to resolve disputes, or any issue within the workplace. Useful strategy to stop escalation of disputes with sequential steps.

- **Negotiation**

Bargaining process between employer/employee to resolve dispute through offer and counter-offer without need for mediation

- **Mediation**

Independent third party helps two parties reach an agreement. Mediation outcomes are not legally binding, nor do they involve courts.

- *Involvement of courts and tribunals*

Fair Work Commission steps in and appoints independent third party to consider arguments from both sides and make a final decision.

Conciliation

Third party considers both sides and makes a judgement to satisfy a mutual agreement.

Arbitration

Final third party decision is legally binding and usually leads to an adjustment of award.

- *Common law action*

Costly process whereby the legal system is used to resolve dispute. Usually occurs with individual employment contracts.

- **Effectiveness of HR Management**

- ***Corporate culture***

Refers to the values, ideas, expectations and beliefs shared by members of the business.

Corporate culture indicators include:

- Staff turnover → high = poor culture
- Customer service → poor = poor culture
- Levels of absenteeism → high = poor culture
- Accidents
- Disputes and internal conflicts

Good communication and high employee participation is crucial to a healthy corporate culture.

- ***Benchmarking key variables***

Involves comparing something against a standard, both internal standards or external industry averages. Factors often benchmarked include:

- Customer service / satisfaction
- Quality procedures
- Operating processes
- Relative cost position, technology, OHS, Labour productivity.

Benchmarks are set to measure performance and pinpoint employees who positively contribute to the business, as well as employees who are less motivated.

Informal benchmarking → informal discussions

Performance benchmarking → with other businesses

Best practice benchmarking → gain skills/knowledge from industry leaders

Balanced scorecard benchmarking → against objectives in strategic plan

- ***Changes in staff turnover***

Rate at which employees leave and are replaced within a business. Push (repels employees - internal) and pull (attracts new employees - external) factors.

High levels of resignation (voluntary) indicate HR management is not effective in the maintenance of employees.

High turnover is costly → recruitment/training costs

- **Absenteeism**

Percentage of employees, on an average day, who were away from work or sick without prior approval.

High absenteeism can indicate HR issues; where overall morale and job satisfaction may be low.

Can be costly as a business is then forced to hire additional, excess staff.

- **Accidents**

Around 5.3% of Aus workers experience a workplace accident. All businesses must adhere to workplace Health and Safety legislation and provide a safe working environment.

Businesses with low accident levels:

- Have regular safety audits
- Build a culture of safety - training and development phase
- Provide induction programs to train employees

Low levels of accidents leads to reduced expenses (compensation, sick leave, replacement costs of equipment), and increased productivity.

- **Levels of disputation**

AKA Industrial action. Unofficial industrial actions include:

- Work bans
- Work to rule
- Go slow
- Sabotage

HR should keep disputes discreet to avoid negative public image. Ongoing and public disputes can lead to higher staff turnover and staff absenteeism, as well as more industrial actions.

Disputes may occur due to:

- Wage demands
- Working conditions
- Management policy
- Union rights
- Social movements

- ***Worker satisfaction***

Key factor in employee commitment, job performance and staff turnover, and is most often measured with employee surveys.

Pay is rarely a significant factor in determining worker satisfaction. Effective leadership and quality management is critical in employee satisfaction and retention.

Practices that improve quality include:

- Work groups
- Team building / projects
- Best practices
- TQM
- Benchmarking

