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EMPLOYEE RELATIONS

Employee Handbooks

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Q: Why issue an employee handbook?

Answer

Many companies, large and small, issue employee handbooks to employees when they start employment with the company. These handbooks provide an overview of the company, summarize company policies and procedures, and provide insight into what it is like to work for the company.

It is always recommended that company policies and procedures be communicated to employees, whether in an employee handbook or not, so that expectations are clear.

The decision to issue an employee handbook can involve many factors, including the size and nature of the business and the resources available to create the handbook. You should consider issuing a handbook if you want to document the following for your employees:

- company vision and values;
- company goals, targets, and competitive advantage;
- the nature of the business and what customer expectations are;
- what the company expects of employees and what they can expect of the company;
- policies on wages, working conditions, and benefits;
- initiatives undertaken by the company to recognize, reward, and retain staff;
- what place the company has in the community and the industry; and
- what makes the company a good place to work.

An employee handbook can also benefit other aspects of the company:

- **Recruiting:** A handbook can be used as a recruiting tool. If the handbook is well written, complete, and attractive, it can be used to illustrate to prospective employees what your company is all about. The employee handbook portrays an image of the company, and many prospective employees will initially judge a company on the basis of what they see in the handbook.

- **Complaint resolution:** With company policies and work rules clearly spelled out in the handbook, many complaints and misunderstandings can be dealt with
quickly and easily. A handbook will eliminate any guessing. Also, communicating company policies will ensure consistency in employment practices and will guard against having to formulate an ad hoc individual policy for an individual situation.

Since the handbook can be used to communicate how the company will handle specific employee situations and complaints, it is important that the company means what it says in the handbook. Although there should be some room for management discretion, as much as possible managers should stick to the policies in the handbook and not change them to suit individual employees or their own self-interests. Continually changing and bending the policies will likely result in employee confusion and dissatisfaction and the handbook being perceived as unreliable.

Handbooks are not intended to tie the hands of management, but rather are intended to ensure that policies and procedures are documented and applied equally and consistently. If discrimination or similar claims are brought against the company, the relevant agencies will want to see what rules and procedures were applied. Having policies described in an employee handbook will help limit the impression of discriminatory or inconsistent behaviour.

- **Security:** An employee handbook also gives employees a sense of security. Knowing what the company’s purpose and vision are, knowing what is expected of all employees, knowing that the practices are applied consistently will help employees feel as though they belong.

Employee handbooks help give employees recognition, a sense of being in on things. Of course, handbooks cannot do it all. Companies still need orientation for new employees and an ongoing response system for employee questions and complaints.

- **Management framework:** Employee handbooks can provide an important framework for managing employees. Furthermore, the process of preparing an employee handbook can itself prove to be a valuable experience for an employer. By preparing an employee handbook, an employer is afforded an important opportunity to re-examine its policies and the level of understanding among managers, supervisors, and employees respecting those policies. Indeed, by allowing employees to participate in the process, effective communication of the policies is better ensured.
Q: Will the handbook be a contract?

Answer

In Canada, an employee handbook setting out policies and procedures regarding employment terms and conditions may be considered to be part of the employment contract, depending on the circumstances in which it was communicated to employees.

If the handbook is given to a new employee prior to commencing employment, it will be considered as part of the employment contract if it is referenced as such in the contract. On the other hand, the development of a new handbook after an employee has already started will require sufficient notice of its implementation or will require additional consideration be given to existing employees if the policies and procedures represent any changes to workplace practices.

Q: What should be in an employee handbook?

Answer

Following are the topics that are commonly covered in an employee handbook:

- welcome statement;
- vision, mission, and values statement;
- organizational chart;
- description of the industry in which the company operates;
- company’s competitive advantage and value proposition to customers;
- general working conditions policies and procedures:
  - customer services practices,
  - respectful work environment policy (e.g., non-discrimination, harassment-free work environment),
  - alcohol, drug, and smoke-free workplace policies,
  - complaint procedures and practices,
  - general work rules, policies, and expectations,
  - dress code,
— use of company equipment, and
— technology use policy;

- employment practices and policies:
  — hiring practices,
  — probationary period,
  — pay and benefits program,
  — hours of work and overtime practices,
  — rewards and retention programs,
  — vacation policy,
  — leave of absence policies (e.g., sick leave, parental leave, maternity leave, family leave, bereavement leave, compassionate care leave, sabbaticals, etc.),
  — health and safety policy and practices, and
  — termination procedures.

After compiling the handbook, you may want it reviewed by a lawyer to ensure that it is compliant with the applicable employment legislation and is enforceable.

**Q:** What work rules are needed to govern workplace behaviour?

**Answer**

Every organization has rules that govern workplace behaviour. Some work rules are common across all businesses and have existed a long time. Many of those rules address behaviour such as absenteeism or the use of company equipment.

Other work rules arise from technology or other advances in the workplace, or are reflective of changing social mores. An example would be work rules concerning e-mail and Internet use, telecommuting, or social networking.

Occasionally, established work rules cease to be important and are revised or eliminated. An example of this is the relaxation or elimination of traditional dress codes.

The list of workplace rules for an organization can be quite long and can cover a variety of topics such as flextime, insubordination, fighting or horseplay, personal
ervices (e.g., drugs, alcohol, gambling at work), employee theft, no solicitation or distribution, political activities, off-duty conduct, moonlighting, and ownership of intellectual property rights.

The types of rules and the extent to which they are developed depends on a number of factors, including the culture of the company, the frequency of occurrences requiring certain rules, and the level of maturity of employees and managers.

Often companies will develop basic rules of conduct as a starting point and then add polices or rules as situations arise. Part of the rationale of this approach is to reflect a more positive work environment rather set the tone that the company is rules-driven and problem situations are rampant.
Absenteeism

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Q: What are the types of absenteeism?

Answer

Companies often have a list of approved absences that typically includes leaves of absence, bereavement, jury duty, and vacation.

Outside of these approved absences, there are two major types of absenteeism: culpable absenteeism and non-culpable absenteeism.

Culpable absenteeism is also sometimes called “blameworthy absenteeism” because this type of absenteeism is deemed to be preventable. Examples include being absent, late, or leaving early without an approved reason.

Non-culpable absenteeism is also sometimes called “innocent or blameless absenteeism”. Non-culpable absenteeism falls into two categories: recurring intermittent absenteeism and continuous long-term absenteeism:

- Recurring intermittent absenteeism includes situations where an employee has advised the company that he or she is sick or has a medical condition that prevents attendance at work. There may be one or more medical conditions that recur intermittently. These absences may be as short as one day or as long as several months, but they continue to recur.

- Continuous long-term absenteeism includes absences due to long-term illnesses or injuries, including disabilities that may prevent employees from returning to work.

Q: What should be done when an absenteeism problem is discovered?

Answer

An employer should have a clear policy regarding the requirement for regular attendance at work. Employees must understand how much they are valued at work and the problems created when they are unable to attend work regularly. All absences should be recorded using either a manual or electronic system. These absences, including lateness, should be reviewed on a regular basis to determine whether they are the product of culpable absenteeism or non-culpable absenteeism.

In cases of culpable absenteeism, the reviewer needs to determine whether the issue causing the absenteeism is acceptable. Reviewers must exercise care in ensuring they are fairly reviewing all employees’ absences and the reasons for the...
absences. If the reason causing a culpable absence is acceptable to the reviewer, then the employee may be excused for that offence. However, if the reason is not acceptable, then corrective action may be necessary.

In cases of non-culpable absenteeism, a further determination should be made as to whether it is recurring intermittent absenteeism or continuous long-term absenteeism. Recurring intermittent absences are short-term absences that are typically less than one week; for example, where the employee has called in sick with or without a further explanation of the sickness. Continuous long-term absences are a more serious issue where an employee may be absent for a lengthy duration, sometimes lasting a number of months. Each of these situations will need to be handled in a different manner.

In cases of recurring intermittent absenteeism, if the employee is intermittently calling in sick, a determination needs to be made as to whether the employee is doing everything reasonable to correct the situation and whether improvement is being made. If not, a non-disciplinary corrective action may be applied.

In cases of continuous long-term absenteeism, if the employee is under the care of a professional and keeping the company informed as required, there may not be any further action required, particularly when the employee is expected to return to work.

Additionally, one must always keep in mind disability accommodation requirements when dealing with absence issues.

Q: How can absenteeism be reduced?

Answer

The first step is to determine whether there is a problem. The simple keeping of accurate records can tell an organization whether absenteeism is an issue. Records will show what the attendance standards or absenteeism rates are company-wide so that outliers can be easily identified. It can also show for individual employees whether there is a pattern or frequency that needs to be addressed (e.g., Friday/Monday absences around payday). Such a review may also indicate some underlying problem, such as substance abuse or a gambling addiction.

In addition to the number of absences, the reasons for the absences need to be examined. For example, an employee who misses a Friday every month is absent for
only 12 days, but these absences should be addressed more seriously than the absence of an employee who is away for one stretch of 65 days due to a car accident.

There should be a clear policy regarding the requirement for regular attendance at work. Any absences, including lateness, should be dealt with promptly. Each employee must be handled individually, according to the circumstances causing the absenteeism.

A determination needs to be made as to whether the repeated absences are the result of some factor within the control of the employee. Is the employee responsible for the circumstances leading to the absences? If so, is the employee capable and willing to change the circumstances? For example, in the case of lateness, an employee most likely should be able to alter his or her circumstances so that he or she can make it to work on time. However, in the case of major surgery, an employee is unlikely to be able to change the circumstances that cause the absence.

If an employee is legitimately suffering a disability, there are human rights statutory obligations that must be met.

Once the pattern, frequency, and reasons for absences are examined, the strategy to address excessive absenteeism can be determined. Sometimes the simple tracking of absences may lead to a reduction in absenteeism.

Q: How should absences be tracked?

Answer

Any type of system that reliably and consistently records attendance and absences can be used. The system can be as simple as a blank calendar for each employee or as sophisticated as a computerized human resources information system that generates reports.

The attendance management system should provide a protocol for employees to notify the employer of absences and, in the instance of long-term absences, keep the employer informed on a regular basis of an employee’s status.

The essential factors in recording absences are identifying the lengths of and reasons for absences. These are important aspects to address while discussing attendance problems with an employee. They are also crucial in determining whether any action needs to be taken.
Q: What preventive programs are effective in reducing absenteeism?

Answer

Programs to reduce absenteeism have several elements; no one element determines the success of a preventive program. Elements to consider include the following:

- Establish a culture that motivates employees to attend work on a regular basis; that is, establish a culture where the employee feels valued and recognizes the organization’s requirement for them to attend work.

- Establish an expectation that employees must attend work on a regular basis. This implies the requirement of regular follow-up to employee absences so that the cause of these absences is corrected.

- Clearly communicate attendance expectations to employees. This communication starts at hiring and continues throughout employment. Regular attendance reviews/discussions can assist employers in ensuring their employees are aware of their attendance record and assists in making the employee aware that the employer appreciates their effort to attend work and/or alternatively has concerns about their inability to attend work regularly.

- Early intervention in absences. If an absence has continued for more than a day or two, it is important that the reason for the absence be determined and corrected where appropriate. Ensure that each time an employee is absent, the employee is asked to explain the reason for his or her absence and that this explanation is recorded.

Q: Does rewarding employees for attendance solve the absenteeism problem?

Answer

There is contradictory evidence as to whether reward programs are the most effective way to motivate employees to regularly attend work. Some reward programs reinforce perfect attendance continuously by giving small bonuses on a weekly, monthly, or bimonthly basis. Other programs may award larger bonuses during the year for perfect attendance. In some organizations, employees with excellent attendance records qualify for monthly drawings for a cash bonus. Employees can also be given a certificate of recognition for their attendance.
Some evidence indicates that these programs work, while other evidence indicates that these programs work only on a short-term basis. There are concerns over whether these programs work on a long-term basis because the root causes as to why employees are absent may not be addressed.

Furthermore, concerns may arise over encouraging employees who are “unfit for work” to come into work. If an employee has an infectious disease, there may be risk of passing the infection to others. Alternatively, if an employee has a condition that may impair his or her ability to perform the job safely or cause potential harm to others, it may be necessary to reassess the advisability of encouraging that employee to attend work.

Additionally, in a unionized environment, caution must be exercised to ensure that any reward system does not conflict with the terms of the collective agreement.

**Q: How can an employer avoid absence-related disability discrimination claims?**

**Answer**

Policies regarding tardiness and absence from work are generally based on business necessity and are not likely intended to be discriminatory. The most common problem associated with tardiness and absence policies is inconsistent application: harsher enforcement against one employee compared to others can result in discrimination charges. Supervisors must be cautioned to monitor the activities of all employees equally and to treat all infractions in the same manner.

The biggest area of concern when enforcing absence policies is the potential for a claim of discrimination on the basis of disability. If absences are a direct result of a qualified disability, the employer cannot discipline or terminate the employee solely for poor attendance.

In most jurisdictions, an employer is required to accommodate any disability; this may well include accommodating absences from work. Accommodation generally means providing reasonable efforts to the point of undue hardship.

However, if an employee’s disability is not the cause of his or her absences, the employer may have a right to discipline or terminate the disabled employee without proving that attendance is essential or without attempting reasonable accommodation.
Q: Should employers have a formal attendance/absence policy?

Answer

It is a good idea to have a formal, detailed policy that addresses absences, tardiness, failure to call in, and leaving early. Such policies prevent:

- misconceptions about acceptable behaviour;
- inconsistent discipline by managers or supervisors;
- complaints of favouritism or morale problems; and
- charges of illegal discrimination.

The tone and formality of the policy itself will depend on the company culture.

Following are two sample absence policies. The first is very strict and is designed for businesses where both the presence and the promptness of employees are crucial, such as businesses with assembly-line production work. The second policy is less strict and is designed for businesses where performance is not dependent on adhering to a strict schedule, such as businesses that employ outside sales representatives. Use either policy, combine them, or edit them to create a customized absence policy.

**Sample Absence Policy #1**

Your timely attendance at work is crucial to making our business run smoothly. Production requirements must be met in order to satisfy our customers’ demands. One way to achieve this goal is for you to maintain a good attendance record. Any absence or tardiness becomes a part of your employment record.

**Punctuality Requirements:** Employees are expected to be at their work stations on time. Being on time makes it easier for all of us because tardiness hinders teamwork. Tardiness is defined as arriving at your work station at least [insert a number] minutes past your scheduled starting time. Being tardy for work or leaving the job station before quitting time will be considered cause for corrective action.

**Record-Keeping:** Absences are counted in the following manner.

- An unscheduled absence for at least one-half of the workday will be counted as one occurrence.
- An absence for one or more consecutive workdays will be considered one occurrence. For example, if you’re out two consecutive days, that will count as one occurrence.
EMPLOYEE RELATIONS

• If an employee returns from an absence (due to an illness) and goes out again due to the same illness after being at work for no more than one day, then the absence will be counted as one occurrence.

Repeated occurrences will result in verbal counselling, written counselling, and/or suspension or termination of employment. Absence of three or more consecutively scheduled working days without notifying the appropriate person will be considered as a voluntary termination, and you will be removed from the payroll.

Procedure: In the event that you are unable to come to work, call in and let the appropriate person know in advance, if possible. Call before your regular starting time, so that arrangements for other help can be made.

Employees may be granted an excused absence for illness when the appropriate person is notified prior to the start of work. Pre-scheduled medical or professional (lawyers, clergy, counsellors, etc.) appointments or other compelling reasons with prior supervisory approval are also considered excused absences.

Vacation days must be scheduled at least 24 hours in advance, except in cases of emergency.

Authorized absence documentation: We may require documentation of authorized reasons for absence, such as sick leave or jury duty, and we may also verify the documentation, where appropriate.

Inclement Weather: The facility must continue to operate during periods of bad weather. Thus, the need for employees to be on the job during such times is of paramount importance. You are expected to make every effort to report for work. If, during a weather emergency, you do not report for work when scheduled, you will be considered absent.

Sample Absence Policy #2

As an employee, you will be treated as a professional, which means that you will be expected to complete your work on time and at the expected level of quality. If extra hours are needed to complete your work, you will be expected to put in those extra hours. If, on the other hand, you are able to complete your work in less than a standard work week, you are free to use those extra hours as you see fit. In return for being treated as a professional, we expect you to not abuse these privileges.

General absence guidelines are necessary to ensure that we are able to conduct business in a predictable manner. Although we are not interested in monitoring your comings and goings, we need to know, in advance if possible, when you will be absent from work.

Absences: Employees are expected to be at work and to work a full work week, except for authorized absences. Authorized absences include the following:

• vacation time scheduled in advance,
• sick leave for a workers’ compensation injury,
• a death in your family,
• jury duty,
• time off to vote
• emergency situations beyond your control, and
• any pre-approved paid or unpaid leave of absence.

Notification Procedure: To obtain an authorized absence, call in and let the appropriate person know that you are unable to come to work. The call should ideally be made no later than your regular starting time.

As for notifying someone that you will be late to work or will be leaving early (in the event your work has been completed), we ask that you use your best judgment. If you know that someone needs to know you will be coming in late or leaving early, you should call that person and let him or her know.

Failure to Notify: If you do not come to work and do not call in, at some point we have the right to determine that you are not coming back. Thus, our rule is that unauthorized absences of three or more consecutive days without notice will be considered as a voluntary resignation, and we will remove you from the payroll. The company will make all reasonable efforts to contact you during this time to verify your intentions.

If you are repeatedly absent without authorization, you could be subject to counselling, suspension, and/or termination.

Inclement Weather: During inclement weather, you should call to find out whether to report to work. Also, while the weather may be nice where you are, hazardous weather conditions could exist at or near the workplace. If you know hazardous conditions have been reported in the area, protect yourself and call work first.

Q: What should be done in cases of weather-related absence or lateness?

Answer

Inclement weather sometimes leads to employee lateness and absences. In some situations, severe weather may result in a decision to shut down the business for the day, with the decision being communicated to employees prior to their arrival at work. Depending on company policy, such absences can be treated as a vacation day, a paid day off, or an unpaid day off.

The main problem associated with problematic weather days is that employees travel from various distances, using various means of transportation, with the result of some being on time, some late, and some absent. In these situations, it is recommended that all absences and lates be recorded. The company should then assess the
number of employees who were late or absent due to weather-related issues. Once the number of employees adversely affected by the weather has been determined, you can decide whether there is an acceptable reason to excuse the absent or late employees, or whether corrective action is required.

Q: What is flextime and how is it implemented?

Answer

With flextime, a working day’s fixed arrival and departure times are replaced with two different types of time: core time and flexible time.

Core time is the time during which all employees must be present.

Flexible time is the designated working period within which an employee may choose his or her start and end times.

For example, core time may be from 9:30 a.m. to 3:30 p.m., and employees may choose to arrive between 7:30 a.m. and 9:30 a.m. and leave between 3:30 p.m. and 5:30 p.m., so long as they are present at work for a minimum of 8 hours.

Variations in the use of flextime include:

- **Flextime by the week:** Flexible hours within the span of the week. Carry-over of debit or credit hours is allowed within this period. This enables employees to cope with fluctuating workloads without working overtime and to better suit their convenience.

- **Flextime by the month:** The carry forward of debit and credit hours from week to week is a further extension. It is necessary to check the employment standards legislation in your province, or the Canada Labour Code if the company is federally regulated, to determine the extent to which your organization can carry over average weekly hours.

- **Total flex:** The greatest flexibility is reached when core time is allowed off, subject to a maximum number of hours per month. Normally, such core time off is only allowed with the agreement of the appropriate supervisor or department head, whose responsibility it is to ensure that work continues and output does not suffer.

- **Lunch breaks:** Within any of these systems, lunch breaks can either be fixed or converted into flexible hours.
The more that flexible hours are extended, the more reliance is placed on having staff with a responsible attitude towards work, and having management with confidence and trust in the staff.

Advantages of flextime for management include:

- reduction in short-term absences;
- quicker starts and fewer morning conversations;
- increased service to public if company is open longer hours;
- increased productivity during extended hours due to quiet and less interruption;
- tardiness eliminated by definition;
- workers become more job-oriented and performance-oriented rather than time-oriented, since time is within their control;
- improvement in cross-training and co-operation because of necessity of “filling in” during hours other workers are not present;
- supervisory skills improve because of enforced planning for absences;
- reduced turnover; and
- morale may be improved.

Advantages of flextime for employees:

- schedules can be adjusted to take advantage of personal peak working hours;
- “rush hour rage” and travel time may be reduced;
- increased participation in family, community, and social activities;
- educational opportunities increase as more class times become available;
- carpooling is facilitated because better coordination is possible.

Disadvantages of flextime include:

- additional record-keeping needed of hours worked;
- supervisors not available at all times;
- overhead costs may increase due to extended hours; and
- flextime may not applicable to all departments, which may lead to perceived inconsistency or inequity and potential employee–management problems.
Smoking in the Workplace

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Q: What are the laws regarding smoking in the workplace?

Answer

In all Canadian provinces and territories, smoking is prohibited in the workplace. However, in some jurisdictions, such as Newfoundland and Labrador, smoking may be allowed in a designated smoking room that meets certain ventilation requirements. There may also be exceptions for smoking by residents of nursing homes and similar facilities, and guests in hotel rooms.

It should be noted that many municipalities enforce stricter smoking bylaws than those outlined by the provincial or territorial law.

Q: Do you need to post no-smoking signs or notices in the workplace?

Answer

Most provinces and territories require employers to post signs or notices identifying the workplace’s no-smoking areas, designated smoking areas, or both. Some jurisdictions require signs to be posted in specific areas.

Absent any statutory requirements, if your workplace has a no-smoking policy, it should be clearly communicated to employees and/or posted in the workplace.

It should be noted that many municipalities enforce stricter smoking bylaws than those outlined by the provincial or territorial no-smoking laws.
# Testing Policies

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Q: Does your company need a substance abuse program?

Answer

Organizations should have a basic substance abuse policy, if not a detailed program.

The breadth and depth of the policy will depend on the impact of substance abuse on the company’s product or service, and on the different departments within. For example, an airline company would likely have a stricter policy than a corner store, bank, or law office. And within the airline company, the policy may be stricter for airline pilots than for call centre employees.

Regular, routine, or random testing violates the various federal and provincial human rights statutes. Recent cases in the courts bring into question whether or not such testing may be justified.

Testing of individuals must be based on specific circumstances and generally will not be appropriate without the consent of the individual. Once an employer has a reasonable apprehension that an employee in a safety-sensitive position is under the influence of a substance, the employer only has a narrow window to measure immediate impairment.

Some organizations may be subject to American regulations; for example, international transportation companies may require testing that would be prohibited in Canada. In such circumstance, legal advice should be sought to attempt to balance conflicting rights and obligations.

Q: What does a comprehensive substance abuse program include?

Answer

The elements of a substance abuse program should balance the operational requirements of the company, the company’s statutory obligations to accommodate disabilities (including addictions), and the ability of employees to fulfill the employment obligations.

The program should include an early identification process and education for managers and staff to help identify employees at risk. It must also incorporate basic privacy policies to protect employees entering a substance abuse program. Other possible elements include appropriate counselling arrangements, therapeutic interventions, access to an employee assistance plan, and supervisory training. Work re-entry programs are also included in most comprehensive programs.
Q: What do managers need to know about substance abuse in the workplace?

Answer
Managers need to know how to identify potential substance abusers in their staff. They should learn both the physical and behavioural signs of possible substance abuse, as well as the potential symptoms that may not be related to substance abuse.

Managers need information about the company’s policy and programs and should receive training on how to approach employees whom they suspect may have a substance abuse problem.

From a legal perspective, managers also need to know the health and safety implications for employees and others in the organization, particularly for employees in safety-sensitive positions.

Q: How should a drug testing program be started?

Answer
Routine or random drug screening programs are prohibited under all of the provincial and federal human rights statutes or codes.

Where, as a result of a specific circumstance and agreement, an individual may be subject to a drug testing program, the program is tailored to accommodate the individual employee’s disability (if any) and the requirements of the job.

Substance abuse testing may be done to determine immediate impairment in situations where there are significantly reasonable grounds to suspect that an employee is presently under the influence of a substance and there are potentially serious consequences in allowing the employee to perform his or her job in such a state.

Q: Should your company test for HIV/AIDS?

Answer
Absolutely not. A company should no more test for HIV/AIDS than it should test employees for venereal disease, warts, cancer, and so forth.
The potential for claims of discrimination on a number of grounds, as set out in the various human rights statutes, creates a greater risk of cost than any benefit that might be derived from such testing.

**Q: What are the requirements for polygraph testing?**

**Answer**

There is a general prohibition against polygraph testing in Canada. Most jurisdictions do not allow an employer to use such testing in workplace settings.
Workplace Violence

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Q: What is workplace violence?

Answer

Workplace violence is any incident where a person is abused, threatened, or assaulted in circumstances related to his or her work. This definition would include (but is not limited to) all forms of harassment, bullying, intimidation, physical threats/assaults, psychological harassment, robbery, and other intrusive behaviour in circumstances relating to an employee’s work.

It should be noted that circumstances related to an employee’s work include events outside of the workplace, such as business functions and company social events.

Q: Do you need a workplace violence prevention program?

Answer

At the very least, employers need to review the occupational health and safety legislation in their respective provinces and territories. This legislation details various duties for employers and workers, and provides specific rights for workers, such as the right to be informed of known or foreseeable health or safety hazards in the workplace. The requirements of this legislation are applicable to risks associated with violence in the workplace. In addition, British Columbia, Alberta, Manitoba, New Brunswick, and Saskatchewan have specific legislation regarding employees working alone; while Quebec, Nunavut, and the Northwest Territories have regulations concerning communication with and/or intermittent supervision of employees working alone or in isolated areas.

British Columbia, Alberta, Ontario, and Saskatchewan have special provisions on violence in the workplace in their occupational health and safety legislation. This legislation requires employers to have a workplace violence policy, to complete a risk assessment of the potential risks in the workplace, to communicate the risks to employees, and to implement procedures to address these risks. For example, in British Columbia, if a risk of injury to workers from violence is identified by an assessment, the employer must establish procedures, policies, and work environment arrangements to eliminate (or, if this is not possible, to minimize) the risk of violence to workers.
Workplace Violence Prevention Checklist

- Recognize the possibility that workplace violence can occur in your workplace.
- Review recruiting and hiring procedures — institute criminal background checks, and carefully check all references and former employers.
- Review external and internal security. Where appropriate, use a screening system. Determine if more stringent security measures are necessary.
- Provide external security to prohibit uncontrolled access throughout the company.
- Identify those members of management who may be likely targets and establish procedures to control access to them.
- Develop a relationship with local law enforcement officials.
- Take every known threat seriously. Follow up and investigate completely.
- Provide proper training for managers and supervisors in conflict resolution, identification of troubled employees, and employee relations.
- Prohibit the possession of all weapons, either inside the workplace or transported in an employee’s vehicle onto company property.
- Provide safety and awareness training for employees.
- Consider adding a special hotline number so that employees can report suspicious activities or concerns of potential violence, sabotage, or other acts of wrongdoing.
- Coordinate planning efforts with the company’s employee assistance program or consider identifying a qualified psychologist so that management concerns regarding particular employees can be addressed quickly and constructively.
- Develop a workplace environment that fosters trust among existing employees and management.
- Develop policies against all forms of violence, including harassment, and enforce them consistently and universally.
- Establish grievance procedures.
- Establish exit interview procedures in which company identification is collected.
Provide meaningful assistance for employees who are terminated.

Install routine security procedures when employees are let go.

Emphasize humane and respectful treatment of all employees, with particular emphasis on those who are terminated.

Establish a crisis plan, including a team trained to handle violent incidents and rumours of potential violence.

Q: What causes workplace violence?

Answer

There are a number of reasons that provoke workplace violence. For example, a momentary provocation may result in verbal abuse or minor physical abuse, or a substance abuse problem may lead to a lack of self-control. A non-supportive work environment or a manager who does not value employees may provoke a violent reaction. In short, workplace violence may be caused by individual behaviour patterns or workplace inadequacies.

Workplace violence can develop from many types of work occurrences:

- layoffs/downsizing;
- terminations;
- not getting a raise or promotion;
- lack of job security;
- poor relationships with supervisors;
- poor communication;
- lack of clearly defined policy regarding what is acceptable behaviour and what happens when behaviour is unacceptable;
- poor working conditions;
- harassment or unfair treatment;
- no established policy for dispute resolution; and
- workplace stress.
EMPLOYEE RELATIONS

Q: Are there warning signs to potentially violent behaviour?

Answer

There is no single, specific profile of a person capable of committing a violent act. However, there are indicators of potential violent behaviour. These can include:

- extreme changes in behaviour, such as escalating outbursts of temper or increasing withdrawal of emotions;
- threats toward fellow employees;
- behaviour that is intimidating, harassing, bullying, aggressive, or inappropriate;
- an employee who is always in conflict with others or has little respect for others;
- an employee who has brought in a weapon to work or has threatened to do so;
- statements regarding desperation over personal circumstances; and
- references to other workplace incidents.

For minor incidents of violence, there may not be any warning signs or indicators of violent bursts.

Q: Can employees help identify potentially violent co-workers or supervisors?

Answer

Yes they can. Employees and supervisors, who may be closer to employees with signs of potential violence, ought to be observant of signs of changes in behaviour and should advise their managers accordingly.

Q: What pre-employment precautions can employers take to prevent workplace violence?

Answer

If employment conditions warrant, you may require or request a pre-employment criminal record check if it is related to the job in question. Interviews and rigorous reference checks are also important in assessing risk before the employment relationship is established.
If appropriate to the work circumstances, on employment applications or during interviews, you can ask prospective employees whether they have been convicted of a criminal offence for which they have not received a pardon. This may help in determining the potential for workplace violence.

Another option, although limited and expensive, is pre-employment psychological testing. This may help identify individuals prone to violent behaviour.

**Q: What steps should be taken after a violent incident at work?**

**Answer**

Critical incident stress debriefing should be one of the first things that are implemented for staff in the organization. Assure staff that any incidents will be dealt with efficiently and effectively, and that all efforts are being made to prevent any future incidents. Policies and procedures relating to staff security should be reviewed and revised where necessary. Additional safety and security measures should be offered to staff directly affected by the incident.

Offering support resources from an Employee Assistance Program or a counseling service may also help employees deal with the effects of a violent incident at work.

**Q: Is domestic violence a workplace concern?**

**Answer**

Yes. The concerns are centered on both the alleged abuser and the victim. Domestic violence can cause increased absenteeism and health care costs for victims. It can also cause extreme stress, which may impact on their work performance. Sometimes domestic violence overflows into the workplace.

It is important to note that perpetrators of domestic violence may also be potential perpetrators of workplace violence.

**Q: When will an employer be responsible for harm caused by an employee?**

**Answer**

Where an employer has not taken reasonable precautions in a situation and harm is caused by an employee, the employer may share some liability/responsibility.
If the employee is acting in the scope of his or her job and the employer has taken no reasonable precautions that a reasonable person would consider appropriate in the circumstances, the employer may then bear some responsibility. These areas of responsibility could include not having followed the proper safeguards in hiring employees: reference checks, pre-employment testing, and so on.

Q: What type of workplace culture tends to be less susceptible to workplace violence?

Answer

A workplace culture of mutual respect tends to minimize hostility and harassment. In workplaces where employees are provided with a certain level of independence in their work and provided with ongoing support and recognition, there tends to be better morale. Additionally, open communication and effective management assists in reducing ongoing workplace conflict.
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Q: How should employee complaints be handled?

Answer

In unionized settings, grievance procedures to handle workplace complaints are often set out in the collective agreements that cover the employees in the bargaining unit.

In non-union settings, there should be a process that allows for work-related complaints to be heard. The process can be informal and may simply involve maintaining an organizational atmosphere that allows employees to express dissatisfaction. Alternatively, there can be a formal policy that provides specific steps for resolving workplace disputes.

In either setting, investigations into complaints should occur when appropriate. The investigation should involve all employees who may be affected by the complaint. Once complete, the results and any decision made should be shared with the employees concerned; corrective action, if any, should be identified and implemented. The process should be carried out in a timely and effective manner.

Q: How should managers initially respond to employee complaints?

Answer

A manager should listen objectively and attentively to the employee and not make any prejudgment. It is important not only to understand the problem, but also to convey to the employee that the complaint is being considered seriously. During the initial meeting, take good notes. The manager should ensure that all the facts are established, even where further investigation is required.

Determining the merits of the complaint should be made after hearing the employee out, checking company policy, conducting an investigation, and looking into whether similar complaints have arisen in the past and how they were handled.

Once the complete picture is known, a decision on the complaint should be made expeditiously and communicated promptly to the employee. The complaint should then be dealt with appropriately.
Q:  **What type of complaint procedure fits with your organization?**

**Answer**

Any organization should have a complaint process that allows for open and honest communication, timely responses, and corrective action where necessary. The complaint procedure should have the commitment of the organization’s management, from the executive level to the front-line supervisory level. It is important that employees feel they are able to raise their concerns to their supervisors without fear of reprisal or repercussions.

The specific type of complaint procedure will vary among organizations depending on an organization’s character, culture, size, and setting.

Q:  **What should be included in a grievance policy for non-union employees?**

**Answer**

A non-union grievance policy must identify the proper steps in lodging a complaint, must set out how to take the complaint to the next stage and how to seek resolution, and must identify the issues that are not subject to the non-union grievance procedure.

The policy should also list the managers responsible for dealing with complaints, including alternates for situations where an immediate supervisor may not be the appropriate person with whom to initially lodge a complaint.

Q:  **Should arbitration or mediation be part of the complaint resolution system?**

**Answer**

Arbitration or mediation should only be part of an organization’s grievance resolution procedure if the organization is totally prepared to live with the results. Arbitration is a process analogous to a civil trial, but is less formal and generally produces quicker results. The final decision is made by an outside third party.

If arbitration is to be used in dealing with workplace complaints, this should be identified in any employment contract or employee handbook that is provided to employees when they commence employment.
Mediation is more informal and involves using an independent party to assist the parties to come to a mutually acceptable resolution. It is less risky than arbitration and should be part of any process for dispute resolution.
## Whistleblowers

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Q: Who are whistleblowers and what laws protect them?

Answer

Whistleblowers are those employees who report real violations of law within their workplaces, outside of the normal complaint process and sometimes externally, without going to an organization’s supervisors or management.

There are subject specific statutes, like the *Occupational Health and Safety Act* and the *Human rights Code*, that protect employees in specific situations. Generally, there are not the same statutory protections in Canada as in the United States; however, there is increasing pressure for such protection.

In cases of retaliation where an employer dismisses a whistleblowing employee, the common law concept of wrongful dismissal may assist the employee. While such civil litigation will not protect the employee from losing his or her job, it can provide the employee with an entitlement to damages for the employer’s retaliatory acts.

Q: Why have a whistleblower policy?

Answer

Whistleblower policies are necessary in organizations to ensure that employees feel sufficiently well protected to be able to identify violations of law in the workplace. Such policies provide a process for internal reporting and problem-solving, without external embarrassment. Policies of this nature increase the company’s integrity by offering employees protection against retaliation. Such policies may also protect the organization from prosecution where the policies are reasonably founded and consistently applied.

Q: What factors should you consider in designing an employee complaint/whistleblower policy?

Answer

The following questions are designed to guide employers in the initial steps of designing an effective employee complaint policy that will fit the company’s culture.

1. Are there business considerations that intensify the need to have an effective internal complaint policy in place? This includes organizations of the following types:
WHISTLEBLOWERS

- a contractor or subcontractor for a government entity (federal, provincial, or local);
- a seller or manufacturer of hazardous materials or goods;
- an organization that is not publicly owned;
- an organization that is not engaged in a type of business that negative media coverage, over time, could damage profits; and
- an organization that operates in the public trust or requires a level of trust to sell goods.

2. Are there values within the company, practised and espoused by senior management, that would support an internal complaint philosophy?

3. Is the company culture supportive of handling complaints confidentially, including committing resources to investigate and address wrongdoings if discovered?

4. Are there laws that should be reviewed prior to the design of a company policy to ensure that the policy is in compliance?

5. Should the company consider other forms of input such as hotlines, open door policies, and suggestion boxes?

The following should be considered when designing a policy:

- Who will write the policy?
- How will the policy be approved and by whom?
- Who will be responsible for maintaining/updating the policy and procedures?
- Will one person or unit be designated to receive all complaints? If so, what person or unit will have this responsibility?
- Will anonymous complaints be accepted?
- What guidelines will govern investigations?
- Who will conduct the investigation?
- How will resources be allocated?
- How will confidentiality be maintained?
- Will external parties be used?
EMPLOYEE RELATIONS

- How will the policy be communicated to employees?
- Assuming wrongdoing is found as a result of an investigation, how will the company respond to the wrongdoer?
- What if the complaint concerns the person or unit responsible for complaints?
- Should there be timetables for completing investigations and reporting to a higher authority?
- Should the complainant be advised of the status of the investigation and/or the outcome?
- Will there be an appeal process for the parties involved?
- Should legal counsel be involved to ensure all alleged criminal activities are reported to the proper authorities?
Respectful Work Environment

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Q: What is harassing conduct?

Answer

Harassing conduct consists of words, gestures, behaviour, writing, or cartoons that ridicule or insult an individual on the basis of certain characteristics such as age, sex, race, or sexual orientation. The conduct is reasonably known to be unwanted or unwelcome.

Q: What is an employer’s liability for harassment?

Answer

Employers may be liable for any damages suffered by an alleged victim of harassment if the employer has not taken steps to ensure the workplace is free of harassment. The level of damages may vary according to whether the alleged harasser is in a position of authority or is a co-worker.

If an employer can prove that it has acted with due diligence in providing a respectful, harassment-free workplace, the employer may escape some liability. In addition, an employer may avoid liability if it takes immediate action after learning of any harassing conduct.

In Ontario, under the province’s Occupational Health and Safety Act, employers are required to develop a workplace harassment policy and a workplace harassment program, and communicate the policy and the program to employees.

Q: Why have a respectful work environment (anti-harassment) policy?

Answer

A respectful work environment (anti-harassment) policy is important in communicating to employees the expectation and importance of maintaining a respectful work environment. Such a policy is also a way to reduce an employer’s potential liability; it is one small factor in defending against and mitigating damages in a harassment complaint.

An respectful work environment (anti-harassment) policy will also provide support for employees who need to report instances of harassment.
Q: What elements should an effective respectful work environment policy include?

Answer

An effective respectful workplace policy should include the following:

- a definition of harassment that complies with the human rights laws governing your jurisdiction;
- a statement that every employee is entitled to a respectful work environment free of harassment;
- a commitment by the employer to make every reasonable effort to ensure that no employee is subject to harassment;
- a commitment to take disciplinary measures against employees who harass other employees, and a description of the types of discipline that may be imposed;
- an explanation of how harassment complaints may be brought to the employer’s attention;
- a detailed description of the procedures for investigating and resolving a complaint;
- a commitment to protect the identity of the parties wherever possible; and
- an explanation of an employee’s right to file a complaint under human rights law.

Q: How can employers prevent harassment?

Answer

There are a number of different factors that, in combination, assist in maintaining a harassment-free workplace:

- develop a corporate culture that encourages respect and sensitivity;
- publicize and enforce a zero-tolerance policy;
- create an easily accessible complaint procedure that is seen to be fair to both parties in a complaint;
- respond promptly to complaints; and
EMPLOYEE RELATIONS

- ensure managers and employees are informed of the respectful work environment policy and what constitutes acceptable and unacceptable behaviour.

Q: **How often should employees and managers receive harassment awareness training?**

**Answer**

Harassment awareness training should be done annually on a routine basis, and it should follow every complaint that is found to be valid.

Employers should also ensure that every new hire receives education on the respectful work environment policy.

Q: **Can employees be disciplined for reporting harassment?**

**Answer**

No, employees cannot be disciplined for reporting harassment. However, if the report is clearly without a proper and reasonable basis, if it is frivolous, or if it put forward for some other ulterior purpose, employees can be disciplined.

Q: **What type of discipline should be imposed for harassment?**

**Answer**

The severity of the discipline should reflect the seriousness of the harassing conduct. As with any other culpable behaviour, the discipline could range from verbal or written reprimands to termination of employment.
# Union Organizing

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Q: What is concerted activity?

Answer

“Concerted activity” in the workplace context means an explicit or implicit agreement among a number of employees to act together. This may include conduct such as a general work slowdown, work-to-rule, refusal of overtime, or widespread calls in of sickness.

Whether such combined conduct is legal or illegal depends on the circumstances. You are advised to check with a labour lawyer to determine the situation.

Q: In what situations can employee discipline be seen as a violation of labour relations legislation?

Answer

It is important for an employer to determine which labour relations legislation the organization is subject to, as each jurisdiction’s legislation has unique provisions.

In general, labour relations legislation prohibits employers from taking any disciplinary or discriminatory action that is in reaction to an employee’s exercise of his or her rights under the specific statute. Even if there is a remote or coincidental link between an employee’s exercise of a right under a statute and an employer-imposed discipline, the discipline will be seen as a violation of the labour relations legislation.

In most cases, the onus of proof is on the employer to show that there is no such link. If the employer is found to be in violation, the statutory consequences may be significant; in some circumstances, consequences include the automatic certification of a union as a bargaining agent for employees.

Q: When and where are solicitations for union membership not allowed?

Answer

While individuals have a right to solicit membership in a union in order to obtain certification as a bargaining agent for the workplace, there are limitations: during working hours on the employer’s premises, solicitation is not sanctioned. However, an employer must take specific steps to prohibit such activity.
As for solicitation during non-working time on the employer’s premises (e.g., the lunch room at lunch time), there is some difference in the case law among the jurisdictions as to whether such activities are allowable. The general rule is that employees may engage in union solicitation on their own time and away from the employer’s premises (e.g., outside the plant gates or in office buildings on public property).

While an employer can prohibit non-employees from engaging in employee solicitation on the employer’s premises, in cases where an employer has complete control of a remote property (e.g., a lumber camp or a remote mining site where employees live on the employer’s property), there are provisions that allow for regulated visits of non-employees to the workplace.

Most labour relations legislation prohibits solicitation that is done in an intimidating or harassing manner. However, the threshold for such prohibition is quite high.

**Q: How can a “no solicitation” rule create problems for employers?**

**Answer**

If a “no solicitation” rule is applied inconsistently, it may cause problems for an employer. For example, if an employer permits employees to solicit for charities or gifts during working hours, then the employer may have difficulty prohibiting solicitation for union activities during working hours.

**Q: Can employers control the distribution of union literature?**

**Answer**

Generally, employers can prohibit the distribution of union literature on the employer’s premises. But an employer cannot prohibit such distribution at plant gates or outside company buildings if it is done on public property or with the permission of the property owner.
Q: Can employers control the content of distributed union literature?

Answer

There is no statutory right that allows an employer to control the content of distributed union literature. In the context of a union-organizing drive, an employer can correct any misstatements by producing literature of its own, provided that the employer does not make any threats or promises that inhibit an employee’s right to choose whether or not to be represented by a union.

Q: Can employees wear union emblems?

Answer

There is no clear rule for or against union emblems. In some jurisdictions, it has been found to be permissible if it does not pose a health and safety threat. In other jurisdictions and circumstances, an employer’s prohibition against the wearing of union emblems has been upheld.

Union insignia may be prohibited if there is a safety issue (e.g., a protruding pin), if the union emblem can be interpreted as being obscene, or if there is potential conflict with the employees’ duties.

Q: What can an employer do in response to union activity?

Answer

While it may be difficult at the early stages to detect union organizing, the key is to ensure that supervisors are very much aware of their employees’ activities. Learning about union organizing early on will provide a company with the ability to respond quickly and positively.

If an employer becomes aware of union organizing, it can distribute propaganda that sets out the employer’s position on unionization. However, this must be done with great care and certainly in consultation with legal counsel. While employer free speech is permissible, the literature must not engage in any threats or promises that will have the effect of inhibiting an employee from making a voluntary choice as to whether he or she wants to be represented by a union or not.

An employer may also prohibit union activity on the employer’s premises during working hours.
An employer may not take any action against an employee that may have even the remotest connection to an employee’s activity in soliciting for a union.

Generally speaking, employees will attempt unionization if they feel that the employer is treating them unfairly or if the work environment is poor. To avoid unionization attempts, employers must create a culture and work environment that is respectful, enjoyable, fair, and free from harassment and discrimination.
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Q: How should a workplace investigation be conducted?

Answer

The nature and extent of a workplace investigation will vary according to the circumstances giving rise to the need for the investigation. For example, investigations regarding health and safety complaints and investigations involving employee discipline or termination are quite different. However, in any kind of investigation, the underlying principles to maintain are thoroughness and consistency; the investigative process must also be fair to the employee who is the subject of the investigation.

Following are some general steps:

1. Start an investigation promptly (i.e., as soon as possible after the incident).
2. Determine who is the appropriate party to conduct the investigation.
3. Interview all employees and all prospective witnesses. In a unionized setting, check the collective agreement to determine whether employees are entitled to union representation.
4. Document every investigative activity and include the date, time, and place of the interview, as well as the attendees and their remarks. Employees and other witnesses may be asked to review and sign a summary of the interview or write out their version of the events.
5. Gather all relevant documentation:
   — agendas, calendars, itineraries,
   — memoranda, notes to file,
   — personnel files,
   — performance appraisals,
   — expense reports,
   — time cards,
   — communication logs, and
   — company policies and procedures.
6. Prepare a comprehensive report of the investigation.
Any investigation should answer the who, what, where, when, and how of the incident in question. The documentation should set out the purpose of the investigation, make reference to all the documentation that was reviewed, and include any prior incidents with the specific employee and similar incidents with other employees. The documentation should conclude with what decision was made as well as any action plan for follow-up.

If the employer believes that it would be better to have the relevant employee(s) away from work while the investigation is ongoing, it may be prudent to pay the employee his or her salary while he or she is required to be off work. To do otherwise (i.e., not pay an employee who is required to be off work during an investigation) may be akin to punishment before the investigation has concluded and may be akin to constructive dismissal (if pursued by the employee), depending on the circumstances.

**Q:** Do employees have a right to representation during an investigation?

**Answer**

For unionized employees, check the collective agreement to determine whether they have a right to representation. If there is no right to such representation, it may be prudent to ensure that representation is there anyway.

For non-union employees, there is no statutory right to representation during an investigatory interview. However, it may be prudent to extend them this right.

If an employee requests representation during an investigation, it may be prudent to allow it, particularly if dismissal may be the outcome. Allowing representation may dilute any later allegation that the investigation was unfair.

**Q:** What are the rules concerning video surveillance?

**Answer**

Employers are often tempted to turn to video surveillance for a number of reasons: to monitor employee work performance, to deter theft, or to investigate an employee or a group of employees. Before doing so, employers must consider the parameters of surveillance, including the basis for engaging in the activity, the process of doing so, and the admissibility of the results.
The right to surveillance has been characterized as analogous to the right to search an employee’s personal effects. Thus, before an employer engages in surveillance, the employer must be sure that:

- there are reasonable grounds for engaging in surveillance;
- the surveillance is carried out in a reasonable and non-discriminatory manner; and
- there is no other less-intrusive method available to protect the employer’s interests.

There is also a difference between surveillance inside the workplace and outside the workplace. The reasons for surveillance inside the workplace arise from things like theft and performance monitoring. There must be more than mere suspicion of some activity in order to justify video surveillance. In this context, there is a further difference between surreptitious and open surveillance. Surreptitious surveillance has been viewed as a significant intrusion into the privacy rights of an employee and requires a higher standard of justification.

Surveillance outside the workplace usually comes as a result of an investigation into illness or injury claims, although acts that would be seen as contrary to the duties an employee owes an employer may also provide a basis for video surveillance. An example of this latter instance may be where an employee is providing confidential information to a competitor. Again, there must be a stronger basis for using surveillance than mere suspicion.

The general principle is that surveillance may occur where a person has no reasonable expectation of privacy.
# Discipline

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Q: Why should employers document employee disciplinary actions?

Answer

It is always important to maintain written notes of the circumstances that lead up to disciplinary actions. Even if it seems that keeping notes is not necessary, the occasions when they are later needed but unavailable will outweigh those occasions when they are not.

In events such as wrongful dismissals, human rights complaints, or proceedings before other tribunals, the period between the initial incident and the hearing into the matter may be a long time. Notes made at the time of the event will assist in later recall.

Documentation is important in almost every aspect of human resources management. Even anecdotal notes will assist in future decisions. Documentation is important in showing that an employee knew about a policy and that there were warnings about violating the policy. Documentation can support disciplinary actions taken later on.

Documentation is also important in showing that all employees in similar circumstances were treated the same way.

Q: What are the basic rules of documentation?

Answer

Any documentation that is going to be used to justify decisions or to assist in future actions must be produced in a way that leaves the process and results insulated from challenge. Thus, documentation must be:

- complete;
- accurate;
- objective;
- accessible; and
- timely.

After a discipline meeting, you should make some documentation based on your notes. Use this checklist to make sure you include everything necessary.
Q: What are the advantages of a progressive discipline system?

Answer

The objective of a progressive discipline system is to correct employee conduct by communicating performance expectations and enforcing increasingly severe punishment in stages if expectations are not met. This progression lends the appearance of fairness to the employee in that it provides the employee time to improve his or her performance.

If behaviour correction does not result, documentation produced during the process will create a record of unsuccessful attempts at correction and will provide a solid foundation for a justifiable termination.

Q: What factors should be considered when determining the appropriate discipline?

Answer

The severity of any discipline should vary according to the specific circumstances as well as any past attempts at correcting the employee’s conduct.

The following factors should be weighed:

- the employee’s work performance history;
- the employee’s previous disciplinary record;
- the seriousness of the incident; and
- the manner in which similar incidents have been handled in the past.

Q: What conduct is too severe to warrant progressive discipline?

Answer

Conduct that undermines or irreparably harms the employment relationship may be too severe to warrant a progressive discipline approach. For example, physical violence should be dealt with summarily. Theft and gross insubordination may also be circumstances that justify immediate termination.

However, in order to retain maximum flexibility, an organization should not set out a list of circumstances in which progressive discipline will or will not be used.
Q: Should disciplinary action be tied to specific infractions?

Answer
The level of disciplinary action should not be tied to a specific infraction. For example, the third or fourth instance of disciplinable conduct should attract a more severe penalty than the first instance, even if the employee’s actions are the same in each instance.

As well, the seriousness of an employee’s offence may warrant an initially severe response. For example, embezzlement would receive a harsher disciplinary action than the taking of a few stationery supplies.

Q: What are the usual steps in a progressive discipline system?

Answer
Progressive discipline usually proceeds as follows:
1. Oral warning
2. Written reprimand
3. Suspension
4. Termination

Q: What should happen in a progressive discipline meeting?

Answer
Use the following checklist for discipline meetings.

**Progressive Discipline Meeting Checklist**

**Before the Meeting**
- Arrange to meet with the employee privately. Do not discipline an employee in public or in front of other workers.
- Prepare for the meeting by reviewing your notes and files about both the specific incident or problem in question and any past discipline taken, either verbal or written.
**During the Meeting**

- Explain to the employee why you have called the meeting if the employee does not already know.
- State the specific problem in terms of actual performance and desired performance.
- Review your progressive discipline policy with the employee and explain what steps have already been taken and what the next step is.
- Give the employee a chance to respond, explain, and defend his or her actions.
- Acknowledge the employee’s story and be sure to include it in your notes of the discipline session.
- Tell the employee that you expect his or her behaviour to change. Give specific examples and suggestions.
- Indicate your confidence in the employee’s ability and willingness to change the behaviour.
- Have the employee repeat back to you or otherwise confirm that he or she understands the problem and is clear on what changes are expected.
- Explain to the employee that you will write a memo summarizing the session as documentation.
- Reassure the employee that you value his or her work and that you want to work with the employee to make sure he or she can continue to work at your business.
- Offer to provide any additional training, coaching, or support required to help the employee meet performance expectations.

**After the Meeting**

- Using your notes from the session, write a memo or other documentation that summarizes the conversation.
- If a written warning has been issued, be sure to give the employee the opportunity to sign any documentation for the file.
- Give the employee a copy of the document no later than at the end of the day following the conversation.
If the employee has other supervisors, distribute copies to them, but emphasize that the information is confidential and not to be shared with anyone else.

Monitor the employee’s behaviour and performance to make sure that the problem has been corrected.

**Q:** How should verbal warnings be approached?

**Answer**

Verbal warnings are intended to establish a starting point. They should be very clear about performance and conduct expectations, and they should establish the consequences for repeating the inappropriate behaviour.

Verbal warnings should also be recorded so that future disciplinary decisions have a basis in past attempts.

**Q:** Do verbal warnings require documentation?

**Answer**

Verbal warnings should be documented in writing, or at least recorded anecdotally. They will become useful if action must be taken to the next level — the written warning. A written reprimand would set out prior discussions (i.e., verbal warnings) regarding the employee’s performance or behavioural issues.

Example: I talked to [employee] today about her attendance record and gave her a verbal warning. Since January 1, [employee] has been absent from work on 12 occasions for a total of 17 days. [The employee]’s response was, “You can’t make people work when they are sick”, and she argued about the verbal warning. I told her that she could request a medical leave of absence if she needed it, but that I expected her to be here every day unless a doctor says otherwise. [Signature and date]

**Verbal Warning Documentation Checklist**

Documentation should include the following:

- Employee’s name
- Date of the verbal warning
- Specific offence or rule violation
What are the contents of a good written warning?

Answer

A written warning is more serious than a verbal warning and represents a progression in the progressive discipline process. A good written warning should set out the circumstances that give rise to the warning as well as the past attempts at correction. The warning should also provide a clear indication of the future consequences of repeating the inappropriate conduct, and/or the expectations of future conduct or performance.

A written warning should also contain either the employee’s signature acknowledging the written warning, or a notation by the supervisor of the date, time, and place that the written warning was given to the employee.

Written Warning Checklist

A written warning should include the following:

- Employee’s name
- Date of the conversation
- Specific offence or rule violation
- References to previous conversations and verbal warnings about the problem
- Specific statement of the expected performance
- Any explanation given by the employee or other information that is significant
- A statement indicating your confidence in the employee’s ability to perform properly in the future
- The employee’s signature — if the employee refuses, include a note on the signature line indicating your attempt to get the employee to sign and his/her refusal to do so
Q: **Is suspension advisable as a disciplinary step?**

**Answer**

In unionized settings, suspension is a vital step necessary in a progressive discipline system.

In a non-unionized setting, a disciplinary suspension without pay may amount to constructive dismissal, in certain circumstances. Therefore, employers should be cautious before taking this step.

In situations where an express term in an employment contract permitted suspension for misconduct, courts have held that the suspension may not amount to constructive dismissal. Therefore, employers should use clear language in employment contracts that authorize unpaid suspensions, and the suspension clause should be brought to the employee’s attention.

If an employer seeks to use suspension as a disciplinary step, then the suspension should be for a definite period and be as short as necessary to achieve the objective of the suspension, especially if the suspension is without pay.

Q: **Should discipline records remain part of an employee’s file?**

**Answer**

Discipline records should be part of an employee’s file. However, as they get older, the records will become less valuable for disciplinary purposes. In some unionized settings, there will be explicit directions about the length of time a disciplinary action may be retained on an employee’s file.

Q: **What can happen in a case of wrongful discipline?**

**Answer**

Damages are limited for wrongful discipline. Since the employment relationship is a contractual one, the principle for awarding damages is to place the wronged party in the same position that it would have been in if the breach of contract had not occurred.

In unionized settings, this could include reinstatement of the employee if he or she was discharged.
In non-union settings, there is no reinstatement available, except perhaps in the instance of a human rights complaint. However, damages for lost wages may be ordered.

**Q:** Does provincial or federal law have any impact on progressive discipline systems?

**Answer**

Generally, there are no statutory limitations on progressive discipline systems. The exceptions are where the discipline can be found to be discriminatory and subject to scrutiny as a result of a human rights complaint.

Additionally, the workers’ compensation legislation in some provinces can protect workers from discharge if the discharge is linked to the filing of a claim or potential claim.

**Q:** Can an employee be disciplined for abusing time off for casual illness?

**Answer**

The approach to dealing with absenteeism claimed to be due to illness must start with the question: Is it a legitimate absence or is there some culpable behaviour that is capable of being changed? Normally, legitimate absences due to illness or injury are not the result of behaviour that can be changed, so the normal approach of progressive discipline is not applicable or acceptable.

If, on the other hand, there is “abuse” of casual illness allowances, discipline is acceptable. However, in order to engage in progressive discipline, an employer must be quite certain that the absences are not legitimate. Doctors’ certificates to cover absences are quite easy to obtain, but are also acceptable to arbitrators and other tribunals. There must be very clear evidence that an employee has been abusing company policy.

In circumstances where there are very clear and compelling facts that show an employee is not legitimately ill or injured when claiming to be so, a normal discipline process can be invoked. Complaints under human rights legislation will not be supported if there is no legitimacy to an absence due to disability.

If there is no clear indication that an employee is abusing company policy, an employer needs to tread more cautiously. The process should start with questioning
the employee for an explanation of the absences. It is not sufficient for an employee to simply state that he or she was ill or injured. An employer, while not entitled to a detailed diagnosis of an employee’s condition, is entitled to more than a mere assertion. The initial questioning of the employee will at least put him or her on notice that the employer has heightened awareness of the employee’s absence and the reason for it.
Termination

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Q: Why is documentation important in the termination process?

Answer

In addition to having documentation of the termination, it is important to have documentation for the pre-termination period (the circumstances leading up to the termination).

Pre-termination documentation is necessary in order to justify the termination if the termination is one “with cause”. There must be a clear record of the conduct leading up to the termination and, except in the most extreme cases, documentation that the employee was warned and understood the warning to mean his or her employment was in jeopardy. Without such documentation, an organization may not be able to sustain the position that the termination was with cause. Absent of cause, an organization can be liable for significant damages for wrongful dismissal. In a unionized setting, if a tribunal cannot find sufficient cause for the employee’s dismissal, the employee can be reinstated with back pay.

Documentation of the termination process is also crucial in avoiding an allegation that a termination was handled in a callous manner. If proven, this manner of treatment may attract additional damages.

Q: What are the ABC’s of documentation?

Answer

Documentation is intended to preserve for future reference the circumstances leading to a certain decision or action. In the context of terminations, the documentation must contain records made at the time that answer who, what, when, where, why, and how.

In ABC terms, documentation must be:

- Accurate: set out precisely and completely;
- Bias-free: objective and neutral; and
- Current and concise: made at the time of the actions and including only what is necessary.
Q: Because there are many legal risks associated with employee termination, should terminations be avoided?

Answer

Terminations should never be taken lightly. Terminations should be avoided where there is some expectation that the employee involved can be rehabilitated, not only because of the potential costs of terminations that are challengeable, but also because an organization has made a significant investment in an employee.

In addition, the costs of recruiting and training a replacement, along with the short-term cost associated with a vacancy, emphasize the notion that terminations are really only appropriate where there is no likelihood of adequate productivity.

Q: What factors are generally addressed in a termination policy?

Answer

Termination policies include the following information:

- types of conduct for which a termination will be the response;
- details on how a termination will be conducted;
- information on termination-related actions (e.g., when benefits end); and
- information on notice periods or severance for terminations without just cause.

Q: What legal issues must be considered in terminations?

Answer

In non-union settings, courts are concerned with whether or not there is just cause. If there is just cause, the employment relationship can be terminated summarily. If there is no just cause, there must be an appropriate amount of notice necessary to terminate the employment contract.

With regard to entitlement to disability benefits after dismissal, recent case law has found employers to be responsible for providing disability benefits to employees dismissed before or while experiencing a disability. Employers should obtain the necessary legal advice in order to avoid potential liability. Following are some suggestions for dealing with this issue:

- look at each case independently;
TERMINATION

- if there is a dispute with regard to the medical condition of the employee, have an independent medical examination performed;
- assist the employee in applying for disability benefits; and
- deal with the issues in a timely and sensitive manner.

Note that the only information a company is entitled to know about an employee’s medical condition is whether an employee is medically fit to perform the essential duties of his or her job and whether there are any restrictions with respect to that performance.

Q: How can legal pitfalls during terminations be avoided?

Answer

Once a thorough investigation has been completed, it should be reviewed with legal counsel to ensure it supports a termination decision.

In respect of the termination process itself, advice should be sought as to when and how to conduct the termination meeting. In the past, mistreatment of employees during the termination process has resulted in additional damages being applied against the employer.

Q: How should voluntary terminations be handled?

Answer

If a termination is truly voluntary, it is necessary to have the employee acknowledge in writing that he or she is terminating voluntarily and that there has been sufficient time for him or her to consider the decision.

A voluntary termination requires both a subjective element (i.e., the employee has made the decision and communicated it) and an objective element (i.e., a clear sign of termination).

If an employee voluntarily resigns, conducting an exit interview is recommended to learn about how to improve the workplace. Areas to question can include:

- reasons for leaving;
- level of job satisfaction;
- working relationships with fellow staff and managers;
effectiveness of manager and his or her management capability;
- satisfaction with compensation, benefits, policies, and procedures; and
- comments on working conditions and work environment.

Q: Are prompted resignations a good idea?

Answer

Prompted resignations happen when an employee is encouraged to resign rather than be fired.

Such an approach to termination may have some risks. An employee may return with a claim that his or her resignation was coerced, and therefore the resignation would not be valid.

A resignation requires both an intent and an action: the employee must not only communicate an intention to resign, but must also couple that with conduct that confirms the communication or intention. Employers must be wary of resignations that do not provide both elements.

Employers must also be cautious that supervisors are not subjecting employees to significant threats that result in resignation.

If the work environment is hostile for an employee, then the employer should be extremely cautious if it intends to prompt a resignation — such a situation may result in a possible constructive termination claim by the employee.

Q: Are there any privacy concerns surrounding terminations?

Answer

Yes. An employee may have privacy rights under federal or provincial legislation. In any event, maintaining employee privacy in terminations may assist in reducing the likelihood of an employee bringing a civil action for the termination.

An employer must also be cautious about how it gathers information that may lead to a termination.
Q: Are any risks associated with immediate dismissals?

Answer

Generally, a termination decision should only be arrived at after a thorough investigation and after serious consideration, but sometimes an immediate dismissal is necessary. Such action may be particularly appropriate where an employee engages in fighting, poses an immediate health and safety risk, or is not in a condition to work.

Immediate terminations may also attract aggravated damages, depending on how the termination is handled.

Q: What are the goals of a termination meeting?

Answer

A termination meeting is held to advise the employee of the termination decision, the reasons for the decision, and to provide written details of the termination package, if one exists, to the employee. The meeting is not intended to be a debate about the reasons for the termination; presumably the investigation has resulted in an irrevocable decision.

The meeting should be conducted in a way that is objective and fair, and should allow the employee to maintain his or her dignity.

Q: How should a termination meeting be conducted?

Answer

A termination meeting should be conducted in the following sequence:

1. Tell the employee the purpose of the meeting. Although the reason for termination should be communicated, there is no need to go through a step-by-step analysis of the documentation supporting the reason for discharge.

2. Advise that the decision is final and cannot be reversed.

3. Advise that alternative in-house positions were explored (if applicable).

4. Emphasize that all relevant factors were reviewed.

5. Stress that everyone involved in management activities agreed with the decision (if applicable).
6. Tell the employee the effective date of the termination.

7. Review with the employee a written summary of benefits. This summary should include, where applicable, severance pay, compensation for vacation and sick time, continuation of health and life insurance benefits, other benefits, and re-employment assistance.

8. Provide a written document of the termination, detailing the information provided verbally to the employee. The employee will not remember everything that is said in the termination meeting, especially if the termination is unexpected.

9. Have the final paycheque ready. If the employee is to leave immediately, have any final benefit or vacation payments prepared, and inform the employee on how to collect his or her personal belongings and leave the premises.

10. Alternative route if the employee is to remain as an active employee for a period of time:
   • Provide the employee with a written summary of projects to be transferred to ensure a smooth transition of work.
   • Outline the next steps in the termination process, such as the last day of work and return of company ID, keys, and credit cards.

11. End the meeting by saying that the employee will be notified of any other matters that must be dealt with, such as continued health care coverage.

12. Remain calm, respectful, and empathetic, regardless of the reason for termination. Thank the employee and wish him or her well.

Q: Are there issues to be concerned about after a termination?

Answer

The termination meeting should be held with sufficient time for the employee to be able to seek advice afterwards; thus, it should not take place on a Thursday or Friday.

Once a termination is complete, the following concerns may need to be addressed:

- **Requests for references**: These should be directed to one person (e.g., the senior human resources officer).
- **Outplacement assistance or job search advice:** These services may be provided by the employer, depending on the circumstances that gave rise to the termination.

- **Information for the rest of the organization:** A company must also assess what needs to be done for the rest of the organization, including communicating the employee departure or providing other information or assistance that may be necessary.

**Q: What is working notice?**

**Answer**

It is well-accepted law in Canada that a non-union employee can be terminated without any cause, provided the employee is given reasonable notice of the termination. Most employers choose to give an employee pay in lieu of notice (i.e., the amount of compensation that an employee would have earned during the period of notice).

It is also quite acceptable for an employer to not provide any money to the employee and simply advise the employee that the employment will end on a certain date and that the employee is required to continue working until that date. The date has to be far enough away to provide the employee with an acceptable period of notice of the termination. This is working notice.

**Q: When should an employer choose to give working notice?**

**Answer**

An employer who is deciding whether to give working notice should consider the benefits and costs associated with that decision. The major benefit is that the employee continues to work and provide service to the employer, which thus avoids paying money for no return. In addition, it is far easier for a person to look for other employment while he or she is still employed — a benefit to the employee.

On the other hand, if the termination is going to result in a disgruntled employee, it is better to have the individual gone immediately (with pay in lieu of notice) rather than run the risk of such things as sabotage, pilfering of customer lists, workplace injuries, and so on.
Q: When is a dismissed employee entitled to more than the statutory termination pay?

Answer

Whether or not dismissed employees are entitled to more than statutory termination pay depends on the specific facts of each case and on whether an employment agreement exists that stipulates termination provisions. In some cases, statutory termination pay will be sufficient, in other cases, it will not.

There are two types of law that govern when dealing with dismissed employees: statutory law and the common law (otherwise known as judge-made law). When an employee is dismissed without cause, he or she is, at minimum, entitled to the statutory pay (or notice period) outlined in the employment standards/labour standards law of his or her jurisdiction. This is a minimum entitlement only.

The common law is more broad and liberal when dealing with dismissed employees than is statutory law. The courts will consider the employee’s age, length of service, character of employment, position held, and other factors; there is no set formula, but simply a consideration of various factors.

As a general rule, reasonable notice (or equivalent termination pay) is the length of time required for the employee to find reasonable alternative employment.

Common law entitlement becomes relevant when a dismissed employee actually takes the termination/severance package to a lawyer to obtain legal advice. For example, if an employee in Ontario has worked for a company for 10 years and is dismissed and offered 8 weeks of pay pursuant to the termination pay provisions of the Ontario Employment Standards Act, 2000:

- if the employee accepts the statutory offer and signs a valid waiver of rights to any further termination pay, then the issue of common law entitlement disappears; or

- if the employee accepts the statutory offer but does not sign a waiver of rights to further termination pay, he or she may still be able to pursue common law entitlement, but that entitlement would be reduced by the statutory termination pay/severance pay amount already received (in order to avoid double recovery); or

- if the employee does not accept the statutory offer and seeks legal advice, then common law entitlement becomes relevant and the above-mentioned factors are considered in determining common law entitlement.
The terms of an employment contract can also affect the amount of termination pay (or length of notice period) to which an employee is entitled. If the employment contract sets an amount at or above the statutory minimum, and the employee was given ample opportunity to review the contract and seek legal advice before signing, it would be difficult for this amount to be challenged on termination.

It is usually prudent for employers to obtain legal advice from an employment lawyer when drafting termination packages, since the factors to be considered are numerous and constantly changing.

**Q: What is a Wallace award?**

**Answer**

The “Wallace award” refers to the 1997 landmark Supreme Court of Canada decision in *Wallace v. United Grain Growers Ltd.*, where it was established that employers have an obligation of good faith and fair dealing in the manner in which they dismiss employees, and in their conduct prior and subsequent to a dismissal. When an employer acts in bad faith in terminating an employee (e.g., being untruthful, misleading, or unduly insensitive), the employee can be awarded additional damages. Courts often awarded these additional damages, which were called a “Wallace award” or “Wallace damages”, in the form of an increased notice period to the employee.

However, in 2008, the Supreme Court of Canada released a much-anticipated decision in *Keays v. Honda Canada Inc.*, which essentially eliminated the Wallace “bump-up” of the notice period. The Supreme Court indicated that courts could no longer issue an arbitrary extension of the notice period as compensation for an employer’s bad faith dismissal; instead, an employee who proves bad faith is to be awarded compensation that reflects his or her actual damages.

**Q: How should you announce an employee’s departure?**

**Answer**

Companies are best advised to issue a neutral announcement shortly after an employee leaves the company. The reasons for departure should not be announced unless this has been agreed upon by the employee, and the announcement should not reflect any tension or bitterness between the employer and the employee. Confidential details about the employee’s departure should not be disclosed.
For example, the following announcement may be appropriate: “Oscar the Grouch has left Sesame Street to pursue other activities. Big Bird will be responsible for his files until another individual is hired.”

Any inquiries about the employee’s departure should be dealt with in a manner consistent with the above, in order to avoid a potential lawsuit in the future.
# Retaliation

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Q: Who is protected from retaliation?

Answer

Any employee who is properly engaged in any internal or external administrative process dealing with improper conduct is protected from retaliation from other employees and the employer.

Q: How can employers evaluate the risk of a retaliation charge when contemplating disciplinary action?

Answer

The employer can assess risk by determining the following factors:

- the seriousness with which any complaint has been considered;
- the thoroughness of any investigation into the complaint; and
- the appropriateness of any action taken as a result of the complaint, including action against the complainant if the complaint was found to be spurious.

Q: What can employers do to limit the likelihood of retaliation charges being brought by employees who participate in administrative or judicial proceedings?

Answer

If an employer has listened to and properly responded to a complaint and has followed through with appropriate corrective action, then the employer should be protected from any charges of retaliation.

Each step of a thorough investigation should be comprehensively documented and corrective actions should be identified.
Employer Liability

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Q: What is vicarious liability of an employer?

Answer

The term “vicarious liability” generally refers to a situation where an employee does (or does not do) something that he or she was not supposed to do (or was supposed to do) during the course of employment, and a third party seeks damages from the employer for the employee’s action (or inaction).

For example, a delivery driver for a restaurant gets into a car accident and causes injuries to a bystander, and the bystander then sues the restaurant. The bystander’s argument is that the restaurant is vicariously liable for the acts of its employee, since at the time of the accident the employee was in the course of employment (i.e., making deliveries), as a result of which the bystander sustained injuries.

Another example is when an employee is being harassed by another employee in the workplace, and the employer is aware of the harassment but does little or nothing to protect the harassed employee. The harassed employee later sues the employer and argues that the employer is vicariously liable for the acts or omissions of the harasser, since the employer was aware of the harassment but did little or nothing to remedy the situation.

The above are examples only. Every situation is unique, therefore legal advice should be sought when dealing with situations involving the possible vicarious liability of an employer.

Q: Can an employer be liable for unauthorized use of its equipment?

Answer

A policy regarding the proper and authorized use of company equipment is recommended. Such a policy is necessary in order to limit an employer’s liability in circumstances where an employee is using company equipment in an unauthorized or improper manner. As with any policy, for it to be effective, employees must be aware of and acknowledge the policy.
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Performance Management

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Q: What is the role of performance appraisals in employee development?

Answer

A sound performance management system can bring higher profits, better cash flows, stronger stock market performance, and higher stock value to an organization.

Providing performance feedback is an important component of strong management. The performance appraisal is an avenue for giving feedback to employees. It is also an opportunity to engage the employee and his or her manager in a dialogue regarding personal goals, developmental needs, and organizational expectations.

Commonly, the appraisal is part of a process where organizational objectives are cascaded down the hierarchy and translated into individual employee goals that contribute to the attainment of the larger organizational goals. The basic purpose of performance appraisal is to direct and improve an employee’s performance relative to specific company goals. If performance matters in an organization, then effective performance appraisal is a necessity.

Q: What should a good performance appraisal do?

Answer

A good performance appraisal does the following:

- measures an employee’s performance, which is based on pre-set goals;
- acts as a communication tool to provide two-way feedback between the employee and the manager; and
- provides an opportunity to establish goals and training initiatives for the employee.

As a performance measurement tool, the performance appraisal allows both the employee and manager to see how the employee is progressing. The performance appraisal is also a time for the manager to explain to the employee the importance of his or her performance goals and how they fit into the organization’s strategic plan. In this way, the employee can grasp the importance of his or her contribution to the organization. If priorities have been changed, as they often do, the manager can explain what brought on the changes, how the new order of priorities will enhance the organization’s achievements, and what impact the changes will have on the employee’s role.
As a communication tool for managers, the performance appraisal is a time to provide feedback on the employee’s quality of performance, the quantity of work done, and (if applicable) the client satisfaction/feedback on the performance. It is also a time to discuss new goals for the employee for the upcoming time period (typically for the upcoming year) and to discuss any training requirements for the employee in order to achieve those new goals and targets. As a communication tool for employees, the performance appraisal is a time for the employee to seek clarifications and any required adjustments needed to meet set goals. Both the employee and the manager should look at this process as an open dialogue.

Once all the above elements have been discussed, both the employee and the manager should have a renewed sense of being up to date and informed on all aspects of the employee’s goals and their related impacts on the organization.

Note: The performance evaluation meeting should not be the forum through which a poor performance issue is discussed for the first time. Such shortcomings should be addressed as they occur throughout the year.

Q: Why do companies conduct performance appraisals?

Answer

The primary goal of the performance appraisal is to align employee behaviour with the organization’s overall objectives.

Performance appraisals help the organization to identify the good performers and to make better selection decisions regarding promotions. By measuring employee performance in an objective way, the organization is able to develop an inventory of competencies of staff. This allows the organization to assess its current ability to achieve its strategic objectives. Gaps in the skills inventory will tell senior management where to focus development activities and help identify recruiting priorities.

Assessing employee performance is a means to provide feedback to individuals regarding their individual strengths and weaknesses. This allows the organization and the individual to focus activities in areas where the person is strong. It also can be a source of guidance to the individual on how to minimize the impact of his or her weaknesses.

Through the appraisal process, the organization can diagnose where an individual’s performance has strayed from the objectives. In this diagnostic, the
employee and manager can determine if mitigating factors played a part in distracting
the individual’s focus (e.g., shifting priorities or unforeseen events) or if remedial
steps are needed to correct the employee’s behaviour. These remedial actions might
include refocusing the individual on the organization’s objectives, realigning the role,
retraining, or disciplinary sanctions.

In organizations that subscribe to a merit pay philosophy, the performance
appraisal provides an objective basis for making decisions regarding pay increases
and promotions. On the flip side, the appraisal may be used to support a decision to
establish a “corrective action plan” for an individual, or to terminate his or her
employment for poor performance. (Note: supporting a “just cause” argument for
termination based on poor performance is difficult, and managers should always
consult with a human resource professional or legal counsel before going forward
with a termination.)

Q: What are the basic elements of an effective performance
appraisal system?

Answer

These broad guidelines provide the general elements that can be applied to any
number of appraisal systems. Application of the following guidelines can be applied
on a decentralized and flexible basis, allowing various employee groups to adapt
performance appraisals to their own special needs:

- **Objectives**: These need to be specific to the job and aligned with the overall
  organizational goals. To provide motivation, the specific goals should be attain-
  able, but should also have a stretch element that forces the individual to grow
  his or her talents.

- **Measurable standards**: Work standards are usually expressed in terms of
  productivity, such as a set number of units produced in an hour. In higher-level
  jobs, the attainment of results might be substituted for work standards. For
  example, the attainment of a profit goal could be the goal for a business unit
  manager, whereas a specialist might be measured on the completion of a project
  within the budget and time frame agreed to.

- **Behaviour-based**: The system must have a way of describing the observable
  behaviours that demonstrate application of a desired skill. If suitable, the observ-
  ations can be made by a group of people through a 360-degree feedback
process to ensure the behaviours are being used in the right context and that the evaluation is based on the right focus.

- **Assessment interview**: Through interviews, the employee has an opportunity to participate in a dialogue. All mitigating factors are considered in assessing an employee’s performance, which creates an opportunity for the manager to discover where the employee’s interests are. It is important to document the standards used for assessment, the dialogue that occurs, and the objectives that are set. That way, expectations are clear, and participants may consistently focus on the agreed upon course of action.

- **Written guidelines**: Providing written guidelines for the performance appraisal system helps to ensure consistency and compliance. Having written guidelines is a good way to communicate to employees what to expect and what is expected of them.

- **Training**: Managers and supervisors who conduct appraisals should be trained on how to deliver effective feedback on performance. The ability to evaluate others and communicate that evaluation effectively is not necessarily intuitive, and evaluators should be provided with instructions in order to ensure consistency in how feedback is delivered company-wide and to increase the effectiveness of the feedback process.

- **Employee input**: It is essential that the process allows for employees to provide feedback to supervisors and, where appropriate, to challenge the assessment. In cases where there is no meeting of the minds, the system should allow for employee appeals to human resources or to a higher authority within the organization.

- **Efficiency**: The appraisal system should not place unreasonable technical and time requirements on managers or other evaluators. Regardless of how comprehensive or elegantly designed, a performance appraisal system that includes too many attributes to effectively evaluate, or takes an inordinate amount of time to complete, will be devalued by evaluators and will likely not be followed.
Q: What are the steps to implementing a performance management system?

Answer

1. Define the purpose, objective, and scope. Clearly define what the performance management system will seek to achieve for the organization, how performance will be measured, and when the system will be implemented. The scope should define which employee groups will be covered by the system. The project description should include the person responsible for managing the system, the participants from a cross section of the organization, and any potential external consultants.

2. Conduct job analyses. Job descriptions and job analyses are important prerequisites for the design of an effective performance management system. Information about what people do and why they do it (their objectives) are important in establishing what the performance management system should measure. Job analysis can help focus the system on key performance indicators such as:
   - work quality parameters, such as the number of errors or the amount of waste;
   - production standards; and
   - existing reporting systems.

3. Obtain employee input and feedback. The job standards identified in step 2 should be validated with the employees who perform the work to ensure they are accurate and to ensure any important standards of performance are not inadvertently omitted. For the system to have credibility, employees must agree that the standards used to measure performance are known and are fair, and that managers use the system in a manner that equitably evaluates strengths and weaknesses. If employee input is included in the design of the performance management system, employees will have a sense of ownership in the system.

4. Review standards for objectivity. Measurable standards should be used where possible. The system’s designers should look at how the standards are measured (i.e., where the data comes from and how frequently it is gathered) and how employees receive feedback on the measures. Every measurement must be job related.
5. Design a standardized method of appraisal. Different appraisal methods (e.g., behaviourally anchored rating scales, multisource feedback systems, competency-based models) should be reviewed to determine the one best suited to the targeted employee group. The level of sophistication of the employee group being measured should be considered to ensure that the system meets their needs and is not so complex that it will fall into disuse.

6. Develop documentation. Documentation is essential to any performance management system. Appraisal forms should be easy to use and should include key performance indicators. Documentation provides a method for tracking compliance with the system and for analyzing trends. Human resource practitioners rely on documentation to oversee the overall effectiveness of the system and to determine training and development needs for the organization. Documentation should be:

- accurate;
- factual and verifiable;
- based on direct observation;
- recorded in a timely manner;
- written in specific, clear language; and
- consistent for each member of the work unit and for each incident.

7. Conduct initial management training. Initial training is a key implementation step. Managers and supervisors should be trained first on the performance management process (definitions, standards, methods, and forms to be used) and on how to conduct effective performance appraisal meetings. Communicating performance feedback, both positive and negative, in an effective manner is critical to the success of the entire performance management program. Information to assist raters with difficult situations should also be included.

8. Conduct employee training. A successful performance appraisal system requires “buy in” by most employees. Although this step is often ignored, it is crucial in generating credibility. Employees should be advised of:

- how the system was designed and its purposes;
- how the system will function, including the forms, procedures, and schedule;
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- how information will be handled and protected;
- how long information will be retained; and
- how performance appraisal ratings or scores will impact compensation, career paths, training opportunities, promotions, retention, and tenure.

9. Incorporate independent performance monitors. To enhance the objectivity of the performance management system, the appraisal methods should include measures from sources independent of front-line managers. These independent monitors might include time and attendance systems, production records, and other management reporting systems (e.g., ones that track productivity, quality, or safety). In addition to ensuring a level of objectivity, these systems ease the burden on supervisors to collect and ensure timeliness of data.

10. Communicate results. Every method of performance appraisal stresses the importance of feedback. The more an employer can empower an employee to control his or her job performance, the more the employee can feel invested in the company’s success. It is much easier for an employee to understand the relationship between performance and profits when he or she knows exactly what is expected.

11. Provide continuing resources as needed. Support the performance appraisal system with:
- communication skills training for conflict situations and appeals;
- counselling resources, including employee assistance programs (EAPs);
- orientation programs, including explanations of the evaluation program;
- articles in company newsletters; and
- explanations in employee handbooks.

12. Act to improve performance. The basic purpose of any appraisal system is to provide a method for managers and employees to improve performance. Performance appraisals should be reviewed by both management and human resources staff to determine if there are any notable trends in employee performance, to address any problems, and to determine if any specific actions need to be taken.
13. Audit, evaluate, and report periodically. This is the step most often neglected in the performance appraisal process, yet it is a critical responsibility of management. Results of the performance appraisal system should be compared with its purposes; there should be tangible evidence linking the purpose of the system with its results.

14. Continue benchmarking and studying. Stay current with new trends in performance management. Flexible work schedules and telecommuting have made performance appraisal more important in managing results and in ensuring effective, goal-oriented communication.

**Q: How should a manager prepare for a performance appraisal meeting?**

**Answer**

The key to conducting an effective performance appraisal is planning. Before conducting a appraisal interview, a manager should take the following steps:

1. Review the organization’s policies and objectives.
2. Assess current job functions, deciding which functions are the most critical, and define which activities and responsibilities contribute to these functions.
3. Review an employee’s work plan and job description, and compare what should have been done with the actual results. (Collect all relevant notes, production reports, sales reports, and other records to back up the appraisal.) Review the employee’s personnel file if necessary.
4. Identify critical incidents: situations where an employee has made an outstanding contribution or has experienced a failure when attempting to fulfill a critical or important job function.
5. Review previous appraisals if they are available. This may be especially important if you are evaluating an employee who is new to your department.
6. Seek a variety of input. Multiple sources of input increase the quality of the assessment and reduce the chances of error in judgment.
7. Prepare a development plan that is designed to explore with the employee how performance can be enhanced. Also, identify the factors leading to the employee’s areas of weakness and explore ways to minimize the impact of these on overall performance. Where appropriate, seek specific actions that might be
suggested to the employee, such as training courses, seminars, mentoring, or special assignments. To ensure buy-in to the development plan, be sure to allow the employee an opportunity to discuss his or her plans for development and improvement so that you can jointly agree on a development plan.

8. Plan the discussion. Determine the key points that you will discuss with the employee. Some restrictions need to be placed on the discussion to keep it focused. These include:

- limiting the objectives and topics for discussion — concentrate only on those elements of performance that are critical, very important, and important; and
- limiting the number of areas that the employee should address in his or her improvement/development plan.

Q: How should a manager conduct a performance appraisal meeting?

Answer

The first step is to inform the employee of the date, nature, and purpose of the meeting well in advance. This allows both the manager and the employee sufficient time to plan and prepare for the meeting. If the organization has a specific form to be completed, a copy should be provided to the employee so he or she has a clear indication of what will be discussed. If written objectives were agreed to at the beginning of the appraisal period, the manager should ensure the employee has a copy of them for reference well in advance of the meeting. It is advisable to ask the employee to not only plan for the meeting but also assess his or her own performance. In this way, the meeting can be a more constructive dialogue where the employee has meaningful input.

Arrange a location that provides privacy and freedom from interruptions, and choose an appropriate time when both the manager and the employee are free from distractions.

Prepare for the meeting; however, care should be taken to avoid adopting a plan so rigid that opportunities for employee participation are ignored. Remember the importance of a two-way discussion.
One of the primary goals in preparing for a performance appraisal is to move yourself from an evaluation approach based on beliefs and opinions to an appraisal that is based on fact and backed up by meaningful data.

When setting up the meeting, indicate what you expect to do at the meeting and how you expect to conduct it. Suggest to the employee that he or she reread the work plan, job description, and review whatever reports are available.

Once you have set up the appointment for the appraisal meeting, keep it. Otherwise, it may appear as though the employee and good performance are not important.

Following are some additional broad guidelines; some items will suit particular situations, others will not:

- At the meeting, establish rapport and make the employee feel relaxed. Try to relieve the tension initially, but don’t waste time on small talk. You could acknowledge that performance appraisal is stressful for both parties.

- Make the purpose of the meeting clear, i.e., you want to assist the employee in making the best use of his or her abilities and in benefiting the organization as a whole.

- Discuss job performance in general terms over the past period. If appropriate, encourage the employee’s comments. If any doubts exist as to key tasks or responsibilities, these should be explained and cleared up.

- Praise the employee for good job performance using examples, and emphasize any tasks that required particular effort, persistence, or restraint on his or her part.

- Discuss performance weaknesses frankly, in detail, using specific examples where possible. This area of discussion may be sensitive, but it is necessary for achieving individual improvements as well as the objectives of the appraisal system.

- Ensure the meeting covers all relevant matters.

- Ask the employee to comment on his or her performance. This may lead to a discussion of how the job could be performed better in the future or the uncovering of problems that have hindered performance.

- Discuss the employee’s aspirations, potential, and development needs. This discussion may be based on past and present performance and experiences, but
its approach should be future-oriented. Make a note of any interests and abilities of the employee revealed during the meeting that were not previously known.

- Let the employee talk without interruption. Don’t do all of the talking — listen as well. The meeting can be a learning experience for both parties.

- At the end of the meeting, check for the employee’s understanding. Opportunity should be allowed for clarification of any points. Review the points made during the meeting and summarize them. Ensure the employee understands them and as much as possible agrees with them. Restate any goals agreed upon. Reassure the employee of your interest in his or her success and advise that you will be available to discuss the situation again if desired.

- Complete the appraisal form and have the employee sign it to acknowledge receipt. Forward the necessary documentation to the human resources department.

- Set a date for review of progress to ensure appropriate follow-up.

**Q: How should a manager conduct a meeting to express a poor performance appraisal?**

**Answer**

When a manager must tell an employee that his or her performance is below the expected level, the following steps are recommended:

1. Review with the employee his or her pre-set goals to ensure that the goals are well understood and that there is no communication problem. The following goal-related aspects should be covered:
   - quality of the employee’s work and the organization’s expected level of quality;
   - quantity of work done and the organization’s expected level;
   - satisfaction level of the clients or users of the employee’s work;
   - budgets and resources that play a role in the delivery of the goals; and
   - deadlines and time lines for the employee’s work.

2. Explain to the employee the impact that his or her failure to meet goals has on other departments and on the organization. For example, if the quantity of work is under the required standards, what impact does this have on the rest of the
organization? Does someone else have to make up the difference? Does the number appear on a production line report? Is that number an indicator that the department is not meeting its production quotas?

3. Outline to the employee the personal consequences of not meeting pre-set goals. For example, would the work shortfall equate to a setback in the employee’s career? Would it mean no bonus or no promotion?

4. Listen to the employee while he or she explains why the shortfall is occurring. In some situations, the organization may be able to assist the employee through the following:

   • adjustments to schedules or work-flow by providing extensions or additional resources; and
   • additional personal help by providing training, information sessions, mentoring, review of procedures manual, reference tools, or other tools.

5. Agree on a follow-up meeting to review the employee’s progress once the adjustments (if applicable) are implemented. The manager should stress the fact that the goals must be achieved as part of the employee’s employment contract, and that failure to do so can lead to disciplinary measures and poor performance ratings.

6. Document the meeting — specifically the terms that have been agreed to by both the manager and employee. A copy of this document should be given to the employee, and a copy should be placed in the employee’s personnel file.

**Q: What counselling skills can be applied in the performance appraisal process?**

**Answer**

The term “counselling” implies expert advice based on specialized knowledge. In this context, managers are ill-equipped to counsel employees. However, the interviewing skills employed by professional counsellors can provide clues to managers on how to deal with difficult situations when providing performance feedback to employees.

There are no “one size fits all” guidelines to deal with difficult situations. Every employee will have distinct needs to be addressed. However, the following suggestions should be helpful:
EMPLOYEE DEVELOPMENT

- Create a non-threatening atmosphere. The atmosphere must be private, pleasant, and non-threatening.

- Have a positive attitude. Regardless of the circumstances, the manager should make every effort to allow the employee to feel “safe”.

- Focus on problem solving. The emphasis must always be on problem solving, not judging or blaming. This greatly enhances the chances of acceptance and co-operation.

- Stay fact-based. Use specific instances rather than generalizations and mention the implications of that behaviour for the workplace.

- Provide opportunity to explain. Remember that an employee’s behaviour may be a symptom of another problem, and the employee should have the opportunity to explain his or her perspective.

- Listen. The skill of active listening is critical. Assist by encouraging the employee to take his or her time and summarize the important points.

- Stay balanced. Providing only negative feedback will may make employees wary and unwilling to solve the problem.

- Know policy and procedure. This is particularly true for disciplinary or safety-related issues.

- Refer to other available resources. Supervisors should be aware of available resources and how they can help in a given situation (e.g., an employee assistance program).

- Be supportive. Empathy is important.

- Avoid value judgments. Avoid using words such as “reason”, “logic”, or “common sense” as value judgments. People do not always act logically when they are emotionally affected.

- Provide alternative perspectives. When the interviewer knows or believes the employee is lying or distorting the truth, an approach suggesting that there is more than one way of considering an issue should be used, rather than directly confronting the employee. The interviewer can then suggest the “truth” as one of the alternatives and influence the employee to consider how others might view the same issue.
Explore solutions. Exploration is a crucial technique of counselling. Both parties look for solutions to the problem by considering alternatives. The role of the supervisor should be to make observations along these lines, allowing the employee to evaluate the observations himself.

Set goals. A desirable outcome to the performance appraisal interview is to set attainable and reasonable goals of a fairly specific nature, and to plan for future sessions to monitor progress. The greatest success is reached when the goals are jointly negotiated.

Stay flexible. If the employee is unable to face a problem at that time, one option is to provide the opportunity to think about the issues and what has been discussed, and return later for another interview. In such cases, a specific date and time should be set.

Q: What are some methods of evaluating performance?

Answer

Following are some methods of evaluating employee performance:

- trait measures;
- ranking;
- graphic rating scales;
- essay or narrative method;
- ranking;
- behaviour-based measures;
- critical incident method;
- results-oriented system;
- competency-based performance appraisal system; and
- multisource or 360-degree performance appraisal.
Q: **What is the trait measures method of evaluating performance?**

**Answer**

Performance appraisal processes based on trait measures focus on the degree to which an employee displays specific characteristics, such as leadership, dedication, detail-orientation, dependability, and so forth. Some systems use generic traits that are deemed important across a wide spectrum of roles, while others focus on traits that are judged to be important to a specific job.

This system has been the most popular method of performance appraisal, in large part because it is relatively easy to construct (in many instances the system can be bought off the shelf), easy to understand, and easy to use. Also, employees understand what to expect from the evaluation.

The fundamental disadvantage of trait-based methods is that they can be biased and subjective. This can lead to inconsistent application and can erode employee confidence in the process. Additionally, if the traits measured are not relevant to the job, users of the system may discount the system’s effectiveness and utility.

Trait-based methods include ranking, rating scales, and forced-choice methods.

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Q: **What is the ranking method of evaluating performance?**

**Answer**

Ranking is one of the simplest evaluation methods available. The process involves placing a set of employees in relative order according to their job performance and/or value to the organization. Even in sophisticated performance management systems, some form of ranking takes place. However, in its simplest form, the ratings of various employees are pooled and an overall result achieved.

The two most common ranking methods are alternation and paired-comparison ranking. In alternation ranking, the employees’ names are listed and the rater chooses the “most effective”, “most efficient”, or “most valuable” employee first; then the “least effective” or “least valuable”; then the “second best”, “second worst” and so on until the list is completed. In paired-comparison ranking, the employees’ names are listed and the rater compares each employee against each of the other employees. The “preferred” employee receives a check next to his or her name, and ranking is determined by the number of checks received at the completion of the exercise.
Although only two individuals are considered at any one time, the number of comparisons increases geometrically as the size of the whole group increases.

The main advantage of ranking is its ease of administration in terms of time and cost. The disadvantages to ranking are that it only produces overall results and does not allow evaluation of specific aspects of job performance. Although ranking indicates how each employee stands relative to the others, ranking does not show the distance between levels of performance for each employee or an employee’s overall quality (for example, the person ranked last may still be quite an effective and productive employee if the overall standard of the group is high). Both of these problems imply that the rater must have knowledge of each job and the performance of each individual in order to make such a general assessment. Finally, ranking may be based on subjective opinions of employees rather than on objective criteria, and it may be possible that raters will “play favourites” and rank certain employees higher than others simply because they like them better.

Q: What is the graphic rating scales method of evaluating performance?

Answer

In a graphic rating scale method, an item is assessed on a scale that has short statements or adjectives describing each level of quality and quantity. The rater is to choose the statement or adjective nearest to his or her judgment of the employee. Often an overall “score” can be tabulated.

The popularity of graphic rating scales is due largely to its ease of administration. A visual system is easily understood by different appraisers, and it can be adapted to a large range of jobs, provided those jobs have a range of common elements. It is also capable of ensuring that a large range of job components is covered by the appraisal. This system does not take a great deal of time to learn or use, and documentation is relatively easy.

There are several major deficiencies in the graphic rating scale method. It is not usually a valid means of comparing people in different jobs, since factors on the scale will vary in importance from job to job and may therefore require some form of weighting. The system may be also so simple that it does not relate to the complexities of the job, and hence will have no validity. The system also fails to allow for the special attribute of a particular job, due to the rigidity caused by trying to represent a wide range of jobs. A possible means of overcoming this difficulty is to combine the
graphic rating scales with another more flexible method, such as essay or narrative. From the appraiser’s viewpoint, one of the problems is the difficulty of justifying a bad rating to the employee in subsequent discussions. If the rater is afraid of this situation, he or she may avoid allocating poor ratings even if they are justified. A related problem is a tendency for ratings to cluster around the “average” mark. This is often caused by the rater’s lack of knowledge of the employee or the issue at hand and the frequent tendency to start at average and work outward. Overall, a visual rating system does not encourage a flexible approach, and often does not produce sufficiently discriminating information.

Q: What is the essay or narrative method of evaluating performance?

Answer

The essay or narrative method is a simple, open-ended, unstructured approach. The appraiser is asked to write a report on the employee’s performance and is free to include any items he or she wishes. Generally the employee’s strengths, weaknesses, and potential will be mentioned, along with an overall assessment of his or her performance.

An essay section is often combined with another more structured technique, such as graphic rating scales or forced choice, to simultaneously provide both structure and flexibility. The essay approach allows an appraiser to freely explore and comment on a wide range of aspects of work, whereas other evaluation methods tend to be restricted to what is on the form. The narrative approach also allows assessors to comment on and highlight unique or unusual features of particular jobs.

The essay method is the most subjective method of all and is therefore vulnerable to bias. This can be corrected by combining it with other methods or through training that focuses the appraiser on using objective measures and observations of job performance to support his or her commentary. Lack of guidance for raters may result in widely differing bases for judgment of employees, making comparisons between employees difficult. Some raters may experience difficulty in self-expression, resulting in problems in interpretation. The essay approach can be time consuming for managers who do not have the requisite skills to compose narrative reports that do not have a predetermined structure.
Q: What is the behaviour-based method of evaluating performance?

Answer

Behaviour-based methods describe behaviour as increments on a scale. The rater can identify the description that mirrors an employee’s performance. These scales can be developed in a way that describes what behaviour should occur, providing the employee with feedback. Behaviour-based methods include behaviour-based checklists and behaviourally anchored rating systems. Behaviour-based methods can eliminate the subjectivity of trait methods.

In a basic checklist system, the appraiser reviews the statement list and checks off the descriptive statements that reflect the employee’s performance. Checklists are developed after conducting a job analysis, which identifies anywhere from five to eight of the most important performance categories. Once this is done, the designer prepares statements of positive and negative events that describe the range of behaviour possible, from unacceptable to outstanding. These descriptors are reviewed by a group of employees familiar with the job responsibilities for validation. Checklists can compensate for typical rater errors (such as random statements) by using actual behaviour. This forces the rater to compare employee performance to an objective standard.

Checklists can be relatively easy to design, inexpensive, and easy to administer. However, in larger organizations with a large number of distinct jobs, the design can become too complex and too time consuming for the designer. As with similarly structured systems, the lack of weighting in the behaviour-based method may not reflect the reality in the job. Other disadvantages are that employees have no input in the review process, and there is no structured feedback unless a checklist system is combined with another method that incorporates feedback.

Behaviourally anchored rating scales ("BARS") use rating scales that describe "typical" instances of behaviour, ranging from unsatisfactory to excellent. Unlike the graphic rating scale method, which uses statements of a general nature that then may be applied to a wide range of jobs, the BARS method is very specific and usually requires separate scales for each position. It also concentrates on descriptions of actual job activities, avoiding quantitative assessments and, where possible, the use of numerical values. A basic aspect of the job is described first, followed by a scale of "concrete" examples of desirable and undesirable behaviour. Sometimes a point rating is attached to the scale. The term "behaviourally anchored" refers to the use of actual instances of job behaviour as a basis or anchor. The appraiser must have a
thorough knowledge of the job content. A large number of scales may be needed
within the organization to maintain relevance to each job.

The main advantage of BARS is its potential for objectivity. By relying on job
behaviour, this method takes into account only those aspects under the employee’s
control. Its specialized nature means it is closely related to the job in question and
can be adapted to unusual or highly specialized positions. The specific descriptions
make it easier for the appraiser to decide which ratings apply, thus lessening the
potential for rating errors.

BARS can be very complex, costly, and time-consuming to design. Frequent
updating may also be necessary if the scales are to remain valid. Consequently, only
large organizations may be able to employ the level of expertise needed to develop
and maintain this system.

Q: What is the critical incident method of evaluating
performance?

Answer

The critical incident method involves recording on-the-job behaviour over a period
of time. The employee’s supervisor keeps a diary of examples of effective and
ineffective job performance. At the end of the appraisal period, the information is
used to produce the appraisal. A variation of the critical incident method is to draw
up a scale of behaviour based on critical incidents, and to position employees on the
scale according to the statements or examples that apply to them.

The advantage of the critical incident method is that the appraisal tends to be
based on actual instances of job performance. It also covers the entire time period
and is not concentrated on the last few weeks before the appraisal date. Citing actual
events can support statements made by the appraiser during the appraisal interview.
This helps reduce the incidence of disputes between the employee and the appraiser.
The critical incident method appears to work best when it is combined with and
provides background information for one of the other appraisal methods.

Used by itself, the critical incident method has a number of possible disadvan-
tages. It concentrates on recording extremes of job behaviour rather than typical or
representative performance. It can encourage micromanagement and
over-supervision of employees. It is easily subject to bias (e.g., a disproportionate
number of negative examples may be recorded). Finally, feedback might not occur
until months after an incident takes place, meaning discussion at that stage may have
little impact; such a time lag is inconsistent with one of the aims of appraisal, which is to concentrate on improving performance rather than merely compiling a record.

**Q:** What is the results-oriented method of evaluating performance?

**Answer**

Measuring an employee’s work results and comparing those results to standards or objectives is a widely accepted method of appraisal because of its reduced opportunity for bias. This method does not attempt to determine what is done or what characteristics are necessary to get a job done. It merely measures success or failure. While result-based measurements mirror job objectives, not all job situations are compatible with this method.

Management by objectives (MBO) is a popular result-based method of evaluation. Its distinguishing feature is its emphasis on goals and outcomes rather than methods. The supervisor and the employee set the goals, and the results (not the personality traits) are evaluated. The process cascades down from the top of the organizational hierarchy, ensuring that individual goals are set in alignment with the objectives set by the organization. Each supervisor must review the goals of all individuals in their charge to ensure the activities are coordinated and the objectives mesh. Progress is evaluated periodically (more than once a year), and as progress is checked the goals can be modified.

By concentrating on results achieved, MBO offers a relatively high level of objectivity. MBO increases motivation by relating organizational goals to individual goals. This method is best suited to relatively flexible situations; that is, jobs that are not tightly constrained by factors such as technology. This system allows a great deal of freedom to vary work methods and to differentiate between individual contributions towards the realization of company goals.

The potential drawbacks of MBO are related to the potential for misuse and abuse. Supervisors who are prone to short-term focus may ignore long-term organizational objectives. This can be accentuated by reward systems that are geared towards financial results. Since the method focuses on the end rather than the means, individuals might sacrifice such important things as safety and preventative maintenance in order to achieve high short-term outputs. The method might also be manipulated through the deliberate setting of goals to ensure success each time. In addition,
the method does not always take into account extrinsic factors that might impede the attainment of a goal or result in a windfall.

**Q: What is the competency-based method of evaluating performance?**

**Answer**

Competency-based performance appraisals focus on the “how” of performance achievement. The hard and soft skills (the competencies) necessary to achieve superior performance are identified and employees’ skills and performance are evaluated against these competencies. Where there are skill gaps, training and development opportunities are identified to help employees develop the necessary competencies.

Key competencies include strategic competencies (e.g., customer focus, teamwork, leadership, product innovation); business competencies (e.g., budget analysis, human resource administration, communications, industry knowledge); and functional competencies (e.g., accounting, claims processing).

Though more complex to develop, competency-based performance appraisal systems are gaining in popularity. Using them makes a difference in obtaining employee commitment. Organizational leaders have recognized that to remain competitive, they must empower employees and engage them in the running of the business. Involving employees in identifying the competencies required to achieve organizational success is one advantage of a competency-based system. Using competencies as a performance measure is a way of linking human capital to business strategy. Companies that link the management of their human capital assets with business strategy in a direct way (tying rewards and career development with competency development) tend to perform better and have increased shareholder value.

**Q: What is multisource or 360-degree feedback method of evaluating performance?**

**Answer**

Increasingly, companies are adopting a 360-degree feedback or multisource assessment to evaluate performance and to provide developmental information. Multisource assessments broaden the appraisal process significantly. Employees may be evaluated by subordinates, peers, and, in some cases, by third parties such as customers. This method is particularly appealing to organizations that employ team methods. Typically the feedback received by employees is anonymous.
Multisource or 360-degree feedback was used initially as a training technique to provide multiple sources of input. The method can be used to supplement or replace more traditional methods. Some companies use the method on a voluntary basis, or restrict its use in combination with management assessment programs or as part of the development plan for high-potential employees.

Multisource assessment is generally believed to empower those who are doing the rating and provides those who have been rated with compelling feedback data. Moving from an environment where little or no feedback is common, or where evaluations are restricted to manager-only evaluations, employee self-evaluations, or a combination, 360-degree feedback offers a consistency of feedback that is likely to be more reliable than the traditional performance appraisal. Even though those rating each individual may have different points of observation, most consultants who provide this service (or human resources departments that utilize it) compile similar responses, average them, and may choose to eliminate responses that seem way out of line with the collected evaluations. What is presented to the employee is a consensus of information.

Multisource assessment can be a very effective and valuable tool to evaluate performance. It can also provide personal insight to assist employees at all levels to see themselves as others see them. Employees can receive insight that will help them modify behaviour or focus on strengths. Multisource evaluations are particularly valuable for fast-tracking high performers. Perceptions are critical in advancement, and 360-degree feedback systems provide information on perceptions.

Disadvantages include the need for extensive organization-wide training. Participants require careful instruction to avoid the potential of a “popularity contest” as opposed to a true evaluation. Without guidance as to how to provide specific, objective feedback based on observable, job-related behaviour and skills, raters tend either to provide vague but positive generalities or hostile attacks. It can also be fearful for some managers to be appraised by their subordinates.

Q: Is your organization ready for a peer appraisal system?

Answer

Peer appraisals should not be conducted in an organization that is not ready to accept the impact of such a system or in an organization whose culture does not support it. Assessing the organization’s readiness for peer appraisals requires an objective, candid assessment of the organization’s culture. This can be difficult, as it may force
the organization’s senior management to take a critical view of how well they have managed to create an environment that is accepting of open, honest communication and feedback.

Peer review will not work if there is a history of distrust between employees and management, between employees of different departments, or among employees. This is often a sign of weak or ineffective management. The result is a rejection of the potential validity of the peer appraisal method.

Other factors to consider are the overall management style of the organization and timing. Peer appraisals work well in organizations that are decentralized and that have cultures that promote participation and employee empowerment. They do not work in power-based cultures where the emphasis is on command-and-control and centralized decision-making. Peer appraisals should not be introduced during times of rapid organizational change, particularly if there is a potential for job losses or displacement.

Confidentiality is a key component of peer appraisals. In some organizations, the grapevine is not only active but can be dialed into information that should be kept secret. Again, the assessors who are determining the organization’s readiness have to be very critical in determining the confidence employees are likely to have that information from the appraisal will be kept confidential. The appraisers also have to have assurances that their ratings of the individual will not be revealed in a way in which the employee will be able to identify who said what about whom.

Peer reviews are particularly effective in identifying leadership and interpersonal skills. Peer reviews can offer more accurate evaluations because co-workers see the employee on a regular basis, and not only in situations where the employee may be trying to influence the supervisor. However, care has to be taken to ensure the design of the process does not render it as nothing more than a popularity contest. Some managers have fared poorly in such appraisals even though their behaviour has been exactly as directed by senior management.

Peer appraisals can foster trust and respect and diminish management–employee conflicts. However, the organization must first take other steps to build these qualities.
Recognition and Rewards

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Q: What is the role of rewards and recognition programs?

Answer

Often differentiated from merit and incentive pay, rewards and recognition generally refer to measures taken that let employees know they are doing a good job and that their efforts are appreciated. Such programs are designed primarily to express gratitude for the employee’s contribution and should create higher levels of personal motivation, intrinsic satisfaction, and commitment to the organization. As such, rewards and recognition are discussed in terms of employee development.

There are several reasons for implementing a reward and recognition program:

- **Human desire for appreciation:** Everybody likes to have his or her achievements recognized by others. While many individuals derive personal satisfaction from meeting a goal, it is usually more meaningful if someone else shares in the success.

- **Positive reinforcement:** When an employee performs a job well within the course of his or her regular job duties, rewards and recognition can be used to reinforce the positive behaviour.

- **Incentive for continued effort:** When extra effort to meet deadlines, complete projects, or address problems goes unnoticed, employees may wonder why they should bother. A moment or two from the supervisor to thank the employee and to emphasize how that employee’s efforts have helped the organization will cost nothing and may increase an employee’s feelings of self-worth and motivation.

- **Long-term commitment and identification:** Similarly, where an employee dedicates a great deal of time to an organization, some sort of mention from the organization that the employee’s long record of dedicated service was beneficial to its success demonstrates that the organization values the employee.

Q: How does a recognition program differ from an incentive program?

Answer

An incentive program is designed primarily to reward exceptional productivity or the achievement of a specific measurable goal. The purpose of an incentive program is to get employees to produce better quality and quantity of work. And a good incentive program will succeed, provided there are ways to measure quality and quantity. Some organizations use contests to increase productivity, such as a sales contest. One
disadvantage to such a program is that for every one person who is rewarded, there may be several other deserving employees who do not get rewarded.

Incentives are designed to motivate and therefore are predetermined and should be communicated to employees as part of the objective-setting exercise.

On the other hand, recognition programs are designed primarily to express gratitude for an employee’s contribution and are often based on an employee’s service to the company or special achievement. With a recognition program, an organization can succeed in raising productivity and improving the way people feel about themselves and their association with the organization.

Recognition awards are designed to recognize positive actions after the fact and are therefore not predetermined. They tend to be more spontaneous. In order to be effective and consistent, the organization should have guidelines established to ensure employees are being recognized. Moreover, this is an important competency for people in leadership positions to master.

Q: What are the basics of a recognition award program?

Answer

Methods of providing recognition can be formal (the “Employee of the Month” program) or informal (a verbal thank you), cash or non-cash, and low cost (a free lunch) or high cost (an all-expenses paid trip). But the single most important element of an effective recognition program is that the recognition is meaningful to the employee.

The key to effective recognition is to make it personal. It must mean something to the recipient and be given personally by the manager. A genuine desire on the part of management and supervisors to recognize employees’ contributions must exist. Recognition should also be timely and sincere.

Q: What are some common types of achievement programs?

Answer

Achievements recognized in organizations are varied, numerous, and can include:

- length of service;
- retirement;
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- safety;
- attendance;
- productivity;
- production milestones;
- customer service;
- special programs recognizing superior performance and achievement; and
- quality awards;

**Q:** What types of items can be given to reward and recognize employees?

**Answer**

Popular awards include the following:

- plaques or certificates;
- jewellery (often incorporating the company logo);
- merchandise (clocks);
- monetary awards (savings bonds, cash, or gift certificates);
- travel credits (airline tickets);
- company stock (or stock options);
- discounts on company products;
- time with management in a social setting (lunch or dinner);
- special training;
- vacations with all expenses paid;
- option to upgrade to first class travel and/or bringing a guest on a business trip, and extension of the trip over the weekend at the company’s expense;
- membership in a health club or a gift certificate for fitness or sports equipment; and
- additional tuition reimbursement and time off to attend school.
Q: How can you create an innovative reward program?

Answer

Recognition programs should have an informal air. A program that is too formal may be perceived as being too rigid or impersonal, and employees may get turned off.

The success of employee recognition is attributable to the personal nature of the program. Local management down to the front-line supervisor should be empowered to own and drive the program as much as possible. To obtain the greatest motivational impact, provide the award directly following the desired behaviour. This can only be achieved by giving the front-line supervisors the authority and responsibility to recognize actions when they are observed. Recognition should become an everyday activity.

When designing award programs, do not assume that rewards you think would be effective will be. Before selecting an award, seek input from employees so that the rewards and recognition will actually be valued by them. Try to provide flexibility through empowerment. Some organizations award points that can later be redeemed for merchandise or gift certificates.

Ensure that there is follow-through on a program if one is created and communicated. Announcing a program or building expectations for a program and then not following through can be a serious mistake. When an employee expects to be recognized and then is not, it can create bad feelings about the organization. There must also be consistency. The administrator of the program must ensure that everyone who should be recognized is recognized. These kinds of errors can have serious, negative repercussions. Avoid complexity and focus on a system that allows for quick and timely recognition. Also, care must be taken to determine the appropriate method for presenting the reward or recognition to the employee. If awards are given in a careless or nonchalant fashion, they will fail to convey the feelings that the awards are meant to create.

Q: What issues can make rewards and recognition so challenging?

Answer

Providing effective rewards and recognition can be an immense challenge. Issues fueling this challenge include the following:
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- **Fewer promotions**: As organizations become flatter, opportunities for promotion are limited.

- **Limited motivational impact of pay**: Pay and merit increases are frequently viewed as an entitlement rather than an award. In times of low inflation, pay increases have hovered around 3%, leaving little latitude to differentiate between good performers and great performers. Rigid systems and a small budget greatly inhibit the ability for an organization to use pay as a reward.

- **Low unemployment**: Organizations are striving to match market pay levels, resulting in little variation from one to the next. Because employees can find similar pay rates elsewhere, employers need to be that much more creative in developing rewards and recognition programs that look at issues beyond pay to retain key talent.

- **Funding**: Equally as challenging is funding employee rewards and recognition. In some organizations, it is hard to justify a budget for this purpose.

**Q: What are some key ways to motivate employees?**

**Answer**

Doing meaningful work is a key motivator. Employees are often motivated if they feel that the work they do is adding value and making a difference. Having this sense of contribution and achievement and being recognized for it, especially if the work the company does is aligned with an employee’s personal values, can be a source of inspiration and motivation.

Providing feedback on performance is certainly a motivator. Feedback can come in many forms. The most effective is real time feedback from an impersonal source. For example, employees involved in a production line or who are part of a complex process are often unable to ascertain how much they have accomplished. Simple counters that tell them how many units have been produced in a given time frame will allow the employees to set their own targets and pace their work to meet new milestones (e.g., in a crayon factory, a supervisor accomplished this by putting a flip chart on the shop floor and updating the production count every hour with a marker).

Specific feedback to the individual or the team on a timely basis is essential to motivation. In a project, setting regular meetings with the staff involved will help them keep track of progress in reference to budget and expected time lines. At the conclusion, a wrap-up session and celebration can solidify the satisfaction the team
feels in accomplishing its goals. It is particularly important in long, complex projects or initiatives to celebrate the small victories along the way.

Managers should personally thank employees for doing a good job— one on one, verbally, in writing, or both. This should be done in a timely manner, often, and sincerely. Managers should look for opportunities to recognize effort. Supervisors should walk the floor to catch employees doing things right.

Managers should also be willing to take the time to meet with and listen to employees as much as they need or want. While having an open door policy is helpful, but to be truly accessible, a manager should go to where the employees are: have coffee with employees during their coffee breaks, eat lunch in the lunchroom, or work out in the company training facilities. Find ways to build rapport with staff and create an environment that is open, trusting, and fun. Actively listening when face-to-face with employees can encourage new ideas and initiatives.

Communication, not surprisingly, is the key. Management should routinely provide information about the company’s profitability and financial success, upcoming products, strategies for competing in the marketplace, and how employees fit into the overall strategic plan. Involve employees in decisions, especially when those decisions affect them, and provide employees with a sense of ownership in their work and the work environment.

Recognize, reward, and promote people based on their performance. Deal with low and marginal performers quickly so they either improve or leave. Good performers are dragged down when the organization is overly tolerant of employees who refuse to contribute at their level of competence. Give employees a chance to grow and learn new skills. Show them how you can help them meet their goals within the context of meeting the organization’s goals. Create a partnership with each employee.

Celebrate the successes of the company, department, and individuals. Take time for team and morale-building meetings and activities.

Q: What are service recognition programs and how are they structured?

Answer

While a bit on the wane, many organizations have programs that provide recognition to employees for their years of service to the company. The recognition is often in
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the form of cash or non-cash awards like service pins, jewellery, and certificates. Some form of intangible recognition, such as publicity in employee publications, can also be involved.

While the motivational aspects of these programs may be average to minimal, they are seen as an inexpensive benefit that certainly cannot be harmful to an organization’s goals. Naturally, the type of recognition an organization gives will depend on its size and resources. A smaller organization may feel it can afford to be generous, but when the organization grows to employ thousands of people, it may not be feasible to award expensive service awards to every employee.

- **Cash awards:** Some organizations will base an award on salary, while others set fixed amounts when a certain period of service is reached. The cash awards can be a one-time affair or can be given at regular intervals. Taxes are paid on the award by some organizations (grossing-up the value of the award), while others leave that responsibility to the employees. Many practitioners advise against cash awards as they can devolve into an expectation of entitlement.

Some organizations choose to give cash awards in the form of company stock on certain employee anniversary dates, in either a certain number of shares or a specific dollar amount. It is symbolic of the employee’s stake in the business, and it provides the employee with an opportunity to see how overall employee efforts contribute to the success of the business.

- **Non-cash awards:** Non-cash recognition awards often consist of one or more of the following: service pins, watches, and other jewellery; certificates of achievement, plaques, or trophies; and additional benefits. The item awarded will often increase in value as the length of service grows longer. Some organizations allow employees a choice of articles for each anniversary. Other service recognition programs may include more vacation time, greater participation in a pension plan, or vesting of profit-sharing funds.

- **Awards ceremony and communication:** Some type of ceremony should be conducted to present the award, emphasize its importance to the organization, and maximize the motivational aspects. Common among these ceremonies is an annual awards banquet that gathers the employees (including retirees) together in recognition of persons deserving awards for the past year. Otherwise, the presentation should be made at the work site during an appropriate time and in an appropriate forum. A suitable management representative should present the award. For example, different levels of supervisors may present each award,
starting with an immediate supervisor or team leader at five years up to a
corporate officer at 30 years.

Intangible recognition usually accompanies a recognition award in the form of
publicity in employee publications or local papers. Frequently, a biography or
picture will be printed in the case of employees with lengthy service. A personal
letter from the organization’s president or other top management person may
also be appropriate.

Q: How can rewards and recognition be integrated into an
organization’s culture?

Answer

Rewards and recognition should be embedded into a company’s culture and carried
out every day. To promote a climate in which recognition thrives, senior manage-
ment should model the behaviour.

Managers have to realize that recognition is important. They may be taught
employee recognition skills through role-playing, demonstrations, or written guide-
lines. Recognition in some form should be identified as a key supervisory compet-
ency. Anyone responsible for people management should be evaluated on this
dimension and coached regularly to give feedback effectively.

The human resources department may want to provide managers with a custom
employee recognition toolkit and distribute it to all managers. These tools might
include:

- a copy of the organization’s recognition policy/program;
- thank you cards;
- performance-based messages;
- recognition giveaways (pens, key chains, mementos);
- promotional materials (posters, screen savers, and/or mouse pads with messages
  reminding managers to recognize their staff);
- nomination forms for your organization’s formal recognition programs; and
- wallet cards containing tips for effective praising.

Whenever possible, link the recognition or reward to performance or some type
of milestone, such as achieving revenue targets or implementing a new computer
system. Even large organizations should facilitate the personal part of rewards and recognition.

Q: What are the benefits and pitfalls of employee suggestion programs?

Answer

Employees who spend their days performing some type of specific task are much more familiar with the details of the job than those who supervise or manage them. Management cannot be expected to recognize every bug that may arise in a system, but a worker who is actually doing the job surely has ideas to improve the process.

Employees may have excellent ideas to change the nature of the work for the better, but may be reluctant to come forward with a suggestion out of fear that the supervisor will feel the employee is showing them up. The employee may fear that suggesting a new and untried idea will make him or her look peculiar in the eyes of fellow employees; or the employee may just feel that the organization will get the entire benefit of a cost-saving idea, leaving the employee with nothing for his or her extra effort.

A well-organized employee suggestion program can get around these problems and encourage workers to overcome their reluctance to contribute valuable ideas. It can also increase employee morale by recognizing and rewarding employees for their ideas. Through a suggestion system, employers are inviting the employees to participate in designing the organization’s processes and policies. Moreover, a suggestion system provides a channel for the employee to communicate directly with upper levels of the organization.

It is important that employees receive continuous feedback on the status of their suggestions. Even employees whose ideas have been rejected should receive specific feedback as to why their suggestions are not being used so they at least know that their submissions are receiving a fair hearing. Some organizations go as far as to reward all suggestions with at least a nominal gift to encourage employees to come up with ideas. Occasionally, off-the-wall ideas provide the breakthroughs that can change entire processes for the better.

Improper administration, however, can serve to decrease employee morale. Employee indifference to a suggestion plan may come from many sources, but lack of interest by management is guaranteed to destroy a plan. If management announces the plan with all sorts of hoopla about how progressive it is toward involving
employees in the workplace, but then the suggestion box is left unopened or employees never hear about the progress of their suggestions, employees will become cynical and non-participative.

Poor administration of an employee suggestion program also has the potential to defeat a teamwork mentality, and eventually may degenerate into a competitive system between employees. If only certain employees are allowed to participate (such as hourly workers), this inequality of opportunity will eventually cause disension and conflict. If this type of competitive, non-collaborative approach is being fostered by a suggestion plan, it may be wise to consider pooling the savings from all suggestions and then distributing the savings equally. In this manner, everyone will have an incentive to make the system work.

Q: What are the elements of an employee suggestion system?

Answer

A formal suggestion system begins with some method for collecting employee suggestions. Traditionally, this has been a suggestion box and bulletin board to make it easy for employees to submit ideas and keep them reminded of the plan. However, supplying a form and designating a supervisor or staff member to be responsible for receiving and logging suggestions is just as effective (maybe more so, as there is instant recognition that the idea has been received).

Typically, ideas are then submitted to a committee that is responsible for screening ideas and monitoring the success of the process. The committee may be empowered to approve suggestions up to a certain dollar value, or they may have the authority to make recommendations to the appropriate management level. In sophisticated environments, the committee may send the idea back to the employee and empower the individual to develop a project plan and formal proposal. If the idea requires more expertise to evaluate, then the committee might recommend the formation of a small task force (on which the employee who made the suggestion will participate).

The committee must have an established protocol for answering all submissions. This should be done in a timely fashion. If the idea is being deferred for further study, the committee must keep the employee updated on its status. This can be done in the form of a project status report posted in the workplace, but it is preferable to have one-on-one contact with the employee periodically to keep him or her up to date.
For ideas that are accepted, there needs to be some method of evaluating the effectiveness of the suggestion. A successful employee suggestion program is measured in terms of return on investment. Experience has shown that the returns on employee suggestion programs are far too good to bypass.

There also needs to be a mechanism for recognizing and rewarding employees for their suggestions. This can be as simple as providing restaurant gift cards to any employee who makes a suggestion or providing cash payouts to employees for suggestions that save the company money.

Q: What are some tips for implementing a suggestion program?

Answer

If using suggestion boxes, one box should be available for every 50 to 100 employees. The box could be located near a bulletin board that advertises the system, encourages ideas, explains the system, and discusses past ideas that have been implemented. The box should be locked, and suggestions should be collected regularly. If the box is damaged or falls into disrepair, it should be replaced immediately.

Suggestion forms should be provided. Some practitioners advocate allowing for anonymous submissions. However, this often results in confusion regarding the purpose of the suggestion program. It is not a complaint mechanism. Employees should identify themselves in order to receive credit for their ideas and efforts. Rules governing the suggestion system should be clearly communicated so that all employees are informed. Finally, the form should contain a legal clause stating that the organization will retain the right to any idea put forward.

Regardless of the collection method, a suggestion system manager or a small committee should be in charge of receiving the suggestions and seeing that they receive proper consideration. Suggestions should be logged in some fashion to track the date of submission and the status. This information will be helpful in auditing the effectiveness of the program. This first level administration should also keep all correspondence and records connected with a suggestion, notify participants of what actions were taken on their suggestions, and discuss the ideas with the participants when possible. In some cases, the first level of administration is a committee that acts to screen all proffered ideas and makes recommendations on the suggestions, which are then passed on to the final decision-making body.

The committee that makes the final consideration of the suggestion, after initial screening, should be composed of members of different divisions in the organization.
for a broad view, and some committees will also have an employee representative. The members of the committee should have sound judgment and extensive knowledge of the organization’s operations. In regularly scheduled meetings, the committee will discuss the suggestions and recommendations forwarded to it, decide whether they should be adopted, and discuss the award that should be given for a suggestion. The committee may be limited to a given dollar amount with respect to potential investments or rewards.

Normally there is an upper limit on the size of the award as well as the amount of investment. An employee may have an idea to build a new plant — that would be clearly beyond the scope of the suggestion process. Some of the most effective programs provide only nominal awards and focus on small incremental process improvements. In the case of major, complex suggestions, the committee may want to appoint a small task force to study the feasibility of the suggestions.

Suggestion systems are usually more effective, and the organization will realize greater savings, if the rewards offered are somewhat generous. Cash awards are most common, and a minimum award should be set for small suggestions. Many companies offer rewards that are based on a percentage of the net savings (gross savings less the cost of implementing the suggestion) realized from the suggestion. Experience indicates that a big reward is often followed by increased employee interest in the plan and a larger volume of suggestions.

An idea will not save the organization money or increase employee production if it is never implemented. Standard policy should require all designated departments to implement an adopted suggestion immediately, as the place to oppose a suggestion is at the committee level. The savings from the suggestion should be checked periodically after implementation to ensure the desired effect is being achieved. Some modification of the reward given to the suggesting employee may be considered if the initial award was not large enough.
# Succession Planning

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Q: What is succession planning?

**Answer**

Succession planning involves creating a business plan to identify the talents of existing staff and to profile recruitment needs for key managerial and leadership roles in the future. It need not be tied to specific positions, but it can be a means of identifying a pool of high-potential candidates suitable for specific leadership positions. The objective of succession planning is to ensure that the organization (or a unit of the organization) will continue to be effective and competitive.

Succession planning is not a technique to plan individual career advancement opportunities, nor is it intended as a way to reward high performers; rather it is a means to identifying high performers.

Succession planning depends on the quality of a company’s strategic planning and performance appraisal systems. If the data is not available or reliable, then there are no building blocks for succession planning. Likewise, if managers are not held accountable for staff development, then there is no reason to assume that a succession plan will be successful.

Succession planning should include all key positions that are critical to the company’s future. These key positions can include the following:

- those requiring highly specialized knowledge;
- those that if left unfilled would have a significant impact on the company, financially or otherwise; and
- those requiring significant training time for the person to be adequately functioning in the role.

Succession planning may not include all existing managerial positions, and it may include positions that do not exist today. The positions are typically restricted to key managerial roles, but in some organizations specialized roles of strategic importance will also be included. In many organizations, technology staff is critical to ongoing production and to completing new initiatives. And, conversely, for managers who hold their positions primarily due to seniority, status quo, or personality, if those position became vacant they would not need to be filled at the same managerial level, if at all.

As the need for flexibility increases, so does the importance of identifying a pool of highly talented potential leaders, as opposed to identifying merely future
inhabitants of positions that are seen as critical to organizational success. Organizations change, positions change, strategic plans change, and competitors change. Finding one individual to fill another’s shoes is not enough. A succession plan must be flexible enough to accomplish both objectives: identifying high performers and identifying potential successors for key roles.

For many if not all organizations, businesses survival depends on the caliber of both knowledge and decision-making from the people in key roles. Succession planning ensures that there will be key talent available. Downsizing, management turnover, diminishing job security, process re-engineering, employee empowerment initiatives, lack of belief in long-term career growth, and financial pressures to “do more with less” — these are all risks that impact the ability to retain key talent. And global competition for both talent and customers makes the need for strategic, flexible leaders more intense.

If left to chance, the necessary talent will not be available when an organization needs it. Instead, managers will continue to promote individuals who are merely available, as opposed to those who can lead the organization effectively into the future.

Q: Should an employer tell employees whether or not they are identified as high potential and included in the company’s succession plan?

Answer

Informing high-potential individuals that they are important in the organization’s future allows for faster development and greater retention. Key employees may leave a company because they were not aware there was a greater potential planned for them. Money and time invested in that employee can be wasted; and competition for excellent performers will continue to be intense. Going outside the organization to find leaders is expensive and uncertain.

Judgments about a person’s potential are very subjective. There may be numerous contingencies that change the result when an opening actually occurs. An employee may perceive that the position was “promised”, resulting in anger, disappointment, and awkward business relationships; or, at worst, protracted litigation.

Whatever the employer decides, the decision must be communicated to managers to avoid the situation where one manager will tell a high performer and another will not. Many consider the best approach is to tell employees that they have been
identified as high potential, but without identifying a specific future position for them to fill or providing additional developmental opportunities and training.

**Q: What are the steps in designing a succession plan?**

**Answer**

Designing an effective succession plan involves much more than naming successors to a few critical positions. It involves a strategic analysis of the organization’s values, business needs, and future goals. Succession plan designers need to keep the process and outputs simple. However, the quality of the plan is greatly improved by the designer’s intimate knowledge of the organization, its business plans, and its strategic goals.

The first step is to define which management competencies are required to meet today’s challenges, and which competencies will be required to meet emerging needs of the organization. Defining these competencies is necessary before beginning to look at the positions identified as critical or the talent pool. Future needs should look beyond such factors as anticipated turnover and retirements. Possible new product developments, mergers, acquisitions, and greenfield projects should all be part of the equation.

The next step is to take inventory of the organization’s current complement of competencies. This part of the process usually focuses on high-potential employees, but the objective is to take stock of people at all levels in order to identify current gaps and barriers in developing management talent. Organizations will vary significantly in how they assess current competencies. The most common (and expedient) method is to rate individuals in an informal dialogue between senior managers. However, more sophisticated processes, such as assessment centres, can add a high degree of credibility to the process.

The final step is to implement a management development plan. This may involve several different initiatives, such as:

- informing employees that have been identified as potential candidates to fill future management/leadership positions;
- creating development and training plans for high-potential employees;
- building contingency plans to deal with unexpected departures of key talent; and
- providing mentoring and coaching to current and future leaders.
EMPLOYEE DEVELOPMENT

Many succession plans fail at this point because they merely identify high-potential candidates, but don’t take the steps necessary to develop them. It is critical to create development plans, both to set the organization up for success and to ensure that high-potential employees remain committed and motivated to work for the organization.

Q: What are the common benefits and pitfalls associated with succession plans?

Answer

A well-designed succession plan will help an organization identify the gaps it has in its skills inventory. This is sometimes referred to as measuring bench strength. If no successors are identified for a senior level position or a position of strategic significance, the organization will be vulnerable to turnover or poaching by the competition. By identifying these points of vulnerability, an organization can identify individuals who might be developed to fill the positions when the need arises. In turn, this helps to better define the objectives of individual development plans.

A related benefit is that the organization can identify potential barriers to the career development of high-performing individuals. For example, in one situation, a high performer is identified as a potential successor to an employee who has limited growth potential, and that employee blocks the way for the high performer’s upward growth. By identifying such a barrier, the organization can make decisions to laterally move the employee creating the block or otherwise redeploy the employee. While these may be difficult decisions, failure to identify these issues could lead to the organization losing its best and brightest employees.

The succession plan is also the basic building block for creating development plans, and therefore it assists the organization in creating plans that will be individually tailored, based on the strengths and weaknesses of each candidate. Development activities might include on-the-job opportunities and assignments designed to develop valuable skills (such as managing a cross-functional task force, an expatriate assignment, or managing in a different division or business unit). These activities in themselves are a means to unlock latent potential within the organization and thus enhance organizational capabilities.

One common problem designers of succession plans encounter is the lack of support within the organization. This includes a lack of acceptance by the corporate
culture, failure of the organization to provide adequate resources, and missing management commitment — all of which make succession planning an empty exercise. Ignoring the plan and allowing executives to continue to promote as they choose will usurp the plan’s value.

Successful plans must take into consideration dramatic changes in the organization (competition, structure, products, financial position) that can outpace or negate plans entirely. This is why measuring and monitoring are crucial. Plans should avoid being too bureaucratic and should instead focus on results and actions. The plan must not subordinate management continuity and organizational protection to the development needs of high-talent individuals. It is the organization’s needs that should drive planning decisions. Be mindful that when designing and tailoring programs to develop individuals, the needs of the organization be kept foremost.

Q: What competencies are included in management development programs?

Answer

Competencies must reflect business needs. It must be strongly emphasized that each industry and each company has unique demands that dictate the content of appropriate training and development programs. For example, in most instances financial expertise is necessary for a manager to be promoted. However, in a few industries, this is not as critically important.

In most corporations, there may be one or a few individuals who are almost indispensable to the success of the business. Their deficiencies are offset by adding staff with those abilities and by avoiding demanding that the “star” performer modify his or her behaviour or add new skills. Therefore, there is no fixed listing of competencies (skills and techniques) that every manager in every business must possess.

Because there is no fixed listing does not mean there is no guiding principle. The principle for all training, including management development programs, is that it must be designed to support short-term and long-term business objectives. There is no reason for a business to spend shareholders’ money on activities that do not have a positive relationship to furthering business goals.

Common competencies include the following:
EMPLOYEE DEVELOPMENT

- individual attributes and abilities, such as leadership, motivation, empowerment and commitment, interpersonal skills, values, vision, ethics; and
- professional and business skills, such as strategic and tactical planning, analytical, technical, project management, negotiation, goal setting, effective resource allocation, conflict resolution, and change management.

Q: What is the typical content of a management development program?

Answer

Management development programs reflect skills and abilities that successful managers display. Typically, management development includes these kinds of competencies:

- **Leadership:** A leader is a person that others have accepted to be the person in charge. Leadership skills are usually presented as more personality based than technique based. This distinction implies that leadership skills are more akin to the way that a leader does things than to techniques such as planning, budgeting, staffing, and other related abilities.

- **Motivation, empowerment, and generating commitment:** Managers must have the ability to motivate others. Empowerment describes a method of assigning and accomplishing work while encouraging their staff to make decisions and take risks within their jobs. Managers must also be able to generate a level of commitment from their staff that is sufficient to get the job done. Very successful managers generate levels of commitment that exceed normal expectations. Generally, these traits are grouped together because they are based on respecting and valuing staff.

- **Values and ethics:** Successful managers possess the same values and ethics championed by the corporate culture. Allocating resources, solving problems, and responding to errors are situations where the values and ethics of an individual are readily demonstrated. Business values and ethics are rarely absolute but are frequently contingent on many variables. What values and ethics exist are displayed to customers, vendors, peers, and employees.

- **Vision:** Mission, goals, objectives, vision statement — these are all buzzwords that people deposit into their vocabulary without understanding what they mean. Vision describes a manager’s ability to conceptualize what the future should be.
and implement efforts to achieve that view. For some individuals, the process is intuitive; and for others the ability requires intense and long-term study. The ability to describe a vision provides focus.

- **Strategic and tactical planning:** Statistical and computer-based tools can eliminate most of the drudgery from the planning process. Being a good planner requires knowledge of these tools, including a comfort level with math and statistics, and highly developed organization skills. More importantly, the strategist is someone who can make entrepreneurial (risk-taking) decisions systematically. Tactical planning is characterized by a shorter time frame and lessened impact than traditional strategic plans.

- **Analytical, process, and technical knowledge and skills:** Successful managers are usually those that have extensive knowledge about most, if not all, aspects of the business and industry, or who have specific expertise highly valued by the organization.

- **Project management:** Project management is another skill that can be learned. A fundamental comfort with numbers and statistics, organization ability, leadership and team skills, problem-solving ability, risk-taking and presentation skills generally is encompassed by a study of project management. Most successful managers have project management experience.

- **Entrepreneurial and risk-taking skills:** Many managers are afraid to take a known risk. Unfortunately, the failure to make a decision is often the same as making a decision. Further, managers must make decisions or they will not perform at an acceptable level. Developing a realistic understanding of the risks involved and how to manage them is the core of training. Entrepreneurial behaviour differs from risk-taking. Entrepreneurial drive is a trait where a manager acts as if he or she “owns the company”. The level and manifestation of dedication, commitment, and identification with the company is believed to be higher for those with entrepreneurial talents than those without.

- **Negotiation:** Negotiation skills are not only used in labour relations, but also in negotiating contracts with vendors, terms and conditions of service with customers, and in discussing performance with employees.
Employee Retention

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Q: What is the difference between a retention strategy and a retention technique?

Answer

There are two ways to look at retention: as a technique or as a strategy. Retention techniques tend to be trendy and more effective for the short term; they can require constant manipulation and updating to keep current. Retention strategies are a longer-term approach; they can transform a workplace into a high-retention culture from which employees cannot easily be enticed to leave.

Given that turnover rates average between 10% and 20% annually, sometimes higher depending on the industry, employee retention should be of concern to all organizations. With the significant investments that are made in recruiting and training, not to mention the impact that high turnover has on customer service, organizational productivity, and employee morale, developing strategies to retain quality talent is key to a company’s success.

Q: What are the characteristics of a high-retention culture?

Answer

The following attributes are essential to a high-retention organization:

- **Clearly defined organizational direction and purpose:** People want to work for an organization that has purpose and meaning. Employees whose values are aligned with the organization’s mission will be more dedicated and productive.

- **Caring management:** Organizations consistently undervalue the importance of relationships (the “soft skills”) in retention. The quality of an employee’s relationship with his or her immediate supervisor is one of the greatest predictors of employee satisfaction and, as a result, retention. Loyalty and respect are values that appear to be reciprocal.

- **Flexibility in scheduling and benefits:** Employees demand flexibility in their jobs because their lives demand it. They will remain with an employer who guarantees that flexibility. Schedule changes, fixed shifts, time off for personal matters, and other work-life and family-friendly initiatives are effective retention strategies.

- **Open, straightforward communication:** High-retention workplaces provide a constant communication loop.
EMPLOYEE DEVELOPMENT

- **Energetic and enthusiastic work environment:** If the work is mentally engaging and physically energizing, employees are more likely to stay.

- **Effective performance management:** Effective performance management helps align employee behaviour and performance with the organization’s goals. Stimulating and reinforcing behaviour that aligns with the company’s purpose creates a sense of belonging, in addition to higher productivity and more effective employees.

- **Rewards and recognition:** Paying competitive wages is not enough, but it is a baseline around which to build a retention strategy. People need to feel valued and appreciated.

- **Training and development:** Workers want the opportunity to develop their skills and enhance their contributions to the company. Training and development gives people greater control and ownership of their jobs and contributes to increased loyalty and retention.

**Q: How can you develop a retention strategy?**

**Answer**

Organizations need to develop a retention strategy simply because many employees are either actively or passively looking for another job. The Internet has allowed employees to research jobs with ease while maintaining a level of anonymity that was previously unknown. There is very little risk associated with looking for a new job, and the potential benefits can be significant for employees. How then does an employer manage and retain its employees?

The retention strategy must be aligned with the business strategy. The best approach is to integrate retention strategies as part of the overall business strategy. Organizations that communicate the business strategy and engage employees will gain commitment and loyalty. Employees want to work for companies that do meaningful work and are growing in ways that will present opportunities for the employees to learn and grow.

An organization needs to know its employees. This not only means soliciting their opinions, but also ensuring that there are many avenues for employee input (particularly with respect to decisions that directly affect the employee and his or her work). It also means identifying and recognizing the contributions each employee makes through the use of a performance management system and a strong reward system.
and recognition strategy. Through these methods, an organization will know precisely which employees it needs to retain to maintain competitive advantage.

Knowing what your employees need and want is of high importance. An organization needs to be competitive in providing salaries and benefits on a par with its competitors. Moreover, an organization needs to be in tune with the idiosyncratic needs of its employees. For example, information technology specialists may look for organizations that invest in leading edge technologies so that they can keep their skills current, while entry level administrative staff may want opportunities for career advancement. To meet the individual needs of a variety of employees, an organization has to be flexible. Employees need to see that the top performers are getting promoted, compensated, and placed into leadership positions. When this is apparent, employees are much more likely to stay in one place.

The following are often cited as the key actions to creating a successful retention strategy:

- develop the skills of employees;
- fully utilize employees’ abilities;
- understand the unique needs of high performers;
- provide real opportunities for leadership development;
- advance talented employees;
- provide competitive base pay;
- have effective senior leadership;
- support teamwork;
- clarify what the organization expects from employees and what employees can expect in return; and
- align human resources programs with business objectives.

Q: What are the reasons why employees voluntarily leave employment?

Answer

A common misconception is that employees leave for better pay. However, studies have shown that while money is a factor, it is not the leading one. The number one
reason why people leave an organization is bad managers. On these occasions, managers are cited for having poor communication skills, being overly critical and petty, taking credit for their employees’ accomplishments, giving unclear direction, being rude, or not providing sufficient support and performance feedback.

Other top factors that push people out of the door include:

- lack of career growth potential;
- little or no recognition of accomplishments;
- inadequate pay;
- lack of confidence in senior management;
- poor training programs;
- poor-quality performance evaluations; and
- boring work.

**Q: Should work be fun?**

**Answer**

Simply put, yes. Most employees spend one third or more of their day at work. This time at work should be enjoyable since such a large amount of time is spent there. While a fun work environment still needs to be professional, companies that promote a fun and enjoyable work environment are more likely to attract and retain valuable employees.

Fun work environments have advantages in the following areas:

- ability to attract new employees;
- employee enthusiasm;
- employee commitment to the organization;
- employee creativity;
- employee satisfaction;
- customer satisfaction;
- group cohesiveness; and
- communication among employees.
Fun workplaces promote good corporate citizenship, which in turn produces the benefits of reducing stress, lowering turnover and absenteeism, and reducing interpersonal conflicts.

**Q: How do organizations go about making work fun?**

**Answer**

The answer to this question depends on the employees and the culture of the company. Organizations need to tap into the interests, needs, wants, and motivations of employees to determine what staff would consider fun and enjoyable.

In some organizations, regular potluck lunches may be considered fun, while in others an employee sports day may be in order. Obtain employee input to finding low-cost ways to inject fun into the workplace. If employees have influence over how to make the work environment enjoyable, this will eliminate the need to guess or assume what would be considered fun.

Companies can also consider regular ongoing activities (such as monthly lunches) as well as team building and social events (such as a golf tournament or charity fundraisers). All of these activities help support and build a workplace culture that focuses not just on the business, but also on the well-being of staff.

**Q: What are the factors that build employee engagement?**

**Answer**

Engaged employees are individuals who willingly give discretionary effort. Without being asked or otherwise compelled, engaged employees put in extra hours, provide ideas for improvements (often outside areas of specialty), and volunteer to work on special projects. They go beyond what is routinely required. As companies downsize and flatten, fewer employees are willing to give more than what is absolutely required. In order to re-engage employees, organizations must make deliberate efforts to win their hearts and minds.

If employees are not engaged, they may represent something known as latent turnover: as soon as the economy improves or the right opportunity comes along, they leave. In disengaged employees’ minds, they have already quit, they just haven’t physically left yet.

To build engagement, an organization needs to address the following factors:
EMPLOYEE DEVELOPMENT

- build strong leadership throughout the organization and particularly at the top;
- promote personal accountability;
- give employees autonomy in their sphere of influence (i.e., avoid micromanaging);
- develop among employees a sense of control over one’s environment;
- create shared expectations and a common vision; and
- develop opportunities for development and personal growth.

Q: **What are employers doing to retain the knowledge of older workers who are retiring?**

**Answer**

It is common knowledge that with the aging workforce, many companies will lose key talent as these older workers retire. Unfortunately, this puts strain on companies as they endeavour to replace the exodus of departing older workers. Some actions that companies take to make this transition easier include:

- implementing flexible work schedules to accommodate the personal interests and needs of employees;
- using older workers as mentors for less-experienced employees;
- encouraging older workers to document their knowledge in training manuals to be used to train other employees;
- allowing older workers to work gradually reducing hours as they near retirement so that their talent is not lost all at once; and
- considering the possibility of retaining older workers as contract employees to work on special projects.

Q: **What should employers do to retain employees?**

**Answer**

The cost of replacing an employee can be up to 150% of that person’s salary. It is therefore a great advantage to retain valuable employees rather than lose them.

The hiring process is one place to start when talking about retention. The company’s hiring process should attract employees with the right competencies and
attitudes to fit the work environment. Hiring the right employees whose values are aligned to the organization’s will lead to greater retention.

In addition, organizations need to create work environments where employees want to work. Ideally, employees would perform meaningful work that adds to the success of the organization and have positive interactions with fellow workers. Employment practices where employees are treated fairly and equitably should be followed. Employees receiving fair pay in relation to the marketplace, managers living up to commitments made to staff, and organizations providing ongoing communication are also actions that companies can take to retain employees.

Q: What employee relations practices promote retention?

Answer

Retention strategies revolve around creating a climate that caters to the differing needs of an increasingly diverse group of employees. An organization’s employee relations practices should be geared towards addressing those needs. Some practices are specifically designed to “handcuff” employees from leaving, while others are created as part of an effort to develop a better culture that is attractive to the type of employees the organization values most.

Organizations should vigilantly monitor the competition and their employee relations practices to identify areas where the organization has competitive advantage and areas where it lags behind. Where there is an advantage, the organization should promote it; where there is a gap, the organization should close or minimize it. To keep employees from jumping to the competition, organizations should enforce non-compete agreements and confidentiality agreements.

Training employees is always a good idea. For retention purposes, training should focus on building skills that increase employee marketability. While it may seem counterintuitive that employees would stay with an organization that continuously provides them with skills that make them more marketable, this activity is essentially the “new job security”. Similarly, in lieu of downsizing, organizations should look at redeployment strategies that enhance or maintain organizational capabilities.

Succession planning tools and employee development are obvious tools to entice high-potential employees to stay. Organizations may want to offer career path counselling as well.
Finally, an often overlooked practice is new hire orientation. The time to begin working on retaining an employee is the first day he or she starts working for the organization.

**Q:** *What compensation and benefits strategies are used to retain employees?*

**Answer**

While compensation is not consistently identified as a factor that pushes employees to leave, it can be very important in convincing them to stay.

Compensation tools for retention include the following:

- **Retention bonuses:** These are used to retain key staff through transition periods such as mergers and acquisitions, site closings, or times of financial difficulty. As part of an overall retention strategy, retention bonuses include more than salary payments (e.g., college tuition, relocation, and retirement enhancements). Bonuses are more effective when paid out over time than in one lump sum.

- **Retention contracts (the “golden handcuffs”):** These are used to retain employees for a set period of time.

- **Competitive salary structures:** These are based on marketplace movement, competition, workforce supply, and other economic factors in your recruiting area.

- **Accelerated frequencies and amounts of salary increases for vulnerable groups of employees:** This strategy was commonly used to retain information technology specialists during periods of high demand.

- **Stock awards and employee stock option purchase plans:** These are specifically designed to increase employee loyalty. During growth periods, these can be very effective. However, if the market value of the stock is stagnant or declining, these options will hold little value for employees.

- **Benefit programs:** These can be very important to employees. Specific designs that might contribute to promoting employee retention include:
  - profit-sharing;
  - long-term care benefits;
— legal insurance (covering legal fees for real estate transactions, wills, divorce);
— benefits for common-law and/or same-sex partners;
— tuition reimbursement plans;
— company RRSP contributions;
— annual total compensation statements;
— financial planning services;
— child care services; and
— elder care services.

Q: What workplace enhancements can be used as part of a retention strategy?

Answer

Given the busy and changing lifestyles of employees, the competing demands on employees’ time can cause a great deal of stress. Finding ways to ease this stress by providing convenience services can contribute significantly towards improving an employee’s work–life balance. Some of the perks offered by organizations include:

- on-site concierge;
- on-site dry cleaning;
- on-site food service (including takeout meals for late work nights);
- free lunches;
- on-call masseuse;
- on-call hair dresser or barber services at a reduced rate;
- casual dress policy;
- relaxed limits on personal e-mail or Internet use;
- allowing pets at work;
- telecommuting;
- off-site work locations for brainstorming and think-tank activities; and
EMPLOYEE DEVELOPMENT

- carpooling.

Sometimes all it takes to keep an employee in to make working there more convenient. To accommodate the needs of employees with different lifestyle demands, organizations should offer a variety of scheduling alternatives such as:

- flexible work hours, days, or weeks;
- job rotation;
- job sharing;
- job or shift swapping;
- on-call arrangements;
- virtual offices; and
- sabbaticals.
Employee Training

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Q: What are the differences between formal and informal training?

Answer

While organizations may have difficulty accepting that the time employees spend socializing with others is an effective form of learning, such activities may provide as much as 70% of the knowledge and skills that employees attain on the job; this suggests that employers may save time and money by focusing on informal learning.

In formal training venues, sometimes participants become bored and tune out because the material is not relevant to their circumstances or the pace is too fast or too slow for some participants. Informal learning, on the other hand, is directed at specific needs and is often highly relevant in comparison. In addition, informal learning can be more effective because it is catered to a specific level of understanding, tends to be more incremental, and is directed to an individual’s situation.

The lack of understanding on how informal learning takes place makes it difficult for organizations to accept informal learning as a method for training. Formal training is a scheduled event; as a result, supervisors charged with the responsibility of training their employees can point to these specific training events to demonstrate what was learned. With informal training, it is difficult to quantify all the teaching activities that might take place since they occur spontaneously.

Informal training outcomes are not usually specified or measured. Conversely, formal learning outcomes are defined, and trainers are able to demonstrate that learning goals have been achieved. This creates a comfort level among managers that training had results. However, training does not always produce behavioural changes or results in the workplace. The important outcome to look for is a return on investment as measured by the improved work performance of individuals who have received training.

Q: What types of knowledge do employees learn informally?

Answer

Employees acquire a broad range of knowledge and skills informally in the workplace. The most common on-the-job learning involves acquiring the specific technical skills needed to do the job. These practical skills are learned through job shadowing, observation, trial and error, and coaching.
Essential workplace interpersonal skills are also gained informally and can include abilities such as stress management, critical thinking, task integration, giving and receiving constructive feedback, teaching, and working effectively in a group setting.

Employees also learn about the culture of the organization, which enables them to perform their jobs in conformity with management and peer expectations, and contributes to their own personal and professional development.

Q: **How can organizations foster informal learning?**

**Answer**

The trick to informal training is to recognize where it takes place and to create opportunities for employees to learn in natural ways.

- **Task forces**: Organizations can bring employees with different skills, responsibilities, and experiences together in task forces or quality circles to address common problems or goals. These settings encourage an exchange of information, and by bringing a diverse group together, the group as a whole might adapt their collective experiences and create new, innovative solutions.

- **Regular meetings**: Another method of “teaming” is to hold regular meetings in which employees are encouraged to exchange views and express opinions. Meetings can be held informally as group huddles, through conference calls, or in formal boardroom settings. Regardless of the venue, meetings focused on a specific topic that have established, desired outcomes are a form of informal learning.

- **Get employees out of the shop and in front of customers**: This is a method growing in popularity (although it may not instantly be recognized as a training opportunity). By understanding what customers view as important and seeing the challenges that customers face, employees can learn how to improve work methods that have direct impacts on the end users of the organization’s products or services.

- **Mentoring**: While mentoring has become a formal and deliberate process in some organizations, it is most commonly observed as a voluntary and loosely structured association between a novice and a more experienced employee. The value of mentoring is perhaps obvious: for a small investment of a senior
employee’s time, an organization’s inventory of knowledge and competencies can quickly grow exponentially.

- **Peer-to-peer communication:** This may be the most overlooked method for learning. Social interaction fulfills an important human need. People join organizations to be with others. Encouraging employees to get together creates opportunities to develop learning. In particular, this is a key way employees gain and pass knowledge regarding organizational culture. While this is a difficult venue to direct towards specific learning goals, it should be encouraged. This means creating opportunities by having accessible meeting places near where employees work (e.g., lunch rooms, break lounges).

Companies can harness informal learning to help themselves and their employees. Informal learning extends from basic mechanical procedures to more highly developed problem-solving, stress-management, career-development, and communication skills. In order to maximize training dollars, informal learning strategies should be added to existing training programs. For example, use breakout groups to discuss training concepts. This will reinforce informal learning with content that the organization chooses to emphasize.

**Q: Why should an organization provide training?**

**Answer**

Training can lead to the achievement of organizational goals by providing the following benefits:

- **Transferring and retaining skills:** Skills are passed from existing employees to new employees so that latter group is able to perform their tasks proficiently. Skills training is also essential in situations where employees need to retain a skill that they use infrequently (e.g., disaster recovery or emergency response skills).

- **Developing future management:** High-potential employees are often formally trained to prepare for leadership roles. This training may be in the form of an external executive education program or a structured in-house program.

- **Attracting, motivating, and retaining good employees:** Training provides employees with the skills necessary to move ahead in an organization as vacancies arise. Employees today are demanding opportunities to master technological advances and learn new skills in order to remain competitive.
EMPLOYEE TRAINING

- **Investing in the future of the business:** In order to explore new business opportunities, an organization may select individuals to be trained in new methods or processes. These individuals then report back on what they have learned and whether or not the new methods are of value to the organization. When there is value, the trained employee can then take a leadership role in adapting what he or she has learned to the organization. In some cases this could involve creating new business opportunities.

- **Creating a flexible work force:** Rapid change is now a given for every organization. Training is a way of creating a work force that can adapt quickly to change in the business environment. Organizational change often involves changing structural arrangements (i.e., flatter management structure, increase employee empowerment), which creates a need for employees to develop new skills to effectively work in teams.

- **Complying with specific legislation:** Some organizations provide training in order to comply with legal requirements. In Quebec, organizations are obligated to spend the equivalent of 1% of their payroll on employee training. Human rights legislation may also provoke the need for organizations to provide training on workplace discrimination. Proactive organizations provide this training to change the workplace culture or to demonstrate due diligence in the prevention of wrongful behaviour.

**Q: What are the principles behind an effective training program?**

**Answer**

Good training programs deliver content in new and innovative ways while being cost efficient. Although training programs must be modified every few years, some basic supporting principles should be met with each design:

- **Show organizational support:** A “must have” for an effective training program is the need for organizational support. This begins with senior management who must be committed to training activities. True commitment goes beyond lip service. Senior managers can demonstrate support by opening training sessions or periodically checking in on a training course. Some senior managers make it a habit to drop in for lunch with trainees for the specific purpose of finding out how the participants are finding the program.

It is not enough to simply have senior management support. All levels of management need to get behind training. One very effective way to do this is for
a manager or supervisor to sit down with the trainee before the planned training event and discuss the learning objectives. Immediately following the program, the supervisor should again sit down with the trainee to discuss if the objectives were met and how the training is going to be applied in the context of work.

- **Support training objectives by removing barriers to change:** Training programs can address deficiencies in knowledge, skills, and attitudes. While training can help change organizational culture, training programs alone cannot resolve performance deficiencies that are caused by improper standards, inadequate supervision, lack of commitment, poor working conditions, or other similar work situations. An organization will loudly demonstrate its support of training objectives by removing the barriers that prevent proper methods from being applied in the first place.

- **Address real needs:** Training should address real organizational and employee needs, support all types and levels of staff, and provide a tangible service to the entire organization. Many training opportunities are unfortunately little more than excuses to get away from work for a day or two. Training needs to be directly relevant to the trainees and to the organization. Training activities should create a difference in the way things are done.

Each training opportunity must be carefully selected. Training programs should meet the specific needs of the organization, reflect the organization’s culture, and be aligned with its vision. Third-party providers need to be flexible and responsive to the organization’s specific needs. This doesn’t mean that off-the-shelf training is never appropriate, but any training program purchased from vendors should be evaluated against this criteria.

- **Use appropriate methods:** Training programs should use structured materials based on a valid learning theory. While informal training has value, haphazard training does not. Training programs must use delivery systems that make use of appropriate technology, are cost-effective, and produce satisfactory results.

New programs should be validated before full implementation. An organization should confirm that a program yields the desired results and that participants find it to be credible. Ensure that the training is geared towards adult learners. Participants must be included in needs assessment, planning, implementation, and evaluating personal progress and achievement.

Each program should provide every participant with the opportunity to participate in and then apply program content. Some very effective programs include
follow up projects in the program design. Participants are required to apply the
skills they have learned in a real work situation sponsored by their supervisor.
They then report back on their successes and on the experience of applying the
skill.

Q: How do adults learn?

Answer

Knowing how adults learn is critical to designing effective training programs.

Adults are goal-oriented and need to know why they’re learning something. Therefore, the goals of the training should be clear to the participants. They must believe it will have a personal benefit. Work-related training must be relevant and practical.

New material should be integrated with previous work and life experiences. Adults use past knowledge and experiences to filter new information. Each training experience should be built upon previous ones. This structure facilitates absorbing the new material into an integrated whole.

Modeling is a very valuable technique for teaching to adults. Adults are often not comfortable with being seen as beginners. Trainers need to respect an employee’s past experiences and use them as a foundation to build on. Demonstrations, diagrams, videos, and role-playing are examples of ways that modeling can be used in training.

Training programs should try to account for different learning styles by using a variety of presentation formats. For example, some individuals are visual learners: they learn by seeing and benefit from demonstration. Others are auditory learners: they learn best through verbal instruction, either through others or themselves (e.g., use self-talk to learn). Still others are primarily kinesthetic learners: they learn through hands-on involvement. Although everyone uses all three approaches, people are apt to rely more on one style.

Despite the different learning modes, adults learn best from a hands-on problem-solving approach. This method gives them the opportunity to experiment and practice with learning materials.

Repetition increases learning; therefore, training courses should include practice of new skills. Tasks should be broken up into small, reasonable steps without fragmenting meaning. Each step should be taught sequentially.
Because many adults have not been in a classroom or formal training session for years and because attention spans are limited, training activities should be limited in length and given in multiple sessions over time. For the majority of trainees, there are plateaus that occur in the learning process. Humans do not absorb knowledge in a steady, unbroken stream. Instead, new information is absorbed for a period of time, followed by a period of where no learning occurs, followed by a period of learning again. Thus, building reflection time into the training process will allow adults to integrate new information.

Adults will expect to apply new knowledge and skills immediately, which will aid retention. The more realistic the exercises, the more the concepts are likely to be accepted and adopted in the workplace. What is learned will be forgotten if the trainee is not given the opportunity to apply it. Following the training session, supervisors should review the training with employees and discuss how the lessons will be applied at work. To reinforce this, the supervisor should also meet with the employee after they have had an opportunity to use the new skill to see how effective the training has been in changing behaviour. This reinforces the relevance of the training and demonstrates that the supervisor is interested in the personal growth of the individual.

Rewards and reinforcement are important motivators to learning. It may be impossible to separate rewards from feedback (reinforcement). Nonetheless, adults need respect in order to learn effectively, and they enjoy sharing life experiences. They will test what is trained against their own personal interpretations and those of other trainees. Good training takes advantage of these adult-learning attributes to provide opportunities for group feedback and personal application as reinforcement.

Q: How are training programs evaluated?

Answer

Evaluating training program effectiveness allows an organization to continuously tweak the training efforts. The following parts of the training function should be reviewed to ensure that the training is effective, credible, and well received:

- **Participants:** The effectiveness of training initiatives will depend on whether or not the right people were trained and whether or not they were ready to gain the most from the experience. Teaching advanced skills to a supervisor who is struggling with the basics may be a fruitless exercise.
• **Trainers**: Instructional staff must be evaluated continuously. Facilities, materials, and equipment are never as important as the trainer. Skills, techniques, motivation level, and communication are some of the areas involved in evaluating trainers.

• **Program or course content**: The content itself, the sequence in which it is presented, and the time allocated for it are important. Duplication, discrepancies, and omissions must be identified and addressed.

• **Resources**: Participants should be asked for input on the equipment, facilities, and training materials (including marketing and promotional materials).

An evaluation method should be included as part of a training program to ensure that the training accomplishes its objective. Evaluation methods should be designed before the actual program is designed to ensure that the evaluation results will not be skewed by the content of the program or the biases of the designers.

The following factors can be used to judge a program’s effectiveness:

- participant reaction (usually measured using a post-training evaluation questionnaire);
- internal factors (i.e., changes in the trainee — usually measured using tests of knowledge or practical applications); and
- external factors (i.e., changes in the organization).

**Q:** How can an organization retain focus on training in tough economic times?

**Answer**

During economic downturns and market troughs, often the first cost-cutting measure is to suspend training activities. Human resource practitioners may argue that this is the last place costs should be trimmed, but most organizations view training as a discretionary expense. In the absence of a direct link between training and a return on investment, training is seen as a luxury rather than as a necessary investment.

To retain focus on training, the following alternative strategies can be used:

- Demonstrate the link between training and return on investment, and encourage senior management to maintain the training budget.
Incorporate training into the organization’s strategic plan. When training is seen as an important component to achieving strategic goals, it is less likely to be cut; when the methods of training are particularly cost effective, this philosophy is even more credible. Informal training opportunities can be used in place of more formal, costly programs. While the cost–benefit link is more difficult to determine when training takes place in informal ways, taking this route can keep training on the corporate agenda.

Use downturn periods as training opportunities. When demand declines, an organization has surplus capacity. Instead of laying-off employees, the surplus can be used to facilitate training. This increases retention of valuable, skilled employees and creates competitive advantage by developing the skills that will be needed when the market swings back the other way.

Employ low-cost training alternatives:

— Improvements in technology have resulted in low-cost methods. Training can be delivered using DVDs or interactive web-based programs. Production costs for these vehicles have come down significantly and can be developed in-house with little outside assistance.

— Instead of hiring big-name consulting firms to deliver glossy programs, organizations can tap into the growing number of independent, local consultants and trainers. These individuals can be hired on an interim basis or can be contracted to complete a specific project.

— Community colleges are only too happy to partner with industry to develop training programs.

Tap into the greatest under-utilized resource in any organization — employees. Employees can act as mentors or on-the-job trainers. Managers can set stretch goals for employees and let them brainstorm on how to achieve the goals. Organizations may want to ask employees how to deal with training issues in times of scarce resources — they may be exactly the right people to find better and cheaper ways to train.

Q: How is training effectiveness measured?

Answer

Testing and measuring learning is a complex process. It often requires the expertise of educators, psychologists, and statisticians to design and implement methods that
Meet the standards of validity and reliability. However, even without a formal validation method, the measuring of results can provide a good indication of whether a training program has worked.

Measuring whether or not trainees have learned anything is usually done by testing their knowledge or skills at the conclusion of the training session. The inherent problem with this is that the organization still does not know if the training will have an impact in the workplace. It is not enough to simply measure whether or not the training program delivers what it has been designed to deliver.

In particular, training is designed to effect change in the following areas:

- **Production**: This can be measured by comparing an individual’s productivity before and after training, or by comparing the productivity of a group that has been trained with one that has not. The specific factors measured will depend on the sphere of activity. For example, in sales, the measure may be closing rates or the number of prospects identified in a given period of time. A return on investment can be calculated based on the value of productivity improvements over the costs of delivering the training.

- **Production quality**: This is measured in the same way as production, but instead of measuring productivity, the organization measures and compares error rates, product returns, customer complaints, process waste, or accidental losses.

- **Organizational culture**: While many observers think training geared towards improving culture is fluffy, there can be measurable results tied to this kind of training. Possible measures include grievance activity (number of grievances, number of grievances resolved), absenteeism rates, and turnover.

- **Behavioural changes**: Some training is specifically designed to lead individuals to change their behaviour. This is measured through the performance management process. Checking on behaviour changes several months or a year after the end of a training program will indicate how well the program worked (i.e., have the initial changes faded with time or has the work environment reinforced the new behaviour?).
Q: What are the steps to launching an e-learning program?

Answer

Adults tend to prefer interactive learning environments and, fortunately, advances in information technology have increased the availability of such programs. Electronic learning vehicles can be precisely designed to create interactive environments where trainees can test acquired skills and knowledge and receive instantaneous feedback.

The following steps should be taken when launching an e-learning initiative:

- **Prepare for e-learning:** Identify the business imperatives and strategic goals and tie e-learning to them. Assess the organization’s readiness. Then pilot e-learning using a project team. Involve IT and recipient groups.

- **Develop a strategy:** Some types of training are particularly conducive to e-learning; for example, programs that must be continuously delivered, such as employee orientation, safety programs, and computer literacy. E-learning can be developed at little expense and can be very cost effective.

- **Select the technology and content:** The challenge here is to understand the difference between the alternatives. The choices are many, including off-the-shelf content, authoring tools, live e-learning (similar to web conferencing), and learning management systems (LMS). With dramatic reductions in production costs, organizations can now easily create interactive learning programs in-house. There are many products available to assist in the design of e-learning programs. Delivery methods also vary. Dedicated training rooms equipped with desktop computers can be made accessible to employees to use on their own time. Programs can be delivered through DVDs or online through the company’s intranet or across the Internet. Employees with home computers may be allowed to take discs home or to access programs on-line.

- **Sell e-learning:** While e-learning vehicles are gaining in popularity, human resource practitioners may still need to sell the concept. Despite the widespread use of personal computers, some employees may still be skeptical of technology as a teaching method.
STAFFING

Determining Staffing Needs

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Q: How should staffing needs be analyzed?

Answer

It is common for managers to simply want to replace a person when they leave the organization, or to add people as work volume increases. The trends in the 1980’s and beyond however have led organizations to closely scrutinize staffing needs. This means managers must develop solid reasons to begin the recruiting process beyond merely replacing someone who has left.

The initial analysis should look at why the position exists in the first place. When a vacancy occurs, it represents an opportunity for the organization to review how the work gets done. There may be a better way. The analysis should focus on whether or not the position adds value. If not, the work of that position should be restructured, eliminated, automated, or outsourced. If it does add value the organization still may have an opportunity to download activities to other position or to re-engineer how the work is performed. This can create opportunities for promotion or job enrichment, or it can attract candidates who will add bench strength to the organization.

The following questions can be helpful in developing a rationale for filling a position:

- What is the business case or justification for this position?
- How does the position fit with the overall organization strategy?
- How does filling the position help the organization?
- What are the consequences to the organization if the position is not filled?
- What are the appropriate qualifications required for the position currently?
- Are there future changes in the job or the procedures that impact the job that should be considered when determining what criteria is needed for the position?

Smart staffing requires that you define your objectives for considering the position within in your organization. Start by creating a current staffing inventory of the total number of employees in all positions within the organization. Then examine the workload (total and peak) of each position and any job interdependencies. This activity will provide you with a basis for determining the needs of each position, and the way they will impact the organizational performance as a whole. It will further provide you with information that should be useful in analyzing the success of any staffing models you choose to pursue.
In many instances it is also advisable to analyze internal staffing alternatives that are available, such as the use of part-time or casual employees, increased use of overtime and flexible scheduling alternatives. These are particularly important considerations when it is uncertain whether or not a staffing need is temporary or permanent.

You should be able to identify and describe those particular work groups that will require special schedules and work adjustments if flexible scheduling is implemented. Pay particular attention to workload and job interdependencies, as well as peak periods of customer contact or required interaction between coworkers, teams, sites and vendors or other partners.

Q: What is outsourcing?

Answer

Outsourcing generally involves contracting with an independent third party provider (outsourcing firm) to perform certain functions that are being done internally. Traditionally, the business functions outsourced are non-core functions, and the outsourcing firm is responsible for staffing to perform those functions. However, there is a growing trend to outsource core activities in order to bridge the gap created by an extended leave of absence or to tackle a transitory problem.

Outsourcing involves sharing responsibilities for all or part of an organization’s internal functions with a third party. Commonly outsourced functions include administration of employee benefits plans, payroll processing, recruiting, data processing, travel, cafeteria service, and mail or copy services. In some organizations, what were previously considered core functions may now be outsourced.

Many organizations are, in fact, restructuring their activities through outsourcing. For example, third party manufacturers today produce many well-known brand name products to reduce the costs of manufacturing and development, which has created tremendous opportunities for growth.

There are many types of outsourcing relationships:

- **Capability development**: A company must rapidly develop an application and does not have the time or internal resources to meet its self-imposed deadlines. The goal is to bring in experience, develop capability in-house, and then end the outsourcing relationship.
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- **Contracting:** The other party provides a service, which is often for a non-value-added activity (like janitorial services or payroll) under a long-term contract.

- **Co-sourcing:** The organization and another party jointly invest in the development of a product in a form of partnership. Nike, for example, enters into many such relationships with the manufacturers of its branded products.

- **Divestiture:** Companies may ask themselves whether they are truly in the business of a particular function anymore and, if not, should they rid themselves of all responsibilities of running that function or task. Some of the larger banks, for instance, have divested their human resource service functions to third party providers.

- **Managerial outsourcing:** Staff and function remain, but another company comes in and manages the function. In certain circumstances, they bring in their equipment, processes, or technology and train employees on the new systems.

- **Specialized services:** Expertise not maintained in-house is provided by experts such as lawyers, financial auditors, or informational technology providers.

- **Transitional outsourcing:** When a company moves from an old platform to a new one, the new process is outsourced until existing employees can be trained on the new system.

- **Professional employer organizations (PEOs):** An emerging trend in outsourcing involves having the company enter into an on-site management contract as a “co-employer of record” with a PEO to manage employees. Generally, the PEO becomes the employer: pays wages and taxes, and provides benefits (workers’ compensation insurance and administrative paperwork) in return for a fee that is typically a percentage of total salaries. PEOs may also recruit, train, and provide human resource expertise to clients, thus providing an outsourcing resource in lieu of maintaining human resource staff.

**Q: Why outsource?**

**Answer**

There are many potential advantages to outsourcing. An organization may choose to outsource to avoid hiring full-time staff for temporary peaks in workload, or where there is uncertainty about the future of a project or program. Outsourcing may also be a means of avoiding future severance costs.
Outsourcing may also lower costs. In large unionized organizations, wages under collective agreements are fixed. Having components manufactured elsewhere for assembly in-house can dramatically reduce the total cost of goods produced.

Another advantage of outsourcing is the ability to leverage competencies that the organization does not possess, such as technology skills. It may be more cost effective to have short-term work outsourced, even if the work is recurring (such as managing marketing campaigns), than to invest in in-house expertise.

Outsourcing may also reduce capital investments. Large retailers outsource distribution to share the cost of capital across many different organizations or to legitimately reduce debt from the balance sheet (as opposed to some of the recently reported uses of off-balance sheet financing that are less than legitimate). Outsourcing, unlike leasing or employing independent contractors, is the result of a business decision to stop committing internal resources to a given task and to employ an outside firm to do some or all of the work associated with the task that is to be discontinued. In most cases, this action frees monies for a company to invest in activities that yield a greater return.

In times of rapid organizational change, outsourcing may support greater structural flexibility.

Outsourcing can also enable a company to focus on results over processes. When a company outsources, it is no longer responsible for the process; it is only responsible for the results. Typically, there are performance metrics that are involved and adverse consequences for any outsourcing companies that don’t deliver. The test of outsourcing is whether or not the work can be done cheaper and better on the outside.

Disadvantages to outsourcing include:

- perceived loss of control over the function or how the function is delivered;
- core competencies lost or diminished significantly within the company;
- loss of confidentiality or concern that business information will be available outside of the company; and
- concerns of supplier stability and relationship (if the outsourcing company goes bankrupt, it will be a major cost to return the function to the company; therefore, look carefully at suppliers).
Q: What contingent or alternative employment options are available?

Answer

A contingent worker is something different than a full-time employee occupying a position that is considered to be “permanent”. Typically, contract employees, independent contractors, leased employees, part-timers, and casual employees are considered contingent because they are used in periods of peak demand or to fill vacancies left by full-time employees due to sickness, absenteeism, leaves of absence, or unexpected departures.

Contract employees are often employed in full-time positions but are not permanent. They sign a contract that defines their employment in fixed terms. Commonly, contract employees are used to fill in for full-time permanent employees on extended leaves (e.g. maternity/paternity leaves) or are used to fill project needs of a fixed duration. Contract employees typically waive the right to severance or notice since they know precisely how long the relationship will last at the onset.

There are some limitations as to how long someone can be a contract employee, and organizations should be careful not to let a term lapse without either formally ending the relationship or renewing it in writing. Contract employees are typically on the payroll but may be exempt from participating in the company’s benefit plans. Nevertheless, they are treated as employees for the purposes of statutory requirements, such as tax withholding, vacation entitlement, Employment Insurance premiums and Canada Pension Plan contributions.

Independent contractors are individuals who negotiate a fee for an agreed upon product or service to be completed by a specific time in the future. The employer does not have the right to direct or control the work activity or to restrict the individual’s ability to work for others (except if it creates a significant conflict of interest for the organization). These individuals invoice the company for their products or services and are not on the payroll.

Leased employees are workers who are provided by a temporary employment service that pays the employees’ wages and benefits. The employee reports for work at the client company and is directed in his or her work activities by the client company. For most intents and purposes, and for the purposes of occupational health and safety legislation, the individual is considered an employee of the agency. In certain circumstances, under the various labour relations regimes, the individual will be considered an employee of the organization.
Part-time employees are generally those employees who work less than a full-time schedule (less than 40 hours per week) with an employer. Most part-time workers are scheduled for 28 hours per week or less, and are not included in an organization’s group benefit plans (although they may be covered under special plans designed for part-time employees).

Temporary or casual employees are individuals who are used for a very short term (a day or two) on an infrequent basis. They are not scheduled, and are able to decline an offer of available work hours without penalty. In some cases, these individuals are employed by an agency and are similar to leased employees.

Q: How should you work with temporary employment agencies?

Answer

There are specific steps a company can follow to maximize the benefits received when using a temporary employment agency. The company should examine its temporary needs closely to determine the nature of its requirements. In some cases, the organization may have to fill last-minute vacancies created through absenteeism; at other times, the organization may have more predictable needs, such as vacation relief. The organization should anticipate where the needs are likely to occur so that it can ascertain whether or not the replacement worker would require special training or qualifications. It makes no sense to contract with an agency for temporary administrative relief unless the agency can provide individuals who are familiar with the systems the organization uses and can seamlessly take over the duties of the individual being replaced.

There are a lot of temporary agencies out there. Some are good; others are not. Networking with others who have experience dealing with temporary agencies is an excellent way of developing a short list of firms to consider. As well, the organization should approach the hiring of an agency in the same way it would take on any other partner or consultant. Due diligence should be exercised when selecting a firm that essentially is an extension of your enterprise.

It is a good idea to enter into an exclusive relationship with one agency that understands your organization and its needs. The organization might also have greater ability to negotiate more favourable rates if it provides exclusive business to one agency. In rare circumstances, an organization may use more than one agency if it has specialized requirements that necessitate particular areas of expertise not found in any one agency.
Before entering into any arrangement with an agency, an organization should conduct reference checks to verify that the agency is as good as it says it is. Once the due diligence process is complete, the arrangements need to be negotiated and confirmed in writing. If your organization has specialized needs, these should be clearly written out to avoid misunderstanding or future conflicts.

An organization is entitled to know the terms and conditions that the agency provides to the individual employee. Agencies will charge clients a markup over what they pay their employees. Many agencies are reluctant to disclose this information. However, how these workers are treated is a reflection of the organization. Moreover, the organization should ensure it is getting the most for its dollar. The agency should be transparent regarding its fee. Its service and the quality of the people it consistently brings forward are the things that will support how much they can charge. The agency should also be prepared to guarantee its services.

An organization may also want to make inquiries of the people who have worked for the agency to ensure they are treated well. The organization should also make sure it knows how workers are selected and what training they receive.

**Q: How can you keep contingent workers contingent?**

**Answer**

Even if an employer does not intend for a contingency worker to become an employee, sometimes this occurs. Employers must take specific steps to ensure that a contingency worker does not inadvertently have the rights and benefits associated with employment status and to mitigate any other employment liability.

The employer should first determine why it wants to use alternative staffing arrangements instead of permanent employees. If the primary motive is costs, specific factors will influence the decision — the nature of the work assignment, the going rate of pay of people doing that work, and so on. If, on the other hand, minimizing the employer’s legal obligations is the primary concern, then the type of arrangement that will relieve the employer of the most liability will influence the decision.

Employers should be aware that employing leased employees or contract workers will not relieve them of responsibilities for the health and safety of those workers. In some unionized environments, the employer may not be able to exclude these workers from inclusion in the bargaining unit. Employers should carefully
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review any existing collective agreements, paying particular attention to the recognition clause, union security provisions, and any agreements with respect to contracting out. It is often a good idea to check with a human resource specialist or lawyer when in doubt.

If an employee is hired under a fixed term contract but continues to work beyond the end of the term without an express agreement to extend the term, that employee may be considered to have become permanent. Ensure every such contract is flagged for updating well ahead of the end of the term.

**Checklist for Keeping Leased Workers from Developing Employee Status**

- Do not request a specific leased employee from an agency.
- Avoid having leased workers work in the same area, do the same tasks, and be supervised by the same staff as regular employees.
- Do not have supervisors review time cards in the same manner for both groups or use the same time recording procedures, such as the same time clock, for each group.
- Do not allow leased workers to become a significant source for applicants for employment. Require that contingency workers who wish to work for your company apply as any other applicant and complete all steps in the recruiting and hiring process.
- Discuss any company concerns directly with the agency supplying the leased workers rather than with the leased worker.
- Try to avoid retaining any contract worker for a long period of time. The longer the relationship, the more likely that a third party would find that a true employment relationship has developed. If the relationship looks like an employment relationship, courts will be likely to rule that it is an employment relationship.
- Avoid as much as possible the contact and interaction of contract and regular employees. It is recommended that contract employees are not included in any employee benefit such as a company picnic or similar social event; however, use your judgment to determine whether this is appropriate for your organization.
- If you employ an independent contractor, have a written contract that specifies issues of control and status of the worker.
Other notes:

- If the agency does not provide all acceptable workers, consider terminating that relationship and hiring another agency rather than making employment decisions based on the performance of individual workers.

- Always treat leased workers with respect and dignity. Individuals who mistreat leased workers may expose the company and themselves to complaints before a human rights commission or an employment standards tribunal.
Recruiting

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Q: What are the basics of the recruiting process?

Answer

The recruiting process begins with a clear understanding of why a position needs to be filled, that is, how the position adds value to the organization. Once it is determined that a position is required to be filled and the company has the cash flow to pay for the position, the next step is to create a clear, concise job description that lays out the duties and responsibilities of the position, and the qualifications and skills required to fill the position. Preparing a clearly defined job description is the critical first step in ensuring that the recruiting process leads to success in filling the position with the right candidate.

Subsequently, the basic steps in the hiring process are:

- posting the position in the correct locations to attract the right candidates;
- screening the applicants to determine those who are the most qualified;
- interviewing qualified candidates to determine the best fit for the position and the organization;
- checking references with previous employers to verify a candidate’s suitability for the position; and
- offering employment and providing a written letter of offer.

Beyond the basics, other considerations include:

- Approval process: Some organizations, typically larger organizations, require controls to be in place to ensure that staffing numbers stay within budgeted levels, to ensure that appropriate staffing levels are maintained, and to ensure that recruiting costs are kept under control. For such organizations, a hiring authorization form may need to be implemented to ensure that there is a business case to fill each vacant position and to ensure that proper sign-off is obtained prior to starting the hiring process.

- Internal procedures: Before any recruiting activity takes place, any necessary internal procedures should be followed first. For instance, a position should be posted internally if there is such a requirement. If succession plans exist, internal candidates should be given preference for opportunities if they have been identified as potential successors. If the position is in a bargaining unit, the collective agreement should be reviewed to check if there are any specific requirements regarding postings, qualifications, and seniority.
• Strategic objectives: Consider any relevant business plans or strategic objectives that might influence how the job is filled or what type of candidates might be preferred by the organization. The manager might be content to fill the position with a candidate who is simply qualified to perform the function, but the greater organizational interest might be finding candidates with upward potential. In other cases, the organization may be interested in using the position to build bench strength or to serve as a developmental assignment for a high-potential employee.

• Hiring policy: If a written hiring policy exists, training may need to be provided to hiring managers to ensure that they consistently follow the policy. Such a policy would provide guidelines to managers on how the process works, how candidates are sourced, how interviews are conducted, the criteria for making a hiring decision, and the process for making an employment offer.

It is important to remember that the recruitment process is two-way: the candidate is selling himself or herself to the organization, but the organization is also, or should be, selling itself to the candidate. Offering both an appealing work environment and a competitive compensation package are essential to attracting and retaining the right employees. Potential employees also want programs that help balance professional and personal responsibilities. The recruitment process must be integrated with the overall human resources policies in a strategic way and should be designed to attract and retain the people who represent the “best” fit with the organization’s values and mission.

Q: What factors influence whether an organization is perceived as an “employer of choice”?

Answer

There are many factors that influence whether an organization is perceived as an employer of choice. Some key ones include the following:

• Company culture: Employees realize they will spend a significant part of their lives working. It is increasingly important for people to work for an organization whose values match their own and where the culture supports a positive work environment. Tied to the environment are the relationships employees have with their co-workers. Camaraderie and positive interactions with others at work certainly can influence a company’s perception as an employer of choice.
• **Training and development opportunities:** Providing employees with the opportunity to obtain training and develop new skills can make an organization a good place to work. Employees want to keep their skill levels up to par with market demands and want to ensure that their skills continue to be marketable. No one wants to stagnate in their jobs.

• **Compensation:** The perception that an employer compensates employees fairly is a basic requirement for employers of choice. Organizations should actively choose whether they want to be a top payer or be in the middle of the pack. Some rely on a total compensation strategy where the salaries offered are close to the market median, but variable pay components (incentive bonuses and stock options) provide employees with the potential for well-above-average earnings.

• **Benefits package:** Total compensation includes other group benefits, such as extended medical care, dental plans, and retirement savings plans. Defined benefit pensions were once the hallmark of progressive employers and were designed to reward employees for long service. In many environments, these are no longer as desirable and are being replaced by defined contribution plans or registered retirement savings plans that provide greater flexibility and increased input from the employee on investment choices.

• **Succession planning:** Organizations that consistently promote from within or actively engage in developing staff have a competitive advantage in attracting top candidates.

• **Diverse workforce:** Embracing diversity makes an organization attractive to a much larger candidate pool.

**Q:** How can a recruiting program be audited?

**Answer**

Human resource practitioners should periodically audit the recruitment process to ensure it meets the needs of the organization and remains in compliance with relevant legislation. Considerations to keep in mind when auditing the recruitment process include:

• **Recruitment plan:** While recruitment often takes place to fill vacancies created when an employee unexpectedly leaves, larger organizations should develop recruitment plans to meet predictable needs. Proactive organizations can predict
the needs that will be created by expected retirements, seasonal market fluctuations, and business growth. Succession plans may also identify potential needs for filling competency gaps.

- **Job descriptions and specifications:** Recruitment should not take place unless there are clear job descriptions and specifications outlining the requirements for success in the position.

- **Strategies:** Sophisticated organizations will develop specific strategies for recruiting in different areas to meet different needs. These strategies might include maintaining lists of target industries or organizations from which to draw candidates, or preferred sources for attracting candidates in specific functions. The idea is to use different recruiting techniques to fill different jobs, adapting the nature of the appeal to the desired audience.

- **Compliance:** All recruitment activities should be periodically reviewed to ensure the organization is in compliance with all relevant legislation, including human rights and privacy legislation.

- **Cost/benefit analysis:** At least annually, the success rate of recruitment activities should be checked to ensure the strategies being employed are effective.

- **Image:** Success at recruiting depends to a large degree on the public’s image of the organization. If the company is involved in the community and viewed as a good corporate citizen, recruiting will be easier. Surveying potential candidates on their perspectives is a good way to measure the company’s recruitment image.

- **Documentation:** One of the keys to successful recruiting is proper record keeping. It protects the company in case of charges of discrimination, for example. It also provides the organization with information on what recruiting methods are most successful for the positions it is trying to fill.

- **Recruiting practices:** Some useful measurements for evaluating recruiting program effectiveness include time to fill, retention rates, turnover rates, cost per hire, number of applicants generated, job performance of new hires after a specified period of time, total cost of recruiting, average length of employment, and offers extended compared to offers accepted.

Note: When evaluating recruiting methods, don’t make the common mistake of focusing primarily on measures that impact the human resources department, such as
time to fill. Rather, look at measures that reflect the true cost and benefit of the recruiting programs to the organization as a whole.

Q: What recruiting sources work best?

Answer

Recruiting itself, and indeed the entire hiring process, can be very expensive both in time and in money spent; consequently, it makes sense to use recruiting sources that are most effective. The most important factor in determining the best recruiting source is determining where the ideal candidate would search for employment. Would they read the newspaper? Search online? Which websites would they use? Who would they talk to regarding their job search? Do they belong to any particular trade associations? Advertising the vacancy where the most ideal candidates would see it is the key to effectively sourcing the right candidates.

The following types of recruitment sources are most widely used:

- **Internet job boards**: In recent years, online job boards have become the most popular recruiting source used. With job boards ranging from those targeting general audiences to those for highly specific candidates with specialized skills, success in using online job websites requires that employers pick the appropriate job posting site to attract the most number of qualified candidates. Online job posting services range from being free to charging employers annual membership fees and per posting fees.

- **Newspaper advertisements**: Although decreasing in popularity, newspaper advertising is still a viable option for certain vacancies. Specific newspapers can be used to target a particular demographic or a specific geographic region. Many newspapers have the added advantage of also automatically placing the ad on their websites or on other job boards. The most significant downside to newspaper advertising is that the ad rates can be quite expensive.

- **Trade publications**: Advertising in trade publications can be very effective in reaching a specific target audience. However, response times can be slower because trade publications are typically published only a few times a year. This avenue is better suited to general ads to promote the organization as an employer of choice for people in that target group.
● **Associations and organizations:** If ideal candidates belong to specific associations or organizations, posting job vacancies on an association’s website or in member publications is a good way to reach qualified candidates.

● **Walk-ins, unsolicited résumés:** For organizations with an established employment brand, this can be an effective source.

● **Files of prior job applications/résumés:** The second and third choices from last year’s search may have developed into this year’s first choice.

● **Employee referral programs:** Referrals from employees can be effective and can support a positive employee relations climate. Employees tend to refer candidates who they believe will fit with the organization and are unlikely to refer candidates that they do not believe are appropriate, as failure might reflect poorly on the employee. Candidates may also be referred through other networks such as referrals from suppliers, customers, consultants, and trade unions.

● **Employment agencies:** Often the last resort because of the high cost, employment agencies are a potential source to fill senior positions or positions where the skill set required is highly specialized and specific. Agency rates are typically a percentage of the annual salary of the position and, depending on the position, may range from 15 per cent to 40 per cent.

**Q:** How can you analyze the cost of recruiting methods?

**Answer**

The only way to tell which recruiting methods bring the best candidates is to keep records and analyze which ones give the best return for the money. Many job applications ask candidates how they heard about the job or what attracted them to the company. This information enables organizations to compute costs and determine the best practices for the company to use in the future.

To calculate the cost of an ad, record how many people answered the ad, how many of those who applied were interviewed (or received follow-up action of some type), and how many were hired. Divide the cost of the ad by the number at each step. Compare this figure to the other methods used to see where the money was spent most efficiently.

Price per employee hired, however, is not the only consideration. Quality is the key. A local newspaper ad for production supervisors may bring in a large number of applicants, but a more extensive (and more expensive search) may have yielded a
better, more experienced crop of applicants. The more specialized the job and the
more key the position is in the organizational structure, the broader and more costly
the search usually needs to be to ensure that the organization sees the very best
candidates.

In addition to cost, the most efficient method of recruiting can be ascertained by
comparing the performance measurements and the retention data for each different
source of candidates.

Calculating the cost of each hire is a difficult analysis because there are tangible
and intangible costs to calculate. Tangible costs include advertising; employment
agency fees; costs of testing; security, credit, and reference checking costs; human
resources overhead allocation of expenses (office space, staff salaries, supplies,
computer charges, etc.); telephone calls; reimbursement of interviewing expenses;
relocation costs; and special payments such as employee referrals and signing
bonuses. Intangible costs include disruption of regular business functions; impact on
morale; reduced management and processing efficiency; lower productivity; costs of
turnover; and over-hiring to maintain current production. Depending on the industry,
there may be additional costs, such as safety costs from a higher number of acci-
dents; additional overtime to compensate for the vacancy; and the maintenance of a
higher-than-normal human resources or recruiting staff to handle replacement needs.

Q: How can legal liability be avoided in the recruiting process?

Answer

The best way to avoid legal liability is to ensure that an objective hiring process is
used and that all parties involved in screening, interviewing, and selecting of candi-
dates are trained on the hiring process and on what is considered appropriate and
inappropriate conduct.

Inappropriate questions asked during an interview, improper comments written
down in notes, or even promises made in haste to an applicant could land an
organization in hot water. The potential for a human rights complaint of discrimina-
tion in recruitment can be quite high. Regardless of the merits of a complaint, when a
complaint is lodged, the organization suffers damage. Human rights complaints can
result in:

- awards for lost opportunities;
- damages for hurt feelings (up to $10,000 in some jurisdictions);
orders to amend current practices or to train staff on appropriate behaviours;

- loss of the organization’s reputation;

- harmful impacts on employee morale;

- lost time and spent resources defending against an action; and

- legal fees.

Organizations need to know what the law requires and be prepared to comply. When interviewing and hiring, the most significant concern is to ensure that nothing in the process inadvertently discriminates against candidates on a prohibited ground of discrimination such as sex, race, ethnic background, nationality, religion, disability, workers compensation claims, or sexual orientation.

Hiring should be an act of discriminating between candidates based on *bona fide* job requirements. Unlawful discrimination, on the other hand, is the act of selecting candidates based on personal characteristics that have nothing to do with their qualifications or abilities to do the job.

Two types of unlawful discrimination can take place: direct and indirect. Direct discrimination occurs when people are treated differently specifically because of a statute-protected characteristic such as race, sex, national origin, religion, age, or disability. Direct discrimination need not be conscious or intentional. It may be evident in a pattern of hiring that shows a systemic bias against members of a particular group. Certainly, bigoted remarks or other overt behaviour would attract complaints of direct discrimination.

Indirect discrimination refers to systemic issues that, on their face, are not discriminatory, but in practice have a discriminatory effect. An example is when an organization specifies that candidates must meet minimum height requirements. Since members of some ethnic groups may on average be unable to meet those requirements, the specification inadvertently excludes them from consideration. In other words, the practice has discriminatory consequences. Thus, indirect discrimination occurs when a neutral practice has the *effect* of discriminating against people who belong to a protected class.

Even if indirect discrimination is proven, an organization may not be in violation of a human rights statute if it can show that the offending requirement is a *bona fide* occupational requirement, and that the organization has taken steps to accommodate those who do not meet the requirement, up to the point of undue hardship.
**Q:** What is negligent hiring?

**Answer**

Negligent hiring occurs when an employer hires a person it knows or should know is so unsuitable for a job that he or she poses a threat of harm to co-workers, customers, or property. Negligent hiring is based on an employer’s failure to uncover a job applicant’s incompetence or unfitness by checking references, criminal records, or general background. When hiring, an organization is under a duty to act in a reasonably safe manner.

The extent of the duty may vary with the circumstances. Employers should conduct a reasonable investigation into a prospective employee’s fitness. The extent of the inquiry will depend on the nature of the position, the cost and difficulty of obtaining information, and the reasonable and customary practices in the industry. For example, jobs that pose the greatest risk to others, like law enforcement, security work, and those that involve working with vulnerable clients like children or seniors, require the most extensive background checks.

An applicant may pose a risk because:

- the applicant is not qualified for the job; or
- the applicant has done something in the past that would have significant consequences if it happened again.

**Q:** What is negligent misrepresentation?

**Answer**

Negligent misrepresentation occurs when a potential employer portrays an opportunity in a way it knows to be untrue or ought to reasonably know might not be true to a potential candidate. If the candidate relies on that information to make a decision as to whether or not to accept the position, and after joining the organization discovers that a material fact was misrepresented, that employee may have a case for wrongful hiring.

Potential employers may tend to exaggerate the advantages of joining the firm. This is natural and generally is neither harmful nor unlawful. However, if the exaggeration goes too far, it may be characterized as an outright lie. This becomes particularly crucial if the lie was instrumental in getting the candidate to leave his or her current employment and to accept the organization’s offer.
In a case often cited to explain negligent misrepresentation (*Queen v. Cognos*, [1993] 1 S.C.R. 87), a candidate was told that he would be working on a particular project and that that project’s funding was guaranteed. Once he joined, he discovered funding was in fact uncertain. Shortly after he started with the organization, funding for the project dried up and he was reassigned to a position he considered less prestigious and, in his opinion, offered fewer opportunities for personal growth. He eventually quit and successfully sued the firm for negligent misrepresentation.

The important lesson is to be honest with candidates and disclose all material facts. If the organization has financial problems or is experiencing poor morale, a candidate should be made aware of it. Hiring is not a matter of *caveat emptor* (buyer beware). Rather, it is important to engage in full disclosure to every extent possible to prevent culture shock when the employee begins working for the organization.

**Q:** What is induced breach of contract?

**Answer**

Many organizations find that the best candidates for positions, particularly senior or specialized roles, are currently working for the competition. Organizations should expect that many of their competitors have taken the same precautions as they have to protect their business interests by enforcing confidentiality agreements and non-compete/non-solicitation contracts with employees.

When interviewing candidates who are working for a competitor, the organization should ask if any such contractual restrictions exist. The prudent interviewer would insist on reviewing any existing contract before making a job offer. If an organization ignores this, it might be guilty of inducing a breach of contract. This essentially means that, by attracting an employee away from a competitor, the organization has made it attractive for that individual to break the contract with his or her former employer. If the former employer can demonstrate that it has suffered a material harm as a result, it can hold both the former employee and the new employer jointly responsible for causing that harm, and the former employer can be awarded damages. While successful suits are rare, the damages amounts that can be awarded can be substantial.
Q: How are job descriptions used in the recruiting process?

Answer

Because job descriptions outline the principal duties and requirements of a job, they play an important role in the staffing process. By examining the specific knowledge, skills, and abilities listed on the job description, employers can target applicants who specifically meet stated qualifications. Similarly, job descriptions provide an excellent base for writing job advertisements and internal postings, and provide applicants with realistic information about the job. Given reliable job descriptions, employers can quickly and efficiently replace staff when turnover occurs.

Job descriptions should also include physical and social factors associated with a particular job. Job environments can impact significantly on workers’ motivation and job satisfaction. For example, it’s a good idea to include in job descriptions factors like the existence of hazards, noises, physical proximity of other employees, and opportunities to communicate with fellow employees. Including these factors in job descriptions enables job applicants to better understand the requirements of the job and helps management select the best candidate for the position.

Individual job responsibilities are usually set forth in a job description. Group tasks and shared duties, however, are often neglected. Such group, committee, or team tasks should be spelled out. Frequently, these kinds of tasks are time consuming and require good interpersonal skills like co-operation and negotiation. Potential employees should be assessed on how well they are likely to perform in these kinds of assignments.

When employers take the time to categorize job tasks, the real job duties become more apparent. There are many task classification systems that employers can use. For example, job functions can be grouped by those that are performed weekly, monthly, and yearly. They can be classified by high, medium, and low priority. They can be categorized as temporary or permanent tasks. Finally, they can be viewed as supervisory or non-supervisory, and individual as well as team assignments. By looking at these structural elements in a job and by using these categories, the employer can make more informed decisions regarding candidates who are likely to be successful.
Q: Why are job descriptions important in the recruiting process?

Answer

By looking at the structural elements of a job and by using the categories set out in a job description, employers can make more informed decisions in interviewing, hiring, promotions, job changes, and even layoffs and reorganizations. Job descriptions provide the following advantages:

- The job description serves as an important guideline for selecting and hiring new employees.
- By reviewing the current job description for a vacancy, a manager can direct the job search towards a person with the exact competencies that the job requires.
- Because required qualifications are clearly spelled out and duties are carefully delineated, managers are better able to ask questions as they conduct interviews.
- A detailed list of the competencies a job requires helps keep a manager on track. For example, when two or more candidates appear qualified for a job, the job description provides an objective basis for comparing each candidate’s qualifications with the requirements of the job.
- A written job description also represents the conditions that management and workers agree to at the beginning of their employer/employee relationship.

Q: What information should be included in a job description?

Answer

The structure and format of a job description will differ according to how the organization intends to use it. In addition to being used in the recruitment process, job descriptions can be used to evaluate the position relative to others in the organization, establish rates of pay and other benefits/perks, outline specific accountabilities as part of health and safety due diligence, and benchmark the job against others in comparative industries. The following are generic sections that may be included in a job description:

- **Job title:** A job title should give a general idea of what the job entails and an indication of the level of the job.
- **Date:** The date the description was prepared is useful in order to ensure the job description is up to date.
• **General summary**: This section, typically found at the top of the job description, summarizes the overall purpose and functions of the job. Consisting of four or five sentences, it should briefly set out the main purposes and functions of the job. The general summary should describe the job’s reporting relationships (who reports to the person holding the job, and who the person holding the job reports to) if the job description does not have a separate section for this purpose.

• **Primary duties and responsibilities**: This section, usually following the general summary, should contain 7 to 10 statements that itemize the primary duties or essential functions of the job. Duties should be presented in a logical order and include information regarding the frequency or percentage of time spent on each task. Tasks that do not account for at least 5% of the work are generally not included. However, if there is some aspect of a job’s requirements that occurs periodically or as little as once a year but whose impact is company-wide, the task should be mentioned. Also, this section should make apparent any consequences or impact of the jobholder making a mistake or being in error. Many jobs are paid at a specific level because of risk factors to the company.

• **Job specifications**: Job specifications detail the specific knowledge, skills, abilities, and competencies that are required for a person to competently perform the essential functions of the job. Typical elements include education, years and type of experience, training, licences, certifications, skills (e.g., analytical, detail-orientation), as well as mental and physical demands. Job specifications may be a section of the job description (typically following the primary duties and responsibilities section) or it may exist as a separate document. To avoid discriminating against protected groups, it is important that specifications be realistic minimum requirements. Job specifications do not necessarily describe the skills and qualifications possessed by current jobholders.

• **Physical and mental demands**: This information could be included under the job specifications section or it may appear as a separate section of the job description. Alternatively, mental and physical requirements may be listed in a separate document.

• **Working conditions**: This section describes things like the noise and temperature levels that must be endured, extensive travel, any dangerous machinery that the jobholder must use, and even uncommonly high levels of electricity. Job conditions of white-collar workers should also be considered. Do not make the
false assumption that these employees are never subjected to adverse working conditions. Office noise and factors like having a poorly designed work area for the tasks to be performed should be included in job descriptions and taken into consideration in job evaluation.

- **Disclaimer:** For the protection of the company, job descriptions should contain a disclaimer statement. This statement should say that the job description is not meant to be an all-inclusive statement of every duty and responsibility that will ever be required of an employee in the job. The disclaimer statement will protect the company from employees who refuse to perform assigned tasks on the basis that “it’s not in my job description” and will provide limited protection from the changing nature of many jobs.

**Q:** What do you need to know about internal job postings (transferring from within)?

**Answer**

Many organizations have policies stating that jobs up to a certain level will be posted internally. This encourages employees to explore new career opportunities and to take charge of their own career development. Even when an organization has a well-developed process for identifying employee interests and aspirations, the posting process can be an effective way of ascertaining employees’ real desires. Job posting internally narrows the field to those who are really interested in changing positions and can provide a good group of applicants without having to go through the bother and expense of recruiting from the outside.

In addition, posting jobs internally is good practice for equal employment opportunity considerations, since the absence of a job posting system may well result in an adverse impact on a protected class.

While an internal job posting system allows existing employees an opportunity to be considered for vacancies, it is recommended that employers also maintain some flexibility and discretion in the process. Having a strict policy of posting every position that opens up can lead to a number of problems:

- Whenever the policy is said to be strict, the organization exposes itself to criticism from employees in the event that it is not followed.
Employees who apply may expect that they will be interviewed in every instance. The organization needs to ensure employees know exactly what to expect from the process.

The organization can waste time and resources posting positions they reasonably know will not yield any qualified internal candidates.

In some instances, an organization may have other processes that identify potential internal candidates. If an individual has been groomed specifically to fill a position, it would make no sense to open the competition to other employees and potentially waste the company’s investment in the individual. Alternatively, organizations with a defined succession planning process have a viable means for identifying internal candidates who may take priority over the internal posting process.

Q: Should former employees be rehired?

Answer

The quick answer is, it depends. The long answer is that the philosophy and culture of an organization will help to determine whether to rehire former employees. Some organizations have strict policies that prohibit the rehiring of former employees. The belief is that whatever factors drove them to leave in the first place may still be present, and thus rehiring them might be risky, or that because they left once means that they do not have loyalty and may leave again.

Other organizations will consider rehiring former employees, provided the employee was a strong performer and would be a good fit with the current organization. Often an employee who voluntarily chose to leave the organization and now voluntarily chooses to come back may be more dedicated because he or she has determined that the organization is the best option for them. Also, an employee who has left and wants to return may represent a low-cost hire.

Rehiring can be compared to employee referral programs, which are effective recruitment sources.

The following issues should be considered when deciding whether or not to implement a rehiring program:

- Will the corporate culture accept returning employees? Make a frank assessment. Does the culture send a covert or direct message to employees who leave indicating that they are not welcome to return? Is a returning employee seen as
someone who has obtained new knowledge, skills, and a fresh perspective and won’t cost the company a single training dollar?

- Can you identify employees you would want to rehire? Obviously not everyone who leaves is suitable for rehire. Take the following steps:
  - Handle partings professionally. Let departing employees know that you are interested in their growth. These people can remain advocates for your firm.
  - Do not take partings personally or consider them personal rebuffs. Make sure that others in the company also have this attitude.
  - Determine whether managers and other employees were happy to see this person leave and why; let their responses influence your decision.
  - At termination, record whether you would consider rehiring the employee. Former employees should not be rehired if they were dismissed for cause or “blew off steam” when they left the organization.
  - At the exit interview, if you have determined whether you would consider rehiring, obtain any forwarding information about the employee and ask whether the employee would ever consider returning.

**Q: How do you go about rehiring a former employee?**

**Answer**

The best approach is to consider the former employee as any other candidate for a vacant position, and run the person through the standard hiring process. The former employee should be interviewed against the required criteria for the position to ensure that he or she possesses the skills and qualifications required for the position. The advantage for the organization is that the former employee is a known entity; however, that does not mean that the standard hiring process should be bypassed. Putting the former employee through the hiring process also allows the organization to compare the former employee against other candidates to ensure that the best possible candidate is hired to fill the position.

From a practical perspective, organizations should ensure that they maintain contact information for former employees on file so that they can be contacted if the need arises.
What if returning employees demand raises? That’s a risk, but often pay is not the issue in the decision to return. These employees have often acquired valuable new skills; if so, there may be a reason to increase pay. If not, treat them as you would any other recruit. Keep in mind that returning employees are cheap to recruit, given that this is a targeted audience, and, because they know the business, they are immediately productive. Think of them as a “reserve army” of talent and treat them with respect.

Q: How can an organization implement an employee referral program?

Answer

One method of finding job applicants is to ask current employees to nominate their friends and relatives for employment. Employee referrals can be a valuable tool because they can potentially bring in quality recruits, and because they build goodwill among present employees.

An advantage of an employee referral program is that an organization that encourages employee referrals may create a pleasant work environment in which employees support one another, an environment in which employees feel good about their company because they have been given a voice in selecting their co-workers. Hard-working, conscientious employees are likely to have friends with similar values and will avoid referring deadbeats because they would not want to put themselves in a bad light.

Companies with employee referral programs have found that these programs produce good candidates. Typically, the candidates possess more information about the company, and therefore are better prepared than other candidates. These referrals usually fit the position’s qualifications better and, as employees, referrals tend to have longer tenure.

However, there can be serious problems in relying solely on employee referrals, most notably fair-employment problems:

- people typically refer others who are similar to themselves (race, national origin, religion, sex, age, etc.);
- by promoting homogeneity, these practices can lead to groupthink and cliques; and
there is potential for conflicts of interest if there is a reporting relationship between two friends or relatives.

Once an employer has decided that it wants to use current employees as a source of job applicants, there are techniques it can use to promote employee participation in referral plans. The referral plan should clearly spell out the circumstances under which the employee is entitled to a reward. Employees should be cautioned not to make promises of employment to those they refer. The plan should state that favouritism will not be shown to any applicant, even if he is the chairman of the board’s son. In addition, employee referrals are not necessarily synonymous with nepotism. Regardless of whether a company’s policy is pro-nepotism or anti-nepotism, it should be spelled out.

The most common incentive employers use to encourage employee referrals is cash. This cash award can be calculated as a flat amount or as a percentage of the new hire’s salary. Many plans break the cash award into two parts, one to be given to the employee at the time the referral is hired, the other given when the referral completes a probationary period. Sometimes non-cash benefits such as company products, gift certificates, other merchandise, stock, or time off are used to encourage referrals. Companies may find that employees are willing to nominate their friends for employment without being rewarded with a large bonus. People like to see their friends employed.

To publicize the referral plan, a company can use its in-house newsletter, intranet, or other communication vehicle to list current openings and ask for applicants. It can prepare a special memo to distribute to each employee, put reminders in pay envelopes, and have supervisors spread the word when recruits are needed. The plan should be included in employee handbooks and manuals.

Q: What issues should an organization consider when writing job advertisement copy?

Answer

Those responsible for writing job advertisements should remember that they are trying to accomplish several things at the same time. Ads are intended to attract candidates for a specific job opening. At the same time, ads present an image of the organization that might raise the interest of others who would consider future opportunities with the organization. Ads are a vehicle for establishing the organization’s
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“employment brand”. Finally, ads for job openings simultaneously serve as advertisements for the organization and its products and services. Therefore, care has to be taken to choose the right vehicle not only to target the right recruitment audience but also to support the organization’s image.

Ads can be expensive, depending on the publication chosen to carry the ad. It is important to attract the right candidates while also limiting the potential number of irrelevant applications (which will bog down the screening process). The writer should tell enough about the job so that those reading the ad can decide whether they are interested and whether they are qualified. This can be accomplished by stating the job title along with a brief description of duties, especially if the job title is ambiguous. The minimum education, experience, and skills required for the job should be spelled out so that interested candidates who do not meet the threshold qualifications can screen themselves out. Also point out any special criteria, such as extensive travel or relocation, that would immediately weed out applicants unwilling to take on those aspects of the job.

The ad should also highlight the advantages of working for the organization, in addition to the compensation and benefits. As part of developing the employment brand, the ad should specify what is unique about the organization and why it is a good place to work.

It should go without saying that the writer should avoid language that could be interpreted as discriminatory. However, this can be tricky. Sometimes ad writers miss the use of potential “trigger words” (e.g., words and phrases that refer to age, such as “recent college graduate”, “young executive”, “athletically inclined”, etc.) that can create problems with respect to potential discrimination. In order to determine whether an ad is discriminatory, the ad must be read in its entirety, taking into consideration the results of the ad on the employer’s hiring practices.

Another issue to consider is the difference between online copy and traditional newspaper or print copy. For example, when posting an advertisement online, an organization should:

- use a format that is appropriate to the medium;
- use the extra space to provide information on the company, culture, working conditions, benefits, pay strategies, and any other information that would be of interest to a candidate and that positions the company in a favourable manner (unlike newspapers, online space is not a cost issue);
• avoid jargon and unique terminology, if possible; when unavoidable, such as when terminology is part of a specific job title, immediately explain the term;

• be sure key words are used frequently, as most job seekers search by certain terms (an organization should even consider placing multiple ads using different key words);

• consider using graphics, stills, or video to set ads apart; and

• incorporate the company’s logo, products, and other sales techniques.

Q: What do you need to know about Internet recruiting?

Answer

The majority of human resources professionals today use the Internet as a recruiting tool. Advantages of recruiting on the web include the ability to target a specific type of candidate, the wide exposure of openings, and the fact that such exposure is relatively inexpensive. However, most HR professionals view the Internet as only one tool in the arsenal of recruiting options. Internet recruiting options include:

• **Online job postings:** There are numerous websites that specialize in posting jobs. Many of these are very large and well known (e.g., Monster, Job Shark, Workopolis). Jobs have generally been placed by employers or by recruiters. Typically, the employer is charged a one-time fee plus an annual fee. The advantages, in addition to being cheap, include access to a large audience and the speed of response. On the downside, unless the organization posts the vacancy on a highly specialized board, there is a high potential for being flooded with responses, many of which may be irrelevant. The time and resources it takes to screen through hundreds of responses may negate the cost advantages.

An organization may have an ad online and not know about it. Several major newspapers, trade journals, and professional organizations’ newsletters automatically place their print employment ads online. Therefore, if your ad will be available in print and online, be sure the ad is designed appropriately for each medium.

Some job sites offer automatic matching and notice to the potential candidate via e-mail. These sites are attractive to candidates in that confidentiality is preserved unless there is a match, which is a situation not unlike traditional recruiting methods.
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- **News groups**: These are bulletin board-style discussion groups that “meet” to discuss job openings and to trade information, typically in a specific industry or profession.

- **Job banks**: Also called résumé databases, these sites usually contain thousands of electronic résumés or profiles of job seekers. Typically the résumés are organized by industry or by key words denoting specific skills. Employers usually pay a fee to have access to these databases. Customized software can scan all of the résumés and download only those that meet an employer’s specifications. These databases are always available. To ensure that the database is current, most sites delete résumés after six months. The employer can contact the potential candidate by telephone or e-mail. Some of these sites automatically notify a job seeker when a position is posted in his or her area of interest.

- **Offline databases**: More and more professional groups and colleges are offering employers the opportunity, for a fee, to search their database of members or alumni. Each potential candidate completes a multipage, in-depth profile. These specialized databases provide an alternative to an executive recruiter, especially when the employer is seeking candidates with credentials that are unusual or scarce.

**Q:** **What is important in evaluating job-posting websites?**

**Answer**

The most important features when evaluating job-posting websites are:

- **Speed**: E-recruiting has great potential, but job hunters using the Internet are likely to have a short attention span. Speed is critical. Potential candidates can lose interest in websites that are slow to download.

- **Good design elements**: Effective websites are likely to have a savvy, friendly design. Attractive pages can make a positive first impression. Similarly, good websites are easy to navigate, with a simple and logical flow from page to page. Complex pages are a turn-off to job hunters.

- **Interactivity**: Many job seekers appreciate websites with useful interactive features, such as the ability to electronically submit résumés or receive e-mail about new job postings. Again, these features should be simple and easy to use.
**Content:** Another attribute of a good job website is creative and appropriate content. Appropriate content, for instance, may include salary information or details about the community where a job is located.

**Cost:** The cost to use a job posting website is also a factor to consider. Some sites are free, while others charge membership fees and posting fees. An organization should determine how many positions may be posted in the near term to help determine if one website is more cost-effective than another.

Q: What are some criteria for selecting the right employment agency?

**Answer**

Although there are many different types of employment agencies, they all provide the same basic functions: to source, screen, and refer potential candidates to the employer. Some agencies also perform additional services, such as administering tests, checking references, performing background checks, and providing outplacement services. Many human resources consulting firms will also assist organizations with recruiting.

There are many reputable and many disreputable firms engaged in recruiting. The following tips will help organizations sift through the field to select the right firm to meet its needs:

- Network with HR practitioners to find out which firms they use and what experiences they have had. In particular, speak to peers in the same industry to find out if there are specialized firms that might be able to pinpoint the search and that have the experience and industry knowledge to increase chances of success. At some point in conducting due diligence, an organization may want to check with the Better Business Bureau and other business and consumer groups to verify the firm’s reputation. It is important not only to find out what employers think about the firm’s services but also to uncover how potential job seekers feel about the firm. If the recruiter has a reputation for mistreating candidates in some way, this will reflect on the organizations that use its services.

- Before selecting an agency, it is a good idea to visit the agency to determine the professional level of the staff and the selection methods that are used. It is also helpful to have an agency representative visit the company to discuss the
specific needs and get a feel for the kind of people the company wants. The better an agency knows a company, the better service it can give.

- Once an agency has been selected, the recruiter will need precise job descriptions and specifications, as well as feedback about candidates that have been rejected, in order to properly conduct the search. Be wary of recruiters that do not ask for this information. Ideally, recruiters should be able to show the documented process they will follow to meet the client’s needs. Recruiters cost a lot of money. It is okay to insist on progress reports. Avoid firms not willing to openly share information about the candidates they have screened.

- Some organizations have a preference for firms that charge contingency-based fees. These are recruiters that are only paid if the organization hires a candidate they have referred. The advantage is that the fee is only paid when the firm has been successful. The disadvantage is that these firms are prone to throwing resumés at an organization indiscriminately rather than actively screening candidates who not only meet the threshold qualifications, but who are also a fit for the organization. The alternative is to engage a retainer agency. These recruiters are paid an agreed-upon sum regardless of the outcome of the search. Payments are usually made in thirds: one third to initiate the search; one third when the short-list of candidates is presented; and one third at the conclusion of the search. Despite the fact that the fee is payable regardless of the outcome, it is very rare for the search to end in anything but success. In the event that the organization cannot find a suitable candidate, the parties can agree either to continue the search (without additional cost to the client) or to forgo the final payment and call it a day.

- Retainer arrangements are quite common amongst executive search firms. These firms conduct extensive nationwide or international searches to find candidates with the precise skills and experience a company is looking for. The task may involve months of investigations, inquiries, and interviews; hence, the service is fairly expensive.

- When engaging a recruiting agency, an organization should insist on a written contract that stipulates precisely what the organization will get for its money. In the contract, the parties should agree on the process to be followed and on any guarantees (usually, an organization is granted a “free” replacement if the successful candidate does not work out in the first six months of employment for any reason). Perhaps one of the most important things to check is the
recruiter’s reputation for poaching employees from clients. One dubious practice, hopefully followed by few recruiters, is to contact the organization that previously employed a candidate that the recruiter has just placed elsewhere and offer its services to that organization, which now has an opening. While perhaps innocuous on its face, this practice can lead to the recruiter creating its own market demand and kiting candidates and openings. Always check a recruiter’s reputation in the marketplace.

Q: How do you make the right hiring decision?

Answer

Because hiring mistakes are costly, hiring decisions need to be made carefully. The individual making the hiring decision should have actual knowledge of the functions and qualifications necessary for each job for which he or she hires. Typically the candidate’s future boss should be the one making the decision.

Interviewers should be provided with job descriptions and job specifications. Each of these individuals’ actions commits the employer; therefore, it is important that each understands what he or she is doing and is properly trained and authorized. While the boss should make the decision, others involved in the process should have a veto. Typically the decision is made by consensus, but if one individual feels strongly that a candidate should be rejected, the others should respect his or her opinion.

Hiring decisions must be based on comparing a candidate’s skills, experience, and qualifications against the actual requirements of the job. The qualifications and requirements of a job must arise out of the job itself and must be free of discriminatory impact. The evidence of suitability comes from the résumé/job application, interview notes, test results, and reference checks. It is also vital that the interviewers have a good feel about the individual’s compatibility with the organization’s culture and the demands of the boss.

Because the employment relationship should be mutually beneficial to the organization and the candidate, consider the candidate’s aspirations and motives as well. For example, if a well-qualified applicant expresses expectations that the organization cannot deliver, it may be prudent to select a different but equally qualified individual.

Following are some important points to keep in mind:
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- **Review the decision before making an offer:** While the decision to hire may be placed with a line supervisor or manager, it is often a good idea to review the hiring decision before an offer of employment is made. Typically, human resources staff performs this review; however, a higher-level supervisor or manager can do it. A review will help ensure that hiring decisions are based on the ability of a candidate to perform job requirements rather than the subjective personal preferences of the supervisor or manager.

- **Act quickly:** Determining which candidates to hire takes a lot of thought, but it is important not to delay unnecessarily. If the organization doesn’t act quickly, another employer will. The need for speed underscores the need for the organization to have a well-defined interviewing, selecting, and hiring process so that it won’t stumble if it tries to act quickly.

- **Keep candidates informed:** Make sure candidates are kept informed of their status throughout the decision-making process. Although it is not legally required, a little communication goes a long way towards preserving the organization’s image. Remember that at all times the organization is communicating an image to its potential customers, some of whom may be job applicants. Thus, even the least-qualified applicant is deserving of respectful consideration.

- **Document your decisions:** Records should be kept showing why applicants were either hired or rejected. Reasons for rejecting applicants should be objective and based on the ability to perform the job. They should spell out the factual basis for not hiring a person and should be clearly written to avoid possible misinterpretation.

**Q: What is the best way to reject an unsuccessful applicant?**

**Answer**

Rejecting applicants occurs at each decision point in the hiring process. The hiring process may include the following decision points:

- selecting candidates to interview from a pool of recent applicants;
- reviewing and eliminating candidates based on test results; and
- deciding to hire one person over several who have been interviewed.

Some rejections are self-evident and thus relatively straightforward; for example, the applicant does not possess the experience or qualifications for the position or has no real interest in the job. The most difficulty arises from rejections at
or near the end of the hiring process, when a candidate’s experience is very close to that desired for the open position.

Companies must be sensitive to the importance of the hiring process to the company’s image. Careful attention at the interview stage can dissipate most negative feelings from rejected candidates. Successful interviewers do not raise false hopes in the process of being warm and friendly. Anger can be generated by employment rejections when an applicant believes the interviewer encouraged the applicant and, therefore, misled the applicant.

If, partway through an interview, a candidate is found to be unqualified, the interview should be curtailed without rudeness. To continue the interview in such a circumstance is a waste of time for both parties and can be misleading to the candidate. If appropriate, the candidate should politely but honestly be advised that his or her background does not match the company’s needs.

Companies should design policies instructing managers how to interview, hire, and reject candidates. Failure to do so invites errors, and these errors can be costly. The following basic issues should be addressed in the policy:

- **Authority:** The managers who have the authority to reject a candidate should be carefully trained.

- **Documentation:** It is necessary to document each step in the hiring process. When a candidate is rejected, write down why. Be sure to use specific language describing certain behaviour or lack of qualifications. Do not use vague generalities such as “poor appearance”, “poor attitude”, or “lacks ability or background”. Document immediately. Even if few candidates have been interviewed, it is easy to become confused as to who said what in the interview, or which candidate demonstrated a particular skill. What is not documented and forgotten may prove to be important later.

- **Notification:** Advise unsuccessful candidates as soon as possible after they are determined to be no longer eligible for consideration. Not only is it a polite thing to do, but it projects a professional image, and it also reduces the number of calls from candidates. If possible, respond to the unsuccessful candidate in writing.

- **Truth:** Never lie to an applicant. Be sure that whatever is told to an applicant is the truth (however, this does not mean that everything must be revealed to an applicant). For example, if the reason an applicant is being rejected is because of a poor employment reference, tell the applicant. Similarly, do not imply that
existing in-house applicants will be reviewed before external employment searches will be conducted unless it is true.

- **Control:** Stay in control no matter how offensive a rejected candidate may be. Do not allow his or her anger to cause you to do or say something you and your company may regret. Simply indicate that abusive behaviour is unacceptable and terminate the conversation. Document the circumstances.

- **Security:** Take all threats seriously. Contact local law enforcement if threats are made. Although rejecting a candidate is not a major cause of violence in the workplace, sensible precautions should be taken.

Every applicant who has made it through the application process to the point of a face-to-face interview deserves to be treated with dignity and respect. Remember that every communication you make on behalf of your organization sends a message that defines your organization in the public’s perspective. Make sure the message you send is consistent with your organization’s mission and values. While in the earlier stages form letters may be necessary due to a large number of respondents, in later stages rejection letters should be personalized.

**Sample Applicant Rejection Letter #1**

Dear [name of applicant]:

Thank you for your response to our recent advertisement for the position of [job title]. We appreciate your interest in employment with our company, and we have taken the opportunity to review your credentials.

Our search has narrowed to a few applicants who have the specific qualifications and experience needed for this position. Unfortunately, your credentials do not meet these current needs, and as a result, we will not be pursuing your employment application further at this time.

Thank you for your interest and we wish you the best of luck in your job search.

**Sample Applicant Rejection Letter #2**

Dear [name of applicant]:

Thank you for your recent inquiry into the position open at [organization’s name]. We certainly appreciate your interest in working for us.

After reviewing your credentials, we have determined that your qualifications do not fully meet our needs at this time. However, we will keep your application on file for future reference. [Include this only if you actually intend to do it]

Thank you for your interest and we wish you the best of luck in your job search.
Q: How should an offer of employment be made?

Answer

Generally speaking, an offer of employment is made verbally and then confirmed in a formal letter of offer. In discussing an offer with the successful candidate, the idea is to come to an agreement on several points, the most important being an understanding regarding the position being offered. The hiring manager should be the one who actually makes the offer.

1. Let the candidate know you would like to make an offer. You should recount exactly what position is being offered and what the principal duties and expectations are. Once the candidate is comfortable with these points, the terms and conditions of the offer should be covered. Important terms and conditions include the salary, benefits and perks, starting date, reporting relationships, and any extraordinary expectations such as travel requirements and relocation potential.

2. Confirm the agreement in a formal, written letter of offer.

One common error is the failure to follow this process for all levels of the organization. Many employers provide formal offers to management staff and other salaried employees, but do not present letters of offer to hourly staff. This is a mistake. A formalized offer can give the prospective employee a sense that the company truly cares about him or her and is willing to make an effort to ensure he or she is comfortable with every aspect of the new job. Taking this extra step does not take much effort, but can have a significant impact on reducing employee churn (a high level of turnover experienced with employees who have less than one year’s service).

A second common mistake is to have human resources personnel make the offer. The only people who should receive offers from a member of the HR department are HR staff. The hiring manager should make the offer; otherwise, he or she will be alienated from the process and detached from the hiring decision. This puts the new employee at a distinct disadvantage, as the manager will have less psychological investment in ensuring the success of the new recruit.
Letters of Offer and Employment Contracts

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Q: What elements are essential in a letter of offer?

Answer

A letter of offer should be a confirmation of a verbal offer that has been made. The letter formalizes the offer and allows the prospective employee time to consider the offer in full and to negotiate any changes he or she feels are necessary.

The letter should be written (or at least signed) by the hiring manager and should, at minimum, contain the following:

- position title and a brief description of the job (ideally a job description should be attached);
- start date;
- reporting relationship (i.e., manager’s name);
- work location;
- hours of work;
- starting salary and expected performance and salary review dates;
- any conditions that the offer might be subject to (e.g., meeting bona fide occupational requirements regarding physical abilities as confirmed by a medical examination, or agreeing to sign off on certain corporate policies respecting confidentiality);
- terms of the probationary period, if any (e.g., duration, benefits not becoming effective until the successful completion of the probationary period, etc.); and
- termination provisions, should the employment relationship end.

Typically, the letter should conclude with a welcoming statement. The offer is meant to attract the candidate to join the organization.

Offers containing a lot of legal jargon can be big turnoffs and are not necessarily needed. Legal requirements with respect to corporate policies can be covered under a separate document and made as a condition of final acceptance by both parties, if desired. Such provisions may include the following:

- confidentiality agreement;
- non-competition agreement;
• non-solicitation agreement; and
• code of conduct.

Q: Should an organization insist that new employees sign employment contracts?

Answer

It is strongly recommended that employees sign employment contracts prior to being hired. During the offer-of-employment stage, before they start employment, prospective employees should be made aware that they will be required to sign an agreement detailing the terms and conditions of employment with the organization. Otherwise, having a new employee sign such a document after he or she has accepted employment could nullify the document, since the employee has already left previous employment and is not in a position to negotiate the conditions he or she is signing. (In some instances, courts have held that employees in such situations may not necessarily be bound by the conditions they have signed because of the vulnerable position they were in at the time of signing.)

It is a good practice to have a new employee acknowledge acceptance of the offer by returning a signed copy to the hiring manager, who, in turn, will ensure that the human resources department keeps a copy with the original signature on file.

Q: What different types of employment contracts are there?

Answer

All employees work under some form of employment contract. The types of contract include the following:
• implied contract;
• formal contract;
• fixed-term contract; and
• collective agreement.

If there is no written document, the employment contract is implied. An implied contract assumes certain conditions will be in force:
• Employment is assumed to be permanent unless there is an express, agreed-upon term.
The employee accepts a duty of fidelity to the employer and therefore is bound to maintain confidentiality. Thus, he or she is not to use any information gained during employment for personal gain (including no solicitation of customers and/or employees of the firm after the employment relationship has ceased).

The employee accepts the responsibility to perform his or her duties competently.

The employee accepts a duty of loyalty and therefore is bound to avoid conflicts of interest and to avoid any situation that might bring harm to the employer.

A formal employment contract contains the above terms explicitly, and may contain other provisions stipulating such matters as the notice to be given if the contract is terminated without cause and the required notice the employee is to give on resignation. These written agreements seldom contain all the terms and conditions of employment and are generally considered as hybrids (i.e., partly formalized and partly implied).

A fixed-term contract is typically used with a contract employee. These contracts have limited scope; they specify exactly what terms apply and often indicate what policies do not apply. The important aspect of these contracts is that they are very specific as to when the contract is to be terminated. These contracts cannot be made for an indefinite term. Typically, a fixed-term contract has specific start and finish dates.

Employers should be careful to include a clause that specifies how much notice will be given to terminate a fixed-term contract prematurely; this notice must be at least equal to any notice required under employment standards legislation. Otherwise, if the employer want to terminate the contract without cause, the employer may have to honour the complete contract. A contract employee is also required to give sufficient notice if he or she decides to terminate the contract early.

In lieu of an indefinite time period of employment, some employers stipulate that the contract may be renewed by mutual agreement. Care must be taken to ensure the contract is renewed before it actually expires. Otherwise, if the employee continues to work for the organization and the contract has not been renewed or modified, it may be assumed that the organization has tacitly accepted the employee as permanent.

A collective agreement is another common type of employment contract. No other type of contract can be offered to employees who perform work overseen by a bargaining unit. The collective agreement always supersedes any other agreement,
including any agreements between the organization and subcontractors that involve contracting in services. Contracting out services might be allowable, depending on the terms of the union contract. The distinction between contracting in and contracting out is this: generally, contracting in involves work performed on company premises using company tools and/or equipment under company supervision; contracting out work involves an agreement with another organization to perform work using its own tools and equipment on its own premises without direct supervision from the company.

Q: In employment contracts, are non-solicitation and non-compete clauses enforceable?

Answer

While employees owe their current and former employers the duties of loyalty and fidelity, they have a concurrent right to seek alternative employment without restriction.

Employees may not compete directly with a former employer by using information gained in confidence while employed with the former employer. But while it may be unlawful for an employee to take a confidential customer list and use it to compete, it may not necessarily be a breach to approach customers when it is common industry knowledge who the customers are and how to contact them.

Non-compete clauses are not considered enforceable unless there is a compelling reason why the organization needs protection to preserve its legitimate interests. Hence, non-compete clauses that are temporally and geographically limited may be more enforceable.

For example, a sales representative could not reasonably be expected never to work for a competitor. However, it may be reasonable to restrict the sales representative from working in the same territory for a period of 6 months from the date he or she left the former employer. This would provide the organization with sufficient protection to ensure that the sales representative does not take customers with him or her.

Similarly, non-solicitation agreements that prohibit former employees from poaching current employees are difficult to enforce. However, it is a clear violation of the duty of loyalty to actively induce another person to breach his or her contract. Hence, a former employee could not persuade a current employee to join him or her.
if he or she reasonably knows that current employee is bound by certain contractual obligations.

The general test for this breach is whether or not the ex-employee’s action actually brought any significant harm to the organization. If a mailroom clerk quits and joins a direct competitor, it is doubtful that that person could conceivably bring any real harm to his or her former employer. While it is obvious that a sales rep who moves from Ontario to a competitor in British Columbia may attempt to take business away from the former employer, it is not obvious that he or she has any specific advantage because of his or her previous employment, other than a general knowledge of the industry.

An obvious example of where non-compete clauses are enforceable is when a former employee uses specific information taken from his or her former employer to gain an advantage. This information could include confidential pricing policies or direct knowledge of proprietary information. If the person was working on a confidential proposal, he or she could not take that information and capitalize on it with another employer.

**Q:** What can be done to avoid claims by new employees that things promised during the interview stage were not delivered upon employment?

**Answer**

This is a common issue. It is not uncommon for new employees to feel the organization has not lived up to the promises supposedly made prior to the start of employment.

To avoid this situation, the letter of offer of employment should include a clause that cancels all prior agreements and understandings. The inclusion of this specific clause highlights the fact that anything not contained in the letter of offer is now voided. If there is a question that requires clarification, the new employee should be encouraged to raise it before signing the offer. Otherwise, the deal is done as written.

Beyond the legal implications, it is a good idea for the hiring manager to allow the prospective employee enough time to fully consider the offer before accepting it. The new employee should not only be aware of what is included, but also what is excluded.
Sample Clause Nullifying All Prior Agreements and Understandings

This Agreement cancels and replaces any prior understandings and agreements between you and the Company. Any amendments to this Agreement will be in writing and signed on behalf of the Company and by you. This Agreement will continue to govern your employment with the Company notwithstanding any change in your position, place of employment, salary, and benefits, provided the Company communicates any such changes in writing to you.

Q: What is an example of a confidentiality agreement?

Answer

All employees owe their employers a duty to keep any information of a proprietary or private nature confidential. This duty not only binds the employee during employment, but also extends after the individual leaves the organization. Clearly, it would be unfair and unethical for an employee to use information gained while employed with an organization to hurt that organization at some future date.

Nevertheless, many organizations insist that new employees sign an agreement that specifically contracts them to keep confidential information received during the course of employment confidential.

Sample Confidentiality Clause

In the course of performing your duties, you may have access to and be entrusted with confidential information and trade secrets related to technical information, rate schedules, strategic initiatives, and related documentation used by the Company and its affiliates and their respective customers or clients, and concerning the customers of the Company, their names, addresses, billing records, and preferences. The disclosure of any such confidential information or trade secrets to competitors of the Company and its affiliates or to the general public would be highly detrimental to the interests of the Company and its affiliates.

You further acknowledge and agree that the right to maintain confidential such confidential information and trade secrets constitutes a proprietary right that the Company and its affiliates are entitled to protect. Accordingly, you covenant and agree with the Company, and with each affiliate of the Company, that you will not, either during the period of your employment with the Company or at any time thereafter, disclose any such confidential information, trade secrets, and other private affairs of the Company or its affiliates, nor shall you use the same for any purpose other than for those of the Company or its affiliates. Any violation of this term while employed by the Company shall be cause for termination of your employment without notice or compensation in lieu of notice.
You agree that all files, records, software, computer diskettes, CD-ROMs, DVDs, tape cartridges, manuals, documents, invoices, equipment, and similar items relating to the business of the Company or its affiliates, whether created by you or otherwise coming into your possession during your employment, are and shall remain the exclusive property of the Company or its affiliates and will be returned promptly to the Company upon request or upon termination of employment.

In this clause, confidential information includes (but is not restricted to) the following:

1. any trade secrets or other information relating to or belonging to the business of the Company, or which the Company regards as confidential, or in respect of which the Company owes an obligation of confidentiality to a third party and which is not readily ascertainable to persons not connected with the Company;

2. information relating to business methods, procedures, operations, and dealings of the Company and its affiliates;

3. information relating to management systems, corporate plans, financial information and plans, technical data, and technical data relating to products and services; and

4. information relating to personnel matters and employees, price lists and other pricing information, advertising and promotional material, the names, addresses, telephone numbers, contact names, and identities of customers and potential customers.

You should understand that the obligations in this clause do not apply to any of the following:

A. information or knowledge that may subsequently come into the public domain (other than by way of unauthorized disclosure by you or a third party);

B. actions in the proper performance of your duties;

C. use or disclosure of information that has been properly authorized by the Company; and

D. information that you are required to disclose by law.

Q: What is an example of a non-solicitation clause?

Answer

Many companies attempt to protect themselves from sales representatives and other senior managers who might leave the organization and work for a competitor. The confidentiality clause should provide the organization with sufficient protection to prevent an employee from using privileged information such as price lists, costing reports, or projects to his or her advantage when moving to a competitive organization. Nevertheless, many employers prefer the added protection of a non-solicitation clause written into the initial letter of offer.
**Sample Non-Solicitation Clause**

During your employment with the Company, and for a period of 12 months following the termination of your employment, for any reason whatsoever, with or without cause, including your resignation, you shall not:

1. canvass or solicit the business of, or assist in canvassing or soliciting the business of;
2. accept, procure, or assist in the acceptance or procurement of any business from;
3. supply or assist in the supply of any goods or services to; or
4. perform services, directly or indirectly, of a kind identical to, or substantially similar to, the services provided by the Company to its customers for, or at the premises of any customer of the Company that was a customer:
   A. on the date that your employment with the Company is terminated; or
   B. that you actively serviced on behalf of the Company at any time during the two years prior to the date your employment was terminated; and
   C. whose business, goods, or services are identical to or substantially similar to the business, goods, and services offered by the Company to its customers on the date your employment is terminated.

Without limiting the provisions above, for a period of 12 months following the termination of your employment, for any reason whatsoever, with or without cause, including your resignation, you shall not contact or solicit any customers of the Company for whom the Company provided services, or make a bid to provide services, within one year prior to the date that your employment is terminated, for the purposes of selling or providing to such customers any services or products that are the same as, or substantially similar to, or are competitive with, the services or products offered or provided by the Company or its subsidiary or affiliated companies, at the time of such contact or solicitation.

**Q:** What is an example of a clause that protects an organization from having a former employee solicit other employees away from the organization?

**Answer**

A clause that prevents a former employee from poaching current staff members can be placed into an employment contract. While such clauses are often included in letters of offer or initial employment contracts, a good practice is to include this type of clause in severance agreements.
Sample Clause Prohibiting a Former Employee from Soliciting Away Current Employees

During your employment with the Company and for a period of one year following the termination of your employment with the Company, for any reason whatsoever, with or without cause, including your resignation, you shall not, directly or indirectly, in any capacity whatsoever, employ, offer employment to, or solicit the employment or other engagement of, or otherwise entice away from the employ of the Company, any individual who was employed by the Company at the time your employment was terminated, whether or not such individual would commit a breach of his or her contract of employment by resigning from the Company.

Q: How can an organization ensure that the restrictive clauses in its employment contracts are enforceable?

Answer

Any restrictive covenants or clauses contained in an employment contract should be defined narrowly in terms of time and geography. Usually, any restrictions beyond one year will be unenforceable. Similarly, any geographic restrictions should be defined as narrowly as possible in order to be enforceable.

For example, if a salesperson leaves an organization, it is perfectly understandable that he or she would be restricted from competing in the same sales region against the company’s interests for some period of time. However, at some point, the individual’s advantage would disappear and there would be no reason to prevent him or her from seeking employment in that region. Thus, such restrictions should be reasonable.

Sample Clause Ensuring That Restrictive Covenants in the Employment Contract Are Enforceable

By accepting employment with the Company on these terms and conditions, you acknowledge, confirm, and agree that, in your opinion, the Company has a material interest in preserving and protecting the relationships that it has developed against impairment by any competitive activities on your part, and you agree that:

1. the restrictive covenants contained herein are fair and reasonable and are reasonably required for the protection of the business; and

2. your agreement to these restrictive covenants are the essence of the terms of your employment and constitutes a material inducement to the Company to agree to its obligations as set out in this letter, and that the Company would not be prepared to agree to its obligations as set out in this letter without such an inducement.
Q: What can an organization do to protect itself from potentially invalid employment contracts?

Answer

With changing jurisprudence and legislation, it is difficult for companies to keep up with the law. In some instances, contracts of employment have been invalidated because they were found to be contrary to the prevailing employment standards at the time the individual was terminated from employment. An organization should include a clause in its letters of offer to protect itself from this potential problem.

Sample Clause Protecting the Organization if Part of an Employment Contract Proves To Be Invalid

You agree that, upon termination of your employment in accordance with the provisions of this letter:

1. if any provision of this offer is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions of this offer will continue in full force and effect;

2. all defences to the strict enforcement by the Company of these restrictive covenants are waived by you; and

without prejudice to any and all other rights of the Company, in the event of your violation or attempted or threatened violation of any of these restrictive covenants, an injunction or other like remedy would be the only effective method to protect the Company’s rights and property as set out in this letter, and that an interim injunction may be granted immediately upon the commencement of any legal action against you by the Company.
# Pre-Employment Inquiries

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Q: Are employment application forms necessary?

Answer

Provided that an organization has a mechanism in place to track and screen resumés, an application form isn’t necessary. However, if the organization wants to ensure that there is a consistent format used for the resumés it receives, creating an application form may be helpful.

Q: How do you create an employment application?

Answer

An application form usually asks for much of the same information covered in a preliminary screening interview, but may also ask for further details.

In designing an application, you should only request information that is job related. Some organizations use applications to compare information on the application to information provided on the resumé, as well as to enable background and employment verifications. For a few companies, statistical analysis is performed on data to validate specific employment processes and procedures.

Application forms can be a means to provide notice to prospective employees of specialized requirements such as security checks or the need to waive privacy privileges in order for the company to complete the requisite background checks. The application form might also contain certain disclaimers.

Like any printed material from the company, the application form projects the company’s image. Human resource practitioners may want to consult with the marketing department to ensure this image is consistently portrayed.

Before any question is put on a company’s application form, a human resources practitioner should review the relevance of the information being requested. Consider having counsel review the application on a periodic basis to ensure that the topics covered and the words used are in compliance with human rights statutes and rulings.

Once the form is completed, you can design it to conform to its uses. For example, if the form will be used to verify employment information, then design the form to facilitate verifications. If the form will be used to interview, then lay out the information to aid the interview process.

Usually there are instructions advising applicants on how to complete the form. Such instructions should:
Pre-Employment Inquiries

- advise if the application should be completed in ink and that answers should be printed legibly;
- tell the applicant what to do if more space is needed to complete an answer than has been provided on the form;
- provide directions on what an applicant should do if a question does not apply; and
- include directions on how to request accommodation.

Q: How should applicants be screened prior to the employment interview?

Answer

The first step in selection is to review the resumés and/or applications received for a particular job opening and screen out those applicants who are clearly unqualified because they do not meet the job’s minimum requirements. Keep job descriptions in mind as you sort through resumés and applications. Evaluate whether applicants possess the knowledge and skills necessary to perform the job’s essential functions. Use the job description as a standard point of reference. Applying a common standard to all applicants will help you stay objective throughout the selection process. Not only does objectivity minimize potential legal liability, but it also increases the chance that you will identify promising candidates who can enhance your business.

If the resumés/applications have been received because of a job posting or advertisement, the organization needs to decide how it will communicate to the rejected candidates at each phase of the process. Many firms include a statement in the advertisement to the effect that only those candidates selected for an interview will be contacted. Others state that the company requests no phone calls. While it takes significant resources at times, those firms who respond to all applicants in writing stand out. This may well be one factor in developing a reputation as an employer of choice.

Do not discriminate. This is a repeated theme throughout the recruitment process. When screening resumés, be conscious of what you are looking for and at. You should be deliberate in not discriminating. That is, you should actively question the assumptions you are making in rejecting a candidate. If you see something on a resumé that suggests a protected characteristic, like an applicant’s race or religion,
you should not overreact. The application process is not necessarily tainted simply because someone shares something of this nature. In fact, refusing to consider a resumé or application because such a factor is mentioned can trigger a claim of unlawful discrimination.

If the organization is involved in an industry that requires due diligence in the screening of candidates (e.g., security, child care, elder care, fiduciaries), watch for indications that an applicant could pose a danger to clients, co-workers, or property. Hiring people who pose risks to others can lead to charges of negligent hiring. There are many firms that specialize in conducting background checks that can help organizations avoid risks in this area. In some industries or positions, the organization is entitled to know about an applicant’s criminal background. Again, using a firm that specializes in background checks is advisable. However, the organization should ensure that it has secured the appropriate releases from applicants to comply with any relevant privacy legislation.

If you see something on an application or resumé that deserves follow-up research, do not simply bypass the candidate. As the search progresses, you should become increasingly interested in screening-in candidates. If an issue raises a question, then follow up.

In general, keep an eye out for the following positive and objective indicators:

- **Look for experience:** Someone with previous experience performing the same or similar job duties will generally need less training to become productive on the job.

- **Identify transferable skills:** Even if a candidate lacks experience in the specific job, he or she may have skills that are easily transferable to a new job. For example, someone who has keyboarding experience transcribing medical records is likely to have skills that would transfer to a data entry position.

- **Note abilities that can’t be trained:** In some jobs, no amount of training can replace a natural ability or quality. For example, a hotel manager might look for someone who likes working with people for a front desk position. The manager would look for evidence that an applicant successfully worked in people-oriented businesses such as hospitality or retail.

A seasoned recruiter should also review resumés with healthy skepticism. Resumés are selling documents and should be thought of as such. As you review resumés and applications, take note of red flags that could indicate — but do not necessarily show — that an applicant’s employment history may be less than what he
PRE-EMPLOYMENT INQUIRIES

or she would like you to believe. Here are some things to keep in mind and investigate further:

- **Identify unexplained gaps in employment:** While employment gaps are not always a bad thing, they do merit additional investigation. Gaps could be the result of a layoff beyond the applicant’s control, or represent time that the applicant spent caring for a sick relative.

- **Note jobs held for less than two years:** Holding jobs for short periods of time may be common in some lines of work and for people with “hot” skills. However, a pattern of many jobs lasting less than two years may also signal a record of poor performance.

- **Spot descriptions of positions only:** What an applicant was supposed to do while employed in a given position is not necessarily what the applicant did. Be aware of the difference, especially if the applicant held the job in question for a very short period of time.

- **Detect personal, rather than organizational, accomplishments:** Although an organization’s accomplishments sound impressive, it is important to find out how the applicant actually contributed to the accomplishment.

- **Note implied levels of education:** Keywords like “studied” or “took courses at” may signal that an applicant did not graduate. Also, the mention of a college degree does not necessarily mean a bachelor’s degree — it may be an associate’s degree. When education is a valid job requirement, do some follow-up checking if a candidate’s level of education is unclear.

- **Look for progression across, rather than up, the career ladder:** A pattern of many jobs within one organization, without advancement, may indicate a problem employee. You’ll want to investigate the reasons for the lateral movement.

If there are a large number of applicants who appear suitable for consideration after the initial resumé screen, you may want to conduct phone interviews with candidates who passed the first threshold. The purpose of a phone interview is to do a preliminary evaluation of potential candidates in order to determine the most qualified candidates to be invited for an in-person interview. In a phone interview, you are looking for knockout factors to cull down the list to a manageable size. Typically, candidates are asked questions regarding what they are looking for in the way of salary, benefits, work location, or working conditions. If a candidate wants a salary
that is significantly higher than what the organization is prepared to offer, then it is not worth either party’s time and effort to pursue the matter further.

Document the applicant screening process. Make notes about what you find promising in the candidates you choose for interviews, as well as any uncertain issues that you need to follow up on. Be careful about how you phrase negative comments, though. It is best to accentuate the positive aspects of successful candidates rather than dwell on the negative aspects of unsuccessful ones. Remember, your notes could end up in court one day to justify a hiring decision, so make sure all your comments are professional and job related.

**Q:** What do you need to know about pre-employment testing?

**Answer**

Any pre-employment test given must in some way measure the applicant’s ability to do the job. In choosing a test, you should make enquiries about any research done to validate the test’s reliability and to ensure it does not contain any inadvertent cultural bias. If the test is not relevant to the job, do not use it. Also, never develop tests in-house to be used to screen candidates. Considerable expertise and research is needed even for the simplest of tests to ensure reliability, validity, and absence of cultural bias.

There are limits to what employers can test for. Typically, tests are used to demonstrate proficiency in a skill (e.g., keyboarding speed), measure job knowledge, verify physical ability (e.g., strength, dexterity, fine motor skills), or behavioural traits. You should always consult with a specialist and, when appropriate, legal counsel to ensure that any tests used do not create direct or indirect discrimination based on a prohibited ground.

Most pre-employment tests are designed to quantitatively measure specific attributes, such as an applicant’s knowledge, skills, aptitudes, or attitudes that are necessary to do a particular job. In theory, with the right test, an employer can use a test’s scores to predict which of the many applicants will perform the best. Different organizations have different needs and philosophies when it comes to pre-employment testing. Some organizations test actual job skills, while others test for aptitude. Before administering any test, you need to be aware of the potential problems testing can bring. Using pre-employment testing as an aid to making hiring decisions can result in better decisions — if tests are reliable and valid and are selected and administered correctly.
Q: What types of pre-employment testing are available?

Answer

Types of pre-employment testing include the following:

- **Achievement tests:** Achievement tests are used to pick out applicants who already possess a special skill or knowledge needed to perform a job. When properly developed, these tests tend to be reliable and valid predictors of job performance. However, allowing differences in testing conditions (time to complete, etc.) will prompt legal challenges.

- **Aptitude tests:** Aptitude tests measure a person’s potential and capabilities rather than specific skills. Aptitude tests are commonly used in screening individuals who are already employed as part of a selection protocol for apprenticeship programs or special training. They may also be used as a development tool or in an Assessment Centre setting to identify training and development needs for employees.

- **Behavioural profiles:** These are sometimes mistakenly labeled as personality tests. The validity and reliability of these tests may be subject to question, so you should ask the test’s vendor for documented proof that the test has been demonstrated to be reliable (i.e., consistently yields predictable results) and is valid (i.e., measures what it says it measures). In addition, a behavioural profile is only useful if it is compared to a benchmark like a job profile. Otherwise the screener has no reference point to determine who is a good fit and who is a not-so-good fit.

- **Demonstrations:** Applicants can be asked to describe or demonstrate how they would perform any or all job functions, as long as all applicants in the job category are asked to do this. Commonly, management candidates are asked to participate in a variety of different simulations such as case studies, group exercises, in-box exercises, or presentations.

- **Agility tests:** Physical tests are generally permissible as long as they are accurately tied to job performance, but can become a problem when they cross the line from being a physical test to a medical test. You should ensure that the test measures a bona fide occupational requirement (BFOR) and that the organization has identified ways to accommodate candidates who might not be able to perform the test as it is designed. Generally organizations in Canada avoid
physical testing and instead screen out employees who cannot physically perform the work through medical testing whereby any information regarding potential accommodation can be readily obtained.

Q: What are some practical tips for interviewing job candidates?

Answer

Following are some practical tips to consider before and during the interview process:

- **Be prepared:** Spend some time preparing for the interviews by reviewing the job description, reviewing the resumés of the candidates to be interviewed, and ensuring you have a clear understanding of the skills and qualifications required for the position.

- **Develop interview questions:** The questions should be relevant to the skills and qualifications required for the position. For example, if the position requires strong verbal communication skills, ask candidates about their success in communicating effectively. Ask questions that are open-ended without leading candidates to the correct response. For instance, rather than asking “Do you have sales experience?” ask “What sales experience do you have?” Ask yes/no questions only if you need to verify information provided by the candidate or if you simply require confirmation. For example, if you require candidates to have a driver’s licence, simply asking if they have one is appropriate. Also, determine in advance of the interviews what responses provided by the candidates would meet, not meet, or exceed your requirements.

- **Be consistent:** When interviewing, ask the same or similar questions to all candidates to ensure consistency in the interview process. Asking similar questions of all candidates allows the interviewer to compare candidates easier and determine which candidate is the best fit for the position.

- **Brand the organization:** Use the interview to describe the company, its culture and values, and the work environment to candidates. This is the opportunity to brand the organization as a desirable place to work and to highlight the benefits of working there. Of course, don’t oversell the organization or be dishonest, but do use the interview as a marketing opportunity.

- **Anticipate candidate questions:** The interview is not only an opportunity for the organization to evaluate a candidate’s suitability for the position, but is also
an opportunity for the candidate to “interview” the organization. Candidates will ask questions to learn more about the company and the work environment, and to determine if the company suits his or her personal values and expectations.

- **Guard against interviewer bias:** Everybody has personal biases to some extent. Effective interviewers are aware of possible biases and take precautions against them.

**Q:** **What are common biases that interviewers may experience?**

**Answer**

People often form lasting impressions of others within the first few minutes of meeting. Everybody is biased to some extent by factors that can cloud judgment and negatively affect their ability to understand and value others. Effective interviewers are aware of possible biases and take precautions against them. Failure to recognize these common biases may result in misinterpretation of information about candidates, poor hiring decisions, and potential human rights violations.

Common biases include:

- **Stereotyping:** Stereotyping is a general, fixed opinion about how people of a certain ethnic group, religion, or gender act. Also called prejudices, stereotypes are usually negative and based on false or incomplete information. Interviewers should always focus on the individual and his or her specific strengths and background.

- **First-impression effect:** First impression effect occurs when you make quick judgments that overshadow the entire interview. For example, within the first minute of an interview, a manager might eliminate a candidate who he believes has a “wimpy handshake”. To guard against first-impression effect throughout an interview:
  — keep an open mind about candidates;
  — never make snap judgments; and
  — carefully evaluate whether each candidate has the knowledge, skills, and abilities that are necessary to perform the job.

- **Halo effect:** The halo effect occurs when one positive attribute favourably influences the entire evaluation of a candidate. For example, a candidate who
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went to the same college or who is from the same home town as the interviewer might be hired, regardless of the candidate’s knowledge, skills, or abilities.

- **Horn effect:** The horn effect occurs when one negative attribute unfavourably influences the entire evaluation of a candidate. For example, a candidate who says she was laid off through no fault of her own might be excluded from consideration, regardless of her excellent qualifications.

To avoid the halo and horn effects, evaluate candidates in terms of *all* of the factors necessary to perform the job; do not let any one factor, positive or negative, cloud your judgment of other factors.

- **Contrast effect:** The contrast effect occurs when a candidate appears more qualified than he or she really is because the candidate’s interview takes place directly after an unqualified candidate’s. It might also occur when a strong candidate interviews first and sets the standard for the candidates who follow. To prevent the contrast effect, compare each candidate to a predetermined standard (e.g., the minimum qualifications stated in the job description) and take detailed notes on how each candidate’s qualifications meet those predetermined standards.

In order to avoid or minimize the above biases, it may be useful to conduct more than one interview with a candidate, each with a different interviewer. This promotes a more balanced approach to objectively assessing a potential employee.

**Q:** What are some of the most commonly used interview methods?

**Answer**

Following are some commonly used interview methods:

- **Structured interview:** In a structured interview, all applicants are asked the same set of predetermined questions. This method increases the chances that interviews will remain job related and consistent. Structured interviews are particularly effective in the early stages of screening out candidates by having a consistent set of questions and expected responses.

- **Unstructured interview:** Unstructured interviews take an informal “tell me about yourself” approach. While this technique may bring out a lot of information about a candidate, it may also degenerate into a rambling conversation that is not related to the job. Nevertheless, unstructured interviews may be more
effective at later stages in the recruitment process. Placing candidates at ease allows them to be themselves with the interviewer and may help determine the chemistry between a candidate and the individual who may be his or her future boss.

- **Semi-structured interview:** Somewhere in between structured and unstructured interviews is the semi-structured interview. With this method, predetermined job-related questions are asked, but time is also left for other questions that arise during the course of conversation. In most structured interview formats, a skilled interviewer will use open-ended questions or will otherwise drop the script if an opportunity presents itself to explore a particularly interesting part of the candidate’s background.

- **Targeted interview:** In targeted interviews, specific questions are asked to gather information about important predefined job dimensions. While actual questions may vary from applicant to applicant, each is measured on the same job dimensions. Basing questions on job dimensions helps keep the interview job-related to protect against discrimination charges. For instance, a manager might define leadership skills as an important job dimension for a managerial position. The interviewer might ask one candidate to explain how he or she sets an example for subordinates, but ask another candidate how he or she gets subordinates to accept performance goals. Although the questions are different, both are designed to assess leadership skills.

- **Behavioural interview:** The theory behind behavioural interviews is that past behaviour is a good predictor of future behaviour. With this method, an interviewer asks direct questions related to important job dimensions. The applicant is coached into giving real-life examples of past behaviour, explaining a specific situation or a task, the action taken, and the result of that action. An example of a behavioural interview question might be “Can you tell me about a project or idea that was carried out successfully because of your efforts?”

- **Stress interview:** In a stress interview, applicants are deliberately subjected to pressure in order to judge how well they handle stress.

**Q:** What are some of the legal issues to consider when conducting an interview?

**Answer**

Following are some legal issues to keep in mind during the interview process:
• **Prohibited grounds:** Questions related to prohibited grounds (i.e., involving a candidate’s race, marital status, sexual orientation, religion, gender, age, or any other ground covered by human rights legislation) should be avoided. Inexperienced interviewers should be coached on what questions to ask and not to ask. As a rule of thumb, questions that are not demonstrably related to the job should be avoided.

A rejected applicant, after going through the interview process, may claim that he or she was not hired due to discrimination based on a prohibited ground. An employer must be able to establish that it made its hiring decision based on objective and established criteria. If the rejected applicant is successful in his or her claim, awards may include an order for the employer to hire the applicant and an order for the employer to pay general damages.

• **Misrepresentation:** Interviewers should guard against making promises that won’t be kept, painting too rosy a picture of what it is like to work for the organization, or misrepresenting the position posted. In fact, if there are negative aspects associated with the job or the organization’s culture, they should be disclosed. Not only does this prevent legal problems, but it also allows the candidate to make an informed choice if an offer is forthcoming. It also demonstrates a candour that will build trust with the candidate.

Misrepresentations should not be made to a candidate about a position posted, particularly if the candidate is contemplating leaving another job to work for the company. A misrepresentation could expose the company to damages that the candidate suffered as a result of leaving his or her former employment, as well as to damages for mental distress.

• **Inducement:** An employer should be very cautious if it decides to lure an employee away from another company. If this employee is later dismissed, he or she may be entitled to seek greater wrongful dismissal damages against the employer.

• **Probation:** An employee is not on probation unless there is an express contract stating so. An employer should think about what it expects of an employee and state this prior to hire.

• **Non-competition clauses and injunctions:** Prior to hiring a candidate, an employer should consider whether that candidate has obligations to his or her former employer; for example, whether the candidate must comply with a non-competition or non-solicitation agreement. If the candidate violates the
agreement, the new employer may be liable for damages to the former employer. This is a particularly important consideration with fiduciary employees and other employees in positions of trust.

**Q: How should you conduct an interview?**

**Answer**

When ready to conduct an interview with a potential candidate, you should consider the following steps:

1. Plan the place and time for the interview. If you don’t have a separate office in which to conduct an interview, arrange to use a conference room or vacant office where you and the candidate can talk without distractions. Make arrangements with others to ensure there will be no interruptions. If there is a phone in the room, turn off the ringer or place the phone on call forward. Remember to turn off your cell phone (or leave it in another room).

2. Study the job you need to fill. Take another look at the job description to make sure you understand what the essential functions are and the knowledge and skills needed to perform the job. Anticipate and prepare for questions that the candidate may have about the job, such as scope of responsibility, planned projects, budgetary responsibilities, and promotional opportunities.

3. Understand your organization. Prepare for any questions that the candidate may ask about the organization as a whole, such as “What are your annual revenues?” or “What is the mission of your organization?” Whenever possible, prepare a package for the candidates who might move to the next stage to take away with them. This package should include promotional materials outlining the organization’s products and services, benefit booklets, descriptions of the company history, and an annual report.

4. Do your homework on the candidate. Review all the material that has been collected on the candidate and compare the job requirements to his or her experience and expertise. Within the context of your employer’s policy, write down questions that can be used to verify that the candidate has the qualifications to perform the job.

5. Establish rapport. When the candidate arrives for the interview, greet him or her warmly. Give the candidate the impression that you are glad that he or she has come and that you have sufficient time to talk. When candidates are put at ease,
they tend to share more information. Show interest, attention, and respect for the candidate. Use an appropriate language level, and don’t talk down to the candidate. Tell the candidate what you want to accomplish during the interview, and how the overall selection process will proceed.

6. Use open-ended questions to explore areas of interest. Follow the established procedures for asking interview questions, but do not hesitate to use follow-up questions like “why?” and “how?” to get the candidate to further explain a response. However, avoid gathering information that has nothing to do with the job.

7. Investigate red flags. Investigate employment gaps, jobs held for short periods of time, and other red flags you have noted. Verify specific information from the application or résumé.

8. Listen actively. Proactively listen to each of the candidate’s responses. Allow the candidate to answer without interruption — resist the temptation to fill in every lull in the conversation. Document the candidate’s responses in a shorthand manner. Try to take notes as unobtrusively as possible but let the candidate know you are taking them. This in itself demonstrates active listening.

9. Direct the interview. Depending on the candidate, you may have to either direct him or her to provide less detail or more detail. Keep the discussion focused on job-related matters. Show the candidate that you are impressed with his or her accomplishments, and that you understand the reasons for things that didn’t go very well. When you actively maintain the candidate’s self-esteem, he or she will be more willing to share information with you.

10. Solicit questions from the candidate. Ask the candidate if he or she has any questions for you. Thoroughly respond to questions and topics raised. Share realistic information about the job and the organization. Emphasize how the job fits into the organization as a whole.

11. Close the interview graciously. Conclude the interview by summarizing what took place and explaining what will happen next. Make sure you express appreciation for the candidate’s time.

12. Document immediately. Complete your notes immediately while the interview is still fresh in your mind. Make sure all comments are job related and based on specific dialogue or observations during the interview. Ask yourself how your notes would look to a jury that did not witness the interview.
Q: **What is behaviourally based interviewing?**

**Answer**

Behaviourally based interviewing techniques follow the premise that a person’s past behaviour is the best predictor of his or her future performance. Questions can be designed to solicit examples from the person’s business experience that illustrate a particular behaviour or can be designed to verify claims made in the person’s resumé. Typically, questions centre around how the candidate accomplished a particular result. The idea is to get the candidate to draw from a specific example in his or her past rather than to have the person cite how he or she might handle a hypothetical situation.
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Q: What are some factors to consider when planning a workforce reduction?

Answer

Downsizings, layoffs, and mass plant closures are difficult, traumatic events in the life of any organization. Even when handled with due care and successfully implemented, there is a degree of negative impact on the morale of the employees who “survive” the workforce reduction. Organizations should view these acts as part of a complex process consisting of many phases and tasks that require coordination and careful decision-making. The organization needs to be clear on what it plans to accomplish by reducing the workforce before moving forward. Following are some steps that might be taken when planning for a workforce reduction:

- **Identify why the reduction is necessary:** Gather sufficient data to form a baseline as well as to document the business need/shortfall/problem. Identify what alternatives were tried or considered, and why they were rejected or failed. Typical reasons for a workforce reduction include declining sales or profits, selling or discontinuing a business line, outsourcing functions, merger, business consolidation or redundant capacity, and market pressures.

- **Establish a task force:** Consider setting up a task force composed of members of management that will guide the analysis. The group should set parameters, time frames, and expectations. Also consider what steps will be necessary for the company in order to avoid future workforce reductions arising from a similar set of factors.

- **Work with the union:** Organizations that are unionized should also remember to act in good faith at all times and disclose to the bargaining agent any relevant information regarding potential plant closings or partial cessations of business as soon as they are known.

- **Conduct legal and policy reviews:** Ensure the organization has considered the relevant employment standards legislation governing mass layoffs and partial closures of business. In some cases of bankruptcy, employee claims take precedence even over secured creditors. Moreover, the requirements for notice and severance (if applicable) may be different depending on the size and circumstances of the downsizing. The review should also entail checking on the common-law standards governing severance. If there are any existing organizational policies governing workforce reductions, they should be reviewed and updated as necessary.
Be sure to conduct an audit of the personnel manual, employee bulletins, handbooks, and any other employee communication that could address the terms and conditions of employment prior to a workforce reduction. Statements made in these documents may be considered promises if future litigation results.

- **Do a financial/business analysis:** In preparing the business case for effecting a workforce reduction, there are two concerns: what alternatives are available, and what should the organization look like post-restructuring. In reviewing these issues, the organization will want to consider the costs of downsizing and the potential impact on the organization’s future ability to compete effectively. Too often, the focus is on removing current costs rather than looking at required competencies. For example, it is typical for companies to maximize headcount reductions by eliminating clerical positions. However, reducing middle management positions may result in fewer heads being eliminated but similar costs being extracted. At the same time, retaining clerks will ensure that vital routines are maintained and work gets done.

One effective method for planning a reduction is to prepare organization charts reflecting the structure prior to the business problem at the time of the proposed reduction, and a forecast of the organization after the reduction. These charts should reflect positions, not people. These charts can then lead to a gap analysis and a future plan on how to fill the positions required in the future organization.

Prepare a workforce analysis of each affected unit as it is before the reduction and as it will be after the reduction. If several selection alternatives are under review, perform an analysis on each alternative. If there is disparate impact on protected classes of employees, whether age, race, or sex-based, consider other strategies to be employed and, at the least, document the business necessity or selection justification (such as seniority) and have a human resources specialist or legal counsel review the alternatives to ensure compliance with prevailing laws and jurisprudence.

In addition to salary and salary-related expenses, a reduction in force can provide other cost savings such as reduced overhead expenses and other line item operating cost savings. There may also be increased expense items, such as computer costs, after the reduction that must also be included in the analysis. These should all be taken into consideration when developing the reduction plan.

- **Identify costs of a workforce reduction:** The majority of restructuring goals can and should be measured. Typically, a workforce reduction is a costly and
risky decision. As a starting point, project and divide all costs into two categories: (1) dollar costs that are immediate and measurable, such as severance; and (2) costs that cannot be easily measured, such as decreased morale and loyalty.

Individuals assigned to this work must be capable of maintaining confidentiality and must be objective. Be sure there are no competing relationships between those assigned to the analysis and possible affected employees.

- **Measure the costs:** A general list of measurable factors includes:
  - severance and notice;
  - benefit continuation costs;
  - consulting charges, including attorneys and outside consultants; and
  - outplacement costs.

**Q: What are the alternatives to workforce reductions?**

**Answer**

Businesses need to consider creative ways to design alternatives to downsizings or other workforce reductions because such reductions are costly, are devastating to both the employees affected and to the surviving workforce, and generate public ill will. If there are other options, wise employers explore them first before downsizing.

The following common alternatives to workforce reductions can be used in myriad combinations to suit a company’s specific needs and accommodate the company’s unique culture:

- increase productivity;
- change management;
- use attrition;
- modify work schedules;
- implement hiring freezes;
- redeploy/transfer employees;
- reduce benefits;
- freeze pay raises or reduce pay;
STAFFING

- implement job sharing;
- consider a government-sponsored work-sharing arrangement; and
- ask for employees to take voluntary leaves of absence/voluntary retirement.

In addition to the strategies listed above, there are several voluntary programs to encourage employees to terminate employment, such as early retirement and voluntary separation incentive packages.

Employers should not restrict cost-reduction strategies to personnel costs exclusively. Other overhead costs such as travel, entertainment, and advertising may be reduced. Employers should also factor in increased costs of customer service and public relations that will occur when any cost-reduction program becomes public.

Q: How can the costs of a workforce reduction be measured?

Answer

Costs associated with a workforce reduction, unfortunately, are not restricted to an analysis of the hard-dollar costs of severance, outplacement, survivor training, and related costs. Therefore, it is vitally important to consider all the costs before going ahead with a workforce reduction. Typical employer costs include:

- **Planning**: Planning costs, such as lawyers, consultants, and staff time to review and plan the reduction, are the basic costs. Increases in travel and associated costs must be included.

- **Actual reduction costs**: Actual costs arising from the reduction, such as severance, outplacement, survivor training, counselling, lost time due to meetings, and additional costs from communications methods such as hotlines or newsletters form the majority of the costs in this category. Bonuses paid to employees for remaining should also be estimated and included. Costs arising out of voluntary severance program incentives and costs associated with such programs, such as lawyer fees, should be added.

- **Projected benefits cost**: Increases in benefits costs, including costs of the downsizing as well as estimates of continuing costs of insurance, diminished productivity, and turnover, should be considered. Included are also costs from termination of pension plans. Any benefits such as vacation pay, sick pay, company gifts, and other benefits that will be provided must be included in the calculation.
• **External relations costs**: Public and shareholder relations’ efforts and responses can be estimated and included. At a minimum, press releases must be distributed and staff made available. Depending on the degree of adverse publicity and customer reaction, there may be additional advertising costs.

• **Contractual relationships**: Fixed and projected costs that arise from ceasing a planned company activity, such as termination of vendor relationships, canceling advertisements, and other contractual relationships, must be added. There may be other penalties and fines included.

• **Security**: Estimate and include additional security costs such as increased guard staff, extending current security staff hours during the separation notice period, and consulting fees.

It is also important to estimate the cost of likely increased turnover and include it in the severance cost estimates.

Other subtler, long-term costs to an organization are much greater, may impact the entire organization, and last far longer than the actual restructuring. While impossible to accurately measure the dollar cost, the loss of employee commitment presents major future challenges and obstacles. Companies that have restructured have seen greater increases in disability insurance costs than companies that have not. Stress-related claims in particular are likely to increase and can be problematic for the organization to attempt to control and manage.

Customer satisfaction is an issue that has confronted many companies. Customers may resent the loss of a contact person, and may react negatively to a reduction in the level or type of service that is provided after the restructuring.

Adverse publicity can also affect employee morale and cast a negative image on the organization that could hurt its reputation with customers. The mainstream media are replete with stories contrasting executive bonuses with job losses. This contributes both to employee dissatisfaction among remaining staff as well as to customer discontent if the inequities are viewed as indefensible.

Finally, workforce reductions affect more than those employees who lose their jobs. Survivors are impacted as well. The remaining employees can be seriously distracted from the tasks at hand by the impact the downsizing has had on peers. There is always a sense of loss and hurt feelings. In addition, unless the organization has clearly and credibly communicated the full extent of the planned reduction, survivors will fear potential future waves of reduction.
Q: How should you determine which jobs or positions will be eliminated?

Answer

Once an employer determines that a workforce reduction is a necessary and viable business solution to specific problems or challenges, then the issue of how to select employees or positions is raised. There are some situations that are “easier” than others, such as the closing of a remote business site or a specific line of business. Assuming that all of the positions at the site or within the particular business are eliminated, the impact of the reduction on the continuing business and the employer’s liability are minimal. Few workforce reductions, however, are easy.

All alternatives should be considered when making workforce reduction decisions. Any studies, analyses, or decisions should be documented and preserved. The employer should be able to respond to any challenge by documented proof of the rationale and intent of the reduction. All levels of management should approve the action.

Once the decision is made that one of the methods the company must use to reduce staff, the process must further focus on how to implement the decision.

Some experts encourage companies to form committees or task forces to perform the tasks associated with selecting employees in order to remove any possibility of bias on the part of management or human resources.

Use established performance measurements, accounting reports, organization charts, and other available company materials to determine the appropriate group. Consider working with counsel to create a document that itemizes the criteria and outlines the process.

Research workforce reduction methods and determine what method (or methods) the company will use. Using the criteria of the workforce reduction method selected, identify the employees that will be terminated.

It is critical when the company makes the selection decisions that the company be able to articulate why one employee was retained and one was dismissed, if challenged. Therefore, the company must have a detailed and comprehensive view of what the future organization will consist of. The company must be able to document the future organization’s structure, types of positions, and how the positions were filled, including skill levels needed.
There are two basic methods of selecting employees for workforce reductions: involuntary and voluntary. In any given reduction, a company may use both methods. For example, if enough staff does not volunteer to leave, then the employer has little choice but to continue the reduction by selecting staff. Voluntary reductions may on the surface appear attractive; however, they also pose a significant risk for the organization. Staff whom the organization needs after the restructuring might express a desire to leave. While the company has some discretion in targeting groups to solicit volunteers from, it has to be careful not to choose criteria that will have an adverse discriminatory effect on a particular group.

The criteria that may be used to select those employees who will be selected for reduction include location or business unit, seniority, performance, skills, position held, and/or a ranking using one or a combination of factors.

If the unit is organized, the collective agreement will supersede any other criteria. However, in the event of a significant reduction, the organization will need to consult with the bargaining agent. In many cases, the union will want to negotiate a special arrangement to allow senior members to volunteer for a permanent layoff or to make other arrangements for retraining or outplacement.

**Q: Why award severance pay?**

**Answer**

Traditionally, severance pay has been awarded by companies to provide a financial cushion to employees facing the loss of their jobs, to help tide them over during unemployment, and to compensate them to some extent for the loss of seniority and other rights and privileges accrued by them by reason of their length of employment. The principal motivation for paying severance during a workforce reduction is to mitigate the harm brought to employees ostensibly through no fault of theirs.

While it is generally true that severance plans are limited to instances where an employee’s work relationship is severed without just cause, that practice is expanding to include employees who do not relocate or who are terminated for job performance.

Organizations may even pay severance to individuals when there are documented concerns with the employee’s performance. Quite simply, it is becoming increasingly difficult to prove cause before the courts unless the employee is guilty
of gross negligence, dereliction of duty, or some other form of significant misconduct. It may simply be less expensive to pay the severance than to fight the issue through the legal system.

Also known as termination pay, salary continuance, dismissal allowance, separation benefits, or layoff allowance (if the layoff is permanent), plans covering severance pay usually provide a cash payment in a lump sum or in instalments to employees whose employment has been terminated. In cases of salary continuance, the organization may insist on a contingency clause where payments cease when the individual finds alternative employment. Usually, part of the remainder is promised as an incentive for the individual to re-enter the workforce as quickly as possible.

Severance must be calculated based on total compensation, including benefit plans, retirement savings plans, car allowances (unless the car was provided solely for business purposes), and non-discretionary bonuses. Other perks that might be contemplated as part of a package include outplacement services and the use of company facilities.

Q: Why should employment releases be prepared?

Answer

An employment release is a document to induce an employee to waive certain rights in exchange for something of value. Organizations should insist on obtaining a release from employees who have been offered severance packages that are greater than the minimums established under the applicable employment standards legislation or provided for in their employment agreements. Releases are not necessary or advisable for unionized employees or for employees who are merely receiving the minimum notice required by statute.

Releases must be entered into freely. If there is any indication of coercion, the release may be invalidated by the courts. It is a good idea to give an employee several days to contemplate signing a release, and to advise the individual of his or her right to seek independent legal counsel before signing it. In order to support the release, the employee must receive some “consideration”. Any payment made beyond the statutory minimums for notice and/or severance is considered adequate consideration.

Under no circumstances should a release require an employee to waive a statutory right. This would invalidate the release in its entirety.
In plain language, the reason companies use releases is to provide some level of protection from potential lawsuits. Releases can protect employers from claims arising out of forced terminations. Releases offer protection to the employer and also provide something of value to the employee. In situations where there has not been sufficient documentation concerning an employee’s poor performance and the employer wants to act quickly to terminate the employee, releases offer some “insurance” for the employer against a future lawsuit arising out of the termination.

**Q: How much time must be provided for an employee to decide whether or not to sign an employment release?**

**Answer**

Given that circumstances vary in every case, there is no rule that will apply in every situation. The basic point for employers is that they should not force or give the appearance of having forced employees into signing an employment release. An employer should make it clear to the employee that he or she can have a reasonable amount of time to decide whether or not it is in his or her best interest to sign the release and to consult with an attorney. Employers should put these instructions in writing in order to document the time frame. As a general rule, it would seem reasonable that a week would be sufficient.

It is permissible to hold back any payment in excess of the statutory minimums until the release is signed. However, in some circumstances, it may be advisable to pay some amount in excess of the statutory minimums. Organizations should consult legal counsel whenever problems arise from the signing of a release.

**Q: Should job references be provided for downsized employees?**

**Answer**

It used to be that providing a job reference for an outgoing employee was almost automatic. Now, most larger employers have adopted a policy of releasing only very limited objective and factual information, such as dates of employment and salary history, that could be proven to be true if the employer’s statements were challenged.

The single most important cause for this change has been the possibility of litigation resulting from the release of unfavourable statements that cannot be proven or that were found to invade employee privacy rights. While there have been few cases in Canada involving damages for defamation, there appears to be a growing trend among litigants and their lawyers to push for damages in the form of greater
severance packages if the termination was handled in a malicious or heavy-handed manner. As a result, organizations have become reluctant to provide much more than a cursory confirmation of employment.

On the flip side, the failure to provide an adequate reference letter may be held to be in bad faith. Organizations are advised to provide reference letters if the required releases have been signed and all other matters related to the termination of employment have been settled. Often, as part of settlement negotiations, the parties agree to the wording of the reference letter, thus preventing any future dispute.

Reference letters should not be provided in cases where the employee has been fired for just cause, particularly when the alleged cause involves gross negligence, dereliction of duty, gross misconduct, or criminal behaviour. Providing reference letters in such situations may expose the organization to future lawsuits from employers who relied on such information to protect themselves from hiring decisions that could be considered negligent. The test for asserting such cause is that the organization has clear and cogent proof that the employee engaged in the alleged activity.

Companies are free to tell the truth in providing a reference, and may relay any information they honestly and in good faith believe is true. However, before passing information on, the organization should get a signed release from the employee that authorizes the hiring organization to access the information.

When an employee is dismissed due to a company downsizing, sometimes a company may wish to assist a marketable employee in finding other employment and thus reduce the company’s liability. This can be accomplished by providing an objective and accurate reference letter or letter confirming employment. This is in keeping with an employer’s duty to be honest, and will avoid the argument that the employer hindered the employee’s ability to find other employment. In the end, such a letter may save the employer money, an objective that the organization must always keep in mind, particularly when downsizing.
Diversity

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Q: Why worry about workforce diversity?

Answer

Canada is a multicultural mosaic, and organizations that haven’t already embraced cultural diversity will be left behind. Diversity is as much a bottom line issue as it is a matter of evaluating new points of view, and many firms are finally realizing that there are advantages to diversity.

If the goal is to hire and retain the best and brightest workers, an organization must be able to draw from and manage an increasingly diverse group of people. The company that does this properly stands to create a richer work environment with improved decision-making, because opinions are drawn from a wider variety of viewpoints. There is a decided competitive advantage for those organizations that move, or have moved, in this direction before their rivals.

There is a relationship between customers and diversity. The relationships a company has with its customers are established through individual employees. Thus, each employee becomes an important link in determining customer expectations and delivering increased value. This link will become stronger if a company has satisfied, committed, and productive employees. Further, with increasing diversity in the global marketplace of potential customers, the likelihood of customer loyalty increases with a diverse workforce. Customer loyalty can be measured by customer retention, repeat sales, and referrals; and loyal customers lead to increased revenue and profits.

Q: Does embracing diversity mean treating all employees equally?

Answer

An effective diversity program is one that ensures the recognition of differences and moves individuals in the workforce closer together, not farther apart.

When a company treats its employees equally, it ignores their differences; when a company treats its employees equitably, it recognizes their differences. Diversity is about acknowledging any difference that can impact the fair or equitable treatment of people.

Among the many characteristics that may affect how people are treated are differences based on gender, race, age, sexual orientation, disability, religion, education, class and marital status. Systems that are based solely on equity — or fairness and merit — will allow an organization to attract the most qualified workers. The
equitable treatment of those workers will lead to higher employee satisfaction, which in turn will lead to increased commitment, retention, and productivity.

A diversity program can be seen as a way to draw from the entire workforce to get the most qualified applicants, and to develop them into an optimally functioning unit. But doing that means understanding the needs and values of each group and using that information to create a workplace that helps to develop and motivate each individual to achieve company goals.

The difference between diversity programs and programs prohibiting discrimination can be characterized as one of emphasis. Programs prohibiting discrimination in the workplace, as a general rule, focus on don’ts: do not ask certain questions; do not use certain criteria; do not draw certain distinctions based on non-work categories. Alternatively, diversity programs provide suggestions and ideas of things to do in the workplace.

Q: What challenges does diversity present?

Answer

As the workforce continues to evolve and diversify, employers must take traditional equal employment opportunity and affirmative action policies a step further to remain competitive. This will ensure that they have the best workers and that those workers are performing to their potential. Not only will employers need to hire members of different races, ethnicities, cultural and religious backgrounds, genders, and sexual orientations, but they will also have to find a way to honour their different values, expectations, and capabilities, forging them into one goal-focused team.

In Canada, one of the most significant current issues is accommodating same-sex partners under employee benefit and insurance schemes (including pension plans). Many organizations have voluntarily accepted same-sex couples under the definition for marital partners. Nevertheless, this issue remains controversial.

Managing diversity means more than recruiting individuals from targeted groups. The organization must take deliberate steps to bring the diverse workforce together under the banner of a single common purpose, while at the same time recognizing the differences of each member. It is important for companies to realize how those differences, when allowed to coexist in a positive atmosphere, can make the workforce more productive and can increase morale.
Q: How can you develop a comprehensive diversity initiative?

Answer

No training program can solve workplace problems without being part of a comprehensive effort, including policy statements, management follow-through, audits, and programs to enhance employee commitment. Therefore, diversity training must be part of the total management effort, or the training may waste company resources and may be counterproductive.

It is reasonable to expect that, as a result of diversity training, there will be a reduction in resistance and backlash among the workforce and an increase in commitment to the company’s goals. Diversity training will not change the policies and practices of the company, nor will training alone change the company’s culture.

Management at every level must champion diversity training. There must be a genuine commitment that diversity makes good bottom-line sense. Do not start diversity training at the entry level of the organization. If senior management believes it is too busy to take diversity training, or suggests that it should be exempt, expect that your diversity training initiative to fail.

Diversity training should be one of several initiatives to underscore corporate values and ethics, including mission and vision.

Require employees to have diversity training. Do not make diversity, ethics, safety, quality, or sales/product training voluntary. Diversity training should include the highly visible categories (gender, race, national origin) and the not-so-obvious distinctions (sexual orientation, culture, disability, education) that may operate within the organization to unfairly stigmatize individuals.

Include a discussion of accountability in diversity training. Make it clear that every employee is held responsible for his or her actions. Underscore that decisions in the workplace must be based on sound business reasons.

Make sure that each session is evaluated, and that there is follow-up after each session. Provide a way for employees to respond to training issues and discussions.

Q: What are some first steps toward building workforce diversity?

Answer

Cultural diversity programs take years to effect change on a fundamental level. Diving in too quickly will mean a big start for the program and a perilous end. To
really affect the culture of the company, companies must first determine why people act the way they do. And once this has been determined, the organization can take steps to modify the behaviour.

To change the corporate culture, one must first know what it is. This may require some in-depth research in the form of a questionnaire or another surveying device. The company will want to ask employees how they perceive they are treated at the company and how minorities as a whole are treated, among other things. Once that data has been analyzed, the company can decide how it wants to proceed.

There are several ways a company can go about reinforcing its principles:

- **Obtain commitment at the top:** The first step in a diversity program is to obtain commitment and accountability at all levels, and particularly senior levels, for the successful implementation of diversity.

- **Hold management accountable:** Ensure that performance reviews and incentive awards reflect the organization’s diversity initiatives, and hold managers accountable for their diversity performance. Make it the responsibility of managers to treat all employees with the same respect, dignity, and value as they do customers.

- **Reward those who embody the workforce diversity principles:** Consistency in policy and action is extremely important. A company ought not to endorse one management style and reward another.

- **Encourage employee participation:** Management initiatives alone are not enough. Encourage employees to see that it is also their responsibility to identify, discuss, and address the most stubborn obstacles to diversity. Create diversity councils to serve as the voice of employees and to act as catalysts in building a more diverse workforce. The councils can identify issues and prioritize needs.

- **Focus initiatives for targeted results:** Know what you want to achieve with your initiatives.

Diversity program initiatives include the following:

- **Recruiting:** If the current number of minorities and women at a particular level or business unit (e.g., senior management, accounting) is slim, focus your recruiting and promotion efforts on increasing the diversity of representatives at all levels of the organization. Do this by identifying specific placement opportunities among the organization’s senior jobs, and identifying internal candidates
with the required skills and experience. If suitable internal candidates cannot be identified, the organization may need to be proactive in recruiting candidates from the external job market or in identifying internal candidates for development for future promotion opportunities.

- **Mentoring:** Establish a mentoring program that will foster individual personal relationships to enhance professional growth and development. The process should match up appropriate mentors with internal or external high-potential candidates. Coach mentors to nurture talent and professional growth. Don’t make the common mistake of targeting only a particular under-represented group for mentoring. Make sure your mentoring program is itself diverse and inclusive.

- **Training:** Develop programs that help employees utilize their specific strengths to enrich the work process and to be open to the differences of their co-workers. Review all current training programs and, where necessary, revise such programs to include a diversity component.

- **Recognition:** Take action to instill a corporate culture that encourages all employees at all levels to believe in the value of people. Constantly recognize, both formally and on an ad hoc basis, the value of a unique and diverse workforce. Reaffirm whenever possible the commitment to workforce diversity, such as at company functions, award ceremonies, orientations, and retirement parties. Identify methods to force interaction between diverse groups through shared assignments, task forces, and planning committees. The interaction that results will help to break down the barriers. Use formal and informal communication channels to reinforce the notions of workforce diversity.

- **Needs of a multicultural workforce:** The needs of a diverse workforce need not be high maintenance, but they do require a heightened awareness of cultural issues. In workplace communication, remember to address the requirements of non-English-speaking employees and those with disabilities. Even in cases where all employees speak English, there may be spoken language barriers that are more common and subtle than written barriers.

  In setting a dress and appearance policy, take into consideration the religious requirements of specific head wear (hats, yarmulkes, head scarves, turbans) or physical appearance (length of hair, beards). In planning holiday celebrations and time away from work, consider non-Judeo-Christian populations’ interests and values. Be sensitive to observance of religious holidays, allowing prayer breaks, and accommodating dietary requirements or dress and grooming habits. Companies with
large segments of a different cultural group may want to invest in some cross-cultural training to help bridge the gap between the customs of that group and the rest of the workforce.

Q: What are some best practices in diversity?

Answer

- Encourage and support the formation of diversity employee groups (women, men, minorities, and persons with disabilities) to actively assist management in developing and promoting diversity initiatives.
- Form a Diversity Council, with representatives of all interested organizations, to discuss matters of equal employment opportunity.
- Encourage high-level management participation and interaction with employees and employee groups, and ensure employee access to management.
- Consider special emphasis programs and other events recognizing and highlighting the contributions of various cultural and/or social heritages.
- Conduct assessments and surveys of employees, asking for their views as to what is right and what warrants improvement in the company’s equal employment opportunity programs. Encourage suggestions for improvements and be prepared to act on worthy suggestions.
- Develop business relationships with minority-, disability-, and women-owned businesses.
- Participate in the community and demonstrate that the company is a good corporate citizen.
- Partner with other organizations (educational institutions, professional associations, civic associations, other companies, government agencies, or interest/advocacy groups) to facilitate equal employment initiatives generally. Such partnerships do not have to be so narrowly focused on the specific equal employment opportunity interests of the particular participating company, but they may be for the good of equal employment opportunity generally.
### COMPENSATION

#### Job Analysis and Descriptions

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Q: Why conduct a job analysis?

Answer

Job analysis is a systematic, investigative process for gathering and documenting critical information about a job. This information generally pertains to the job’s duties, qualifications, working conditions, and relationship to other jobs in the organization. The primary result of a job analysis is a written job description. Job analysis forms the foundation of most compensation programs. It is a basis for evaluating a job’s internal worth (job evaluation), external worth (market pricing), and pay range in most organizations.

In addition to serving as a basis for pricing jobs, job analysis provides data and documentation that will assist in other human resource management processes, including:

- setting performance objectives and work standards;
- evaluating performance;
- determining pay increases and adjustments;
- recruiting and selecting job candidates;
- identifying training needs;
- defining competencies applicable to the job;
- establishing career paths; and
- examining workflows and process efficiency.

Participants in job analysis typically include human resources, incumbents of the job being analyzed, and supervisors and managers who oversee the job. Job analysis may be conducted for a single job or a group of jobs (job, department, or entire organization). Generally, the job analysis process is initiated when one of the following events occur:

- a job or group of jobs is changing or reorganized;
- a new position is created and needs to be defined and evaluated;
- the current pay range of a job is in question; and
- a new program requiring accurate job information is implemented (e.g., a new salary structure, job evaluation plan, or competency-based system).
Q: What types of data are collected in a job analysis?

Answer

The following data may be collected during a job analysis:

- **Job content**: position, duties, and responsibilities of the job; major job functions.

- **Job qualification**: technical and soft skills and competencies required, work-related experience, educational requirements, training and certificates required.

- **Job context**: mental and physical effort, level of direction, reporting relationships, position in organizational structure, responsibility over others, budgets, access to confidential or proprietary information, level and type of interactions, decision-making authority, impact on the organization, consequences of errors, level of independent judgment.

- **Working environment**: work location, equipment and tools used, noise levels, exposure to temperature, potential workplace hazards.

- **Performance expectations**: the desired behaviour and desired results.

Q: How is job analysis data gathered?

Answer

Job analysis involves the gathering of job information from both direct and indirect sources. Direct sources are the job incumbents and the supervisors/managers. Common indirect sources of job information include:

- existing job descriptions;
- existing job analysis questionnaires and notes;
- salary surveys (benchmark position descriptions);
- organization charts;
- policies and procedures manuals;
- mission statements, strategic plans, and corporate objectives;
- professional associations;
• consultants; and
• workflow studies.

Direct sources can provide data through direct observation, where the analyst watches employees perform tasks through the entire work cycle and records observations. Historically, observing employees while they work has been one of the most commonly used job analysis techniques. It offers a realistic view of tasks performed and is well adapted to production jobs with a short work cycle. However, direct observation can be time consuming and results may be inaccurate, as not all job elements may be observable. Also, it is not necessarily appropriate for management positions and those positions where the work is non-routine in nature.

In an individual interview, the job analyst conducts a one-on-one meeting with the job incumbent, supervisor and/or manager to review specific job information. Employees have the most first-hand knowledge of their jobs, so it is a good idea to ask them about the duties, skills, education, and training required to do their jobs as well as the working conditions encountered on their jobs. Interviews are relatively easy to conduct and are adaptable to most jobs. However, in large complex organizations this technique may also be time consuming. Some human resource practitioners use group interviews to get a more complete and comprehensive overview of the job. Technical consultation is similar to a group interview, but it frequently includes external subject matter experts such as consultants and trainers. This method is primarily used for technical job families such as engineering. Questionnaires can also be used to alleviate the burden of doing a large number of jobs at once.

Another methodology sometimes used is to ask incumbents to maintain work logs, which record their work activities for a specified amount of time. These are particularly useful in creating procedure manuals and can collect a large amount of useful data. Work logs are also helpful in determining how much time certain job functions should take and how frequent they should be performed. However, users sometimes find maintaining a log to be burdensome and time consuming.

Q: What are some guidelines for choosing an appropriate job analysis method?

Answer

Choosing an appropriate job analysis method can be confusing. Whenever possible, gather information directly from job incumbents, although additional input may come from supervisors, managers, subordinates, and other sources. Select a method
that allows information to be gathered and processed with minimal effort. For example, standard, highly structured responses are easier to process than narrative, descriptive responses. Choose a method that is easy to update without having to repeat the entire procedure.

In some cases, the effectiveness of a particular job analysis technique may be increased when it is used in conjunction with other job analysis techniques. For example, using both observation and employee interviews allow the job analyst to check his or her observations with the employee or employees performing the job. It also allows the job analyst to clear up any questions about things he or she observed but did not understand. Likewise, coupling observation with employee questionnaires will assist the job analyst in determining how accurately employees answered the questionnaires.

Q: **How does job analysis support equal employment compliance?**

**Answer**

Job analysis is an important procedure for identifying elements of a job. Basing decisions and programs on this job content information increases the legal and organizational defensibility of actions that have the potential to give rise to discrimination claims. When conducting job analysis, it is important to assess whether job requirements (education, experience, etc.) stated by incumbents and/or managers are realistic minimums necessary to competently perform the job. Setting unnecessary, inflated job requirements could have the effect of excluding proportionately more members of protected classes.

In limited circumstances, an organization can base some employment decisions on an individual’s religion, sex, or national origin if having certain of these characteristics is a *bona fide* occupational requirement (BFOR). For example, being Catholic may be considered a BFOR for the job of a Catholic priest. However, a candidate’s failure to meet a BFOR may not be sufficient cause to reject his or her application for a position. The requirement may be deemed to have an adverse impact on members of a protected class and, therefore, be considered a form of indirect unlawful discrimination. When this occurs, the organization will have to make accommodations, unless doing so imposes an undue hardship on the organization.

Not all job analyses will necessarily identify all the essential functions of a particular job. If a job analysis is used, it should focus on the purpose of the job and
the importance of the actual job functions in achieving this purpose. The most helpful
job analysis, for the purposes of eliminating potentially problematic job specifica-
tions, will focus on the results or outcomes of a function, not solely on the way it is
customarily performed.

When the “importance” of a job is evaluated, considerations could be given to
the frequency with which a function is performed, the amount of time spent on that
function, and the consequences if the function were not performed. The analysis
could also include information on the work environment, such as unusual heat, cold,
humidity, dust, toxic substances, or stress factors. The analysis may contain informa-
tion on the manner in which a job is currently performed but should not conclude that
the ability to perform the job in that manner is an essential function, unless there is
no other way to perform that function without causing undue hardship.

Q: What is the best way to communicate a job analysis program
to employees?

Answer

One of the keys to a successful job analysis project is the way the project is
communicated to employees. Because job analysis often involves interviewing and
observing employees, they may become suspicious of what is going on and may
think that theirs jobs are in jeopardy. To alleviate some of the suspicions and to
emphasize the seriousness of the job analysis project, ensure you have gained the
support of senior management. A communication plan should be developed that:

- defines what message needs to be communicated;
- identifies who will communicate it;
- identifies who needs to be informed;
- establishes when the communication should occur; and
- describes what media will be used (memos, focus groups, brochures, etc.).

Ensure the project and the communication plan is initiated through the chain of
command. Bypassing managers and supervisors is a sure-fire way of developing
organizational resistance. The whole process may be kicked off by advising all
participants what to expect in terms of the process and outcome. This can be
followed by briefings with the participants so they may ask questions and become
more involved. One of the keys to success is ensuring that the purpose of the job
The compensation analysis project is communicated. Participants should understand why the job analysis is important and what will be done with the information gathered. When the project is complete it is always a good idea to send a note of thanks to anyone who participated.

If employees holding the jobs to be analyzed are represented by a union, bring the union in on the job analysis project. Explain the project to the union prior to announcing the program to employees. Emphasize the role of job analysis in providing both management and the union with valuable information on which to base decisions. If the union’s reaction is favourable, this can go a long way towards putting employees’ minds at ease with regard to the purposes of the job analysis project. If the union’s reaction is unfavourable, the company has not lost anything by communicating its intentions since the union’s position would become known after the job analysis project began. It also demonstrates a good faith attempt on the employer’s part to be open and honest about its intentions.

Identify highly respected employees within the departments being analyzed and ask them to help coordinate the project. This helps create organizational buy-in. You may also want to consider establishing a Job Analysis Committee composed of representatives from different parts of the organization. Communicate the involvement of these liaisons through different media.

Q: What are job descriptions and what are they used for?

Answer

A job description summarizes the most important elements of a job, including principal duties and responsibilities, complexity of the work performed, performance expectations, reporting relationships, working conditions, and minimum requirements necessary to effectively perform the job. The job description explains the job itself and not the characteristics of the individual performing the job. Therefore, one job description often applies to numerous incumbents.

Job descriptions provide the organization with important documentation that may be used for:

- **Job evaluation**: determining the relative value of jobs.
- **Market pricing**: collecting appropriate market salary data for a job.
- **Performance management**: writing performance standards and assessing whether all job duties are being performed.
• **Pay decisions**: determining appropriate pay ranges for positions and to justify market adjustments.

• **Recruitment and selection**: targeting candidates that specifically meet stated qualifications, and for writing job advertisements and internal postings.

• **Training and development**: conducting a needs analysis to target specific development needs and interests.

• **Succession planning**: aiding in the establishment of vertical or lateral career paths to meet organizational and employee development needs.

• **Organizational planning**: providing a clear notion of the roles and responsibilities of current incumbents and a starting point for examining workflow and process efficiency within an organization.

• **Organizational/legal defense**: explaining and, when necessary, defending certain organizational decisions (promotions, selections, merit increases, terminations, collective bargaining unit definition, etc.).

• **Safety**: identifying hazardous situations.

**Q: How can job descriptions be kept current?**

**Answer**

A job description should be kept up to date to accurately reflect the employment position. The more a job description is used in other routine work, the more likely it will be kept current. For example:

- include the job description in the performance review process, and get the employee and supervisors to update and sign off on them;
- keep the job description in the personnel file as a part of the evaluation documentation, and incorporate changes to the description;
- include job descriptions as part of the letter of offer or employment agreement with new employees;
- provide job descriptions to all new employees as a part of orientation;
- use the job description in every step of the hiring process; ask managers to provide updated job descriptions prior to hiring so that specific requirements and hiring criteria are established; and
insist that job descriptions be current before authorization is given to hire a replacement.

Another suggestion for keeping job descriptions current is to review them when an employee leaves a position. Look at what duties are assigned to the job being vacated, and determine whether other duties can be added to the job description. It’s also a good idea to see what duties can be eliminated from the job description.

Q: **What are the compliance issues associated with job descriptions?**

**Answer**

There are three areas of compliance when looking at job descriptions: pay equity legislation, bias, and discrimination or adverse impact.

Organizations are required under pay equity legislation to have a method for comparing the values of jobs. The system employed must be the same used in arriving at the comparative value. Therefore, job descriptions must be in a form to allow for such analysis. In order to draw meaningful comparisons between the values placed on different jobs, the job description must contain certain compensable factors for analysis. These include the skills required, responsibilities, working conditions, and physical or mental effort. The idea is to arrive at a point value based on these different elements to create a value for the job. Jobs with an equal number of points (even though the subtotals for each element may be different) will be considered to be equal in value.

Job descriptions should also be free of inherent or implied bias. The people responsible for writing the descriptions should use gender-neutral terms and avoid using any descriptors that imply a bias against any designated disadvantaged groups.

Finally, job descriptions must also be free of indirect discrimination or adverse impact. This means first ensuring that any activity or requirement contained in a job description is a *bona fide* occupational requirement. For example, requiring candidates to be a minimum height might be a *bona fide* requirement if the individual has to reach to certain heights. However, this requirement could indirectly discriminate against certain ethnic groups. The writer of the job description has to consider whether the activity forms a significant part of the job’s overall activities and, if so, can it be accommodated through some other means (e.g., using a ladder or mechanical reaching device).
# Types of Compensation

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Q: What are the characteristics of an hourly pay rate?

Answer
This is the most common type of payment. For every hour the employee works, he or she is paid a set amount. It does not matter how good the work is or sometimes whether much work is done at all. The hourly rate is an attempt to quantify and put a price on labour.

Federal and provincial minimum wages are expressed as hourly rates, demonstrating how widespread this form of income payment has become. The hourly rate is, essentially, a creation of the industrial era. It very much equates human effort with the work of a machine.

Q: What is meant by overtime pay?

Answer
Overtime means extra hours paid at a higher rate than the regular hourly rate. Extra hours paid at the regular hourly rate are generally not considered to be overtime. Under federal and provincial employment standards, an employer must pay one and one-half times the employee’s regular hourly rate for every hour worked over a specified maximum in a week (usually 40 or 45 hours). In some jurisdictions, a maximum daily number of hours is also specified.

Daily or weekly hours may be averaged for employees who work on shift arrangements. Employers must seek approval from the appropriate Ministry of Labour to average hours or to work overtime hours beyond a specified maximum, unless the work is exempt.

In addition, there are prescribed limits on the number of overtime hours an employee is allowed to work in a year. Exemptions may be granted for emergency work or work required to maintain production (e.g., maintenance repair work).

Certain employees (e.g., managers, medical interns) are exempt from receiving overtime payments.

The overtime provisions of a collective agreement take precedence over employment standards, provided the agreement exceeds those standards. In many cases, the collective agreement will have a graduated scale where double time will apply after a set number of overtime hours have been worked either daily or weekly.
However, the provisions of a collective agreement will not override the annual maximums established in the legislation.

Q: Must employers pay a premium for work done on Sundays and holidays?

Answer

Legislation does not require employers to pay any premiums for Saturday or Sunday work (unless that work is overtime work). However, many organizations, particularly unionized ones, pay premiums of time-and-a-half for Saturday work and double time for Sunday work. Others pay the premiums on the sixth and seventh day worked.

Time worked on a holiday does attract a premium of time-and-a-half for most employees (minimum service requirements have to be met). And organizations do have the option of also paying the holiday pay (making the total amount payable to the employee double time-and-a-half for the first eight hours) or providing the employee with a paid day off in lieu of the holiday at some future date. Other organizations have alternative arrangements where triple time premiums might be paid on given holidays. In the pulp and paper industry, premiums as high as five times the regular rate is paid for work performed on some statutory holidays (notably Christmas). Typically, organizations willing to pay these high premiums are those involved in capital-intensive industries or essential services.

Q: How does the change to/from daylight savings time affect wage payment?

Answer

Daylight savings time begins the second Sunday in March and ends the first Sunday in November. The time change affects employees who work when it happens. The effects are as follows:

- **Fall back:** When the clocks are turned back in November, employees working an eight-hour shift will end up working a nine-hour shift and must be paid for the extra hour. That extra hour is also counted in figuring overtime for the pay period that includes the time change.

- **Spring forward:** When the clocks are turned forward in March, employees working an eight-hour shift will actually work seven hours of an eight-hour shift. Employees are not usually paid for the hour that is missed, but if they are
paid, that hour may not be used to cover an hour of overtime worked during the pay period that includes the time change.

Q: How are shift differentials used?

Answer
Shift differentials (or shift premiums) are used by employers to compensate employees for the inconvenience of being scheduled to work undesirable hours (such as the night or graveyard shifts). The differential can also apply to weekend hours or to the performance of particular undesirable tasks. Essentially, the differential is a tool to attract and retain employees to work under adverse conditions.

Shift differentials are not required by statute. Employers can agree with their employees as to the amount of the differential, under what conditions it will be paid, or if a differential will be paid at all. Similarly, an employer can pay differentials to one group of employees but not another, so long as the policy is clearly stated as to which employees are eligible for a differential and all applicable employment discrimination laws are obeyed. It would be unlawful to base differentials on such protected characteristics as race or sex.

The differential is usually compensation paid in addition to base hourly pay that would normally be paid for a job without the inconvenient schedule. Shift differentials are usually expressed as a flat rate per hour, but can be calculated as a percentage of the base wage. The common practice is to pay the premium separately to avoid pyramiding with overtime. The historic intent of shift differentials was to compensate employees who suffered the inconvenience of being regularly assigned to odd working hours. Under this theory, it would be proper to deny shift differentials to employees who may have to work emergency duty during a second shift, so long as overtime is paid in accordance with applicable law or relevant contractual provisions.

Some policies allow differential payments for any hours worked by an employee that fall into a designated differential shift. Another method is to allow a differential only if all or a majority of an employee’s work hours fall into the differential shift.

For unionized employees, make sure to review the collective agreement to ensure that shift differentials are properly handled.
Q: What are the characteristics of piecework?

Answer

The basic method of payment for *time spent* on the job is the hourly rate. The basic method of payment for *work done* (without regard to time spent) is piecework. Piecework is a concept even more wedded to the industrial era than the hourly rate. If pay is by the piece, then the worker is given payment for each finished piece he or she turns in. Piecework has its advantages, but an employer using a piece rate should understand that it is guaranteeing that its employees will not go outside their tiny areas of responsibility. The main advantage of the piecework plan is that it encourages the employee to produce more items in order to collect more pay. Spoiled or flawed items are usually not counted as completed work, so the employee has an incentive to work carefully as well as quickly.

In practice, records must be kept on hours worked, and the total pay each week must meet or exceed what the minimum wage law requires. Normally, the piece rate is set so that an average effort will equal the minimum wage. Then the minimum wage is guaranteed to the employee. If the employee does more than the average number of pieces, he or she will get the piece rate.

The employee cannot be paid less than the minimum wage law requires, so he or she will get the minimum wage (or a higher floor salary if the piecework is skilled and a salary has been set above what the minimum wage law requires). Piecework is usually used when there are established labour standards. When an employee is unable to maintain production at the threshold of those standards, he or she may be subject to some form of corrective action and may eventually be dismissed for failing to meet those standards.

The main disadvantage of piecework is that it encourages one-dimensional labour. Piecework actually pays an employee to ignore everything, including other facets of the employer’s operation, while he or she concentrates on producing. In some industries, such as contract mining, piecework has been linked to higher incidence of injuries. Moreover, some organizations have used rate busters — employees who are motivated to drive the average level of production up and put pressure on “slower” employees to speed up. The union movement has been very resistant to piecework incentives for these reasons.

In some industries, piecework has developed a bad reputation. An employer sets its piece rate by studying the job, calculating the time and effort needed to produce one “piece”, and then basing the rate on this, what other employers are paying, and
on the cost of the item to be charged at wholesale. Some employers have set low amounts per piece in an attempt to force high production. In some cases, rate changes have been downward in the name of “new production campaigns”, leaving already poorly paid employees making even less for the effort expended.

Q: What are the characteristics of skill-based pay?

Answer

Skill-based pay (also known as pay for knowledge and multiskill compensation) is a compensation system that bases salaries on the skills an employee possesses, rather than basing salaries on a particular job classification. It is designed to encourage the development of a multiskilled work force as a way to improve productivity and the quality of work life.

Following are some of the main features of skill-based pay systems:

- **Skill levels:** Pay increases are tied to the mastery of different jobs, first within a work team or work group, and then within the plant at large. One reward for learning the skills used within a team is the opportunity to tackle other jobs, eventually reaching the maximum pay rate in the plant (called the plant rate).

- **Sequence of skills:** The sequence in which an employee learns the various jobs in his or her group, or in the plant, may be predetermined by the nature of the work. Or it may be set by the team in order to best develop the skills needed for current and future projects.

- **Minimum number of skills:** Employees may be required to learn a minimum number of skills. This requirement is designed to ensure that the employee can contribute multiple skills to the work team.

- **Minimum time periods:** There is typically a minimum time period for employees to progress from one skill or skill level to another and/or to reach plant rate. The progress from skill level to skill level is established as a “payback period” to ensure that the organization is reimbursed for its investment in employee training. The time period for reaching plant rate is set to ensure that employees do not pass through skill levels so fast that few, if any, skills are learned well. Also, employees must periodically demonstrate a mastery of previously learned skills. Again, the goal is to guarantee that skills are acquired and maintained in a way that is useful to the organization.
- **Quotas**: Quotas are kept on the number of employees who may be at a given pay or skill level at any one time. However, training is not enhanced by having quotas, as employees will be more willing to train other employees if they feel their own jobs are not endangered.

- **Pay scales**: Pay scales may be based on a variety of factors. The plant rate may be based on all skills required throughout the operation for a specified number of skills, such as all the skills in one work group. Alternatively, salaries may be based on the most skilled task an individual may perform and the number of tasks for which the individual is competent. The system may also include a merit component to reward the manner in which an employee performs his or her acquired skills. Finally, profit sharing or cost-savings plans may be used in conjunction with skill-based pay systems.

**Q: What are the characteristics of competency-based pay?**

**Answer**

Competency-based pay is a form of compensation that focuses on the behaviour required to achieve desired business results. Competencies are not just specific skills, but can be classified as anything that matters to performance.

Pay for competencies may focus on qualities or traits that some would argue cannot be taught, for example:

- customer service orientation;
- interpersonal understanding;
- flexibility; and
- team commitment.

**Q: What is meant by pay for performance?**

**Answer**

Pay for performance is a generic term for any compensation system that uses dollars to create an incentive for individual contribution to the organization. It is a reward that is earned as a function of having performed or achieved in relation to some preset standard or set of goals.
Merit pay and pay for performance are usually used interchangeably to describe a system that provides a salary increase to employees based on their performance.

Pay for performance differs from incentive pay. Incentive compensation typically places more dollars at risk, with more defined performance standards that measure performance against pre-established goals. In a traditional merit system, annual payments are added to base pay. Some organizations are now attempting to control compensation costs by delivering merit payments in a lump-sum bonus that is not added to base pay. As this begins to happen, merit plans begin to look more like incentive plans. The main difference is in the size of payments — the average merit pool may be 3%, while incentive payments average between 10% and 15% (but can go up significantly higher for executive positions).

Pay for performance can include merit pay, incentives, commissions, production incentive programs (such as gainsharing), and even benefits. As the distinctions between them are becoming fuzzy, some compensation experts prefer to think of them all as variable pay — pay that varies based on some kind of performance, whether it be an organization, division, team, or individual.

The key question is whether an individual’s contribution to an organization can be measured, and whether the individual can be paid for that contribution without confusing pay for performance with other issues such as cost of living adjustments. Such measurements can be made, but it requires that the jobs at issue be designed to identify specific responsibilities and the corresponding job duties that constitute those responsibilities.

Q: Should performance-based payments be paid as bonuses or added to base pay?

Answer

It may make more sense to deliver merit pay in the form of lump-sum bonuses that do not roll into base pay, because lump-sum payments separate the issue of incentive or merit from base pay. The organization has to look at base salaries as something that it will have to live with forever. It has a compounding effect from year to year, and compensation costs are triggered in other areas, such as benefits or non-exempt overtime. The risk of adding to base pay is that there is a very strong reluctance to cut base salaries when economic conditions put pressure on an organization to reduce costs. A non-recurring lump sum prevents this from being an issue.
On the other hand, the risk involved with paying out increases as a one-time bonus is that over time the company may find that its base salary scales are below the external market. Adjustments may be required to bring pay rates back to competitive levels.

For companies with pension plans, the distinction between lump-sum payments and additions to base pay can be even more of an issue, depending on the provisions in the retirement plan. If, under the retirement plan, the total earnings of an employee are taken into consideration in determining the employee’s pension benefits, then the concern about how pay increases are distributed is lessened. But if only the base earnings are counted, then there is greater pressure to increase base earnings.

Q: **How often should a merit or incentive payment be delivered?**

**Answer**

These payments should be paid out as often as the business measurement cycle and administrative constraints allow. Ideally, an organization should recognize unique or excellent performance at the time it occurs. But, as a practical matter, monetary recognition usually follows a fairly long administrative process, typically through a 12-month cycle tied to the fiscal year.

Six-month reviews or reviews over an even shorter span of time would be more advantageous from an employee-satisfaction perspective or in those instances where there is a need to change the direction of an employee’s performance. But in many jobs, the time span can be significantly longer than six months. For example, computer software development projects may require several years to complete and to therefore measure an employee’s performance.

Incentives, excellence awards, and recognition programs can be used throughout the year to keep employees motivated and excited about the compensation program. Spot bonus payments can be very effective. A portion of the merit budget may be set aside for a “spot pool” that can be used at any time to reward an extra effort by an employee.

Q: **How can you ensure your pay-for-performance program is successful?**

**Answer**

Several areas should be considered to ensure a successful program:
• **Measure performance:** Ensure that there is a process or system established to measure performance in an objective, fair, unbiased way.

• **Ensure the plan is flexible:** Build into the program a periodic review to ensure that it continues to be effective. Make changes to the program as required.

• **Get senior management buy-in:** Senior management, especially the CEO, sets the tone for how the program is perceived in the organization. They need to demonstrate 100% support for a pay-for-performance program and not undermine it by rewarding below-average performers or not rewarding strong performers.

• **Train management:** Front-line supervisors and managers are often called on to conduct the performance measures in a pay-for-performance program. They need to be trained on the pay-for-performance system and understand how it works. If managers don’t understand the system, they will have a hard time supporting it, and the process will lose credibility.

• **Communicate and educate:** Companies need to take great care in communicating pay-for-performance programs effectively. Employees need to understand that a pay-for-performance system will benefit them in the long run and will not be used as a mechanism to reduce their pay.

**Q: What is incentive compensation?**

**Answer**

Incentive compensation refers to a host of variable pay schemes designed to tie pay to performance, and thereby achieve gains in worker productivity. Such compensation devices can take the form of:

- merit pay;
- bonuses;
- profit sharing;
- gain sharing;
- corporate stock ownership; and
- commissions.

Choosing the proper incentive device requires an understanding of the organization’s goals. Depending on the type of incentive compensation used, the target of the
incentives could be individual employees (including executive employees), work groups (such as the sales force), business units, the organization as a whole, or a combination of them all.

Organizations are also recognizing that incentive plans, when properly designed, can attract quality employees and motivate employee effort and performance. They may even be an effective way to control costs by answering the employee’s question: “What’s in it for me?”

Employers must also know how and when to use incentive compensation. The effectiveness of a particular variable pay vehicle can only be rated with respect to the goals it is designed to achieve. These typically include the following:

- specific profitability goals;
- other financial goals (top-line revenue);
- cost savings;
- productivity; and
- individual performance goals.

Whatever goal is targeted, it must be measurable. Other organizational goals may need to be taken into consideration in the design of an incentive plan. If the organization wants to foster teamwork, its incentive plan cannot focus on individual performance. An organization will also want to ensure that the incentive plan is designed as a means to retain employees and attract new recruits.

Q: What are some types of incentives?

Answer

The objectives in using incentives are to attract qualified individuals, to motivate employees, to facilitate achievement of the business’ objectives (where risk is present), to control fixed costs, and to communicate the philosophy of management. There are three basic types of short-term incentive plans with varying degrees of risk/reward potential. Starting with the plan offering the lowest risk/reward potential and moving to the one with the highest potential, the three types of plans are:

- **Bonuses:** These are discretionary payments where specific reward criteria have not been pre-communicated. They offer the advantages of providing flexibility, ease of maintenance, and some financial incentive. However, the link between
performance and reward is weak. Also, bonuses can be difficult to administer, due to subjectivity, and they have high fixed costs.

- **Incentives**: These are associated with pre-communicated criteria and subjective evaluation. They provide financial incentive, but also control fixed costs and encourage teamwork. The downside to incentives is that they require maintenance and increase expense potential. They can also discourage mobility as a group plan.

- **Commissions**: These provide the maximum financial incentive and a direct link between performance and reward. They also reduce fixed costs (base pay), are easy to administer, and attract risk-oriented people. These advantages, however, must be balanced against disadvantages such as the necessity of maintenance, increased expense potential, reduced managerial control (due to commission-driven behaviour), and discouragement of teamwork.

When selling consists primarily of accepting the customer’s money in return for what is being bought, the salesperson is usually paid a straight salary or hourly rate. Commissions for salespeople come into play when the salesperson is being entrusted with finding the customer or persuading the customer whom management has found. In practice, most commission sales jobs include a base salary. The minimum wage law may, in fact, require this in the event that low commissions in a week fail to satisfy the minimum wage standard. But to earn only the base is to sell so little that, if the pattern continued, management would prefer that another person assume the job.

**Q:** What kinds of bonuses can be offered?

**Answer**

Bonuses are discretionary lump-sum payments made in addition to an employee’s regular salary or wage. Frequently, bonuses are based on employee earnings, thereby preserving pay differentials. Technically, bonuses differ from incentives in that they are granted after the fact and are not based on predetermined objectives. In practice, however, the distinction between bonuses and incentives is often blurred. Employers develop “bonus programs” that are based on the achievement of short-term objectives or long-term goals.

Annual bonuses are commonly awarded when sales or profit objectives are reached, which often have more to do with unrelated market conditions than employee effort. As the name suggests, these bonuses are paid out on a yearly basis.
Although annual bonuses are simple to administer, they can be expected to do little to motivate employees.

Even when annual bonuses are based on employee performance, they are long-delayed rewards for what may have been excellent work at the beginning of the year. The more an employee sees his or her job as a long-term career, the more an annual bonus makes sense because the employee is already thinking in terms of long periods of time. The less an employee thinks of him or herself as investing in career growth, skills, and abilities, the more he or she will need immediate rewards for work well done.

Spot bonuses are an effective means of providing immediate recognition for going above and beyond the regular duties of a job. A spot bonus generally consists of a small cash award (e.g., $500 or less) that can be delivered within a few days. Because there is less time between performance and the reward, spot bonuses have a greater motivational effect. More immediate rewards, however, mean more frequent evaluations and higher administrative costs.

Referral bonuses reward employees who have refer friends and relatives for employment. These employees are paid a lump-sum bonus if the referred candidate is hired. The most common incentive employers use to encourage employee referrals is cash. The bonus can be calculated as a flat amount or as a percentage of the new hire’s salary or the dollars saved. Many plans break the cash award into two parts: one to be given to the employee at the time the referral is hired, and the other awarded when the referral completes a probationary period.

Cash retention bonuses are a popular means of attracting and retaining key employees. They are most frequently offered to staff in hard-to-fill jobs such as information technology professionals. Payouts are often tied to length of service and may be expressed as a percentage of pay.

Some bonuses are awarded regardless of individual effort. An example is a Christmas bonus where every employee receives the same bonus regardless of individual performance. These bonuses may be in the form of cash, food, or gift certificate for a local retailer.
Q: What are some organization-wide and executive incentives?

Answer

There are two major categories of organization-wide and executive incentive plans: cash and stock.

Cash incentives include:

- **Company-wide profit sharing:** This is based on overall company results and usually involves an equitable or proportional distribution of cash or deferred options. It offers the advantages of employee awareness of company profits, a profit focus, and variable cost. Such an incentive plan, however, suffers from employee perception of a lack of control over profits. This incentive plan can also be a questionable motivator and may result in compensating employees just for being members of the organization.

- **Executive cash incentives:** These are funded based on company performance and may also be dependent on business unit results and individual results. These plans do not suffer from the perceived lack of control over profits, as does company-wide profit sharing, because executives naturally exercise much greater control over profits than do employees in general. The advantages of executive cash incentives include the fact that they serve as attention-getting devices and thereby communicate organizational goals. They also create variable costs, link pay to performance, and help employers maintain their competitive position where the incentives of opposing employers are matched. However, executive cash incentives can create unfavourable “class” distinctions. In addition, it may be difficult to set goals and to measure individual performance.

Stock incentives include:

- **Stock options:** These are rights to purchase, at today’s price, shares of company stock at a future date. They have the advantage of being cost effective because they do not change company earnings. These incentives are under close scrutiny because of perceived accounting abuses. Many organizations are changing accounting methods to take into account unexercised options granted, but this remains voluntary. Stock options also link employees to shareholders since stock appreciation is a common interest of both groups. On the other hand, dilution of earnings per share (an important measure of corporate vitality) is a drawback of stock options. Also, participants in stock option plans may in fact not be able to control stock price.
Qualified stock purchase plans: These operate through payroll deduction. The option price may be the lesser of 85% of the market value, when the option is granted, or 85% of the value at exercise, thus supplying an incentive for employees to purchase the stock. Accordingly, they have the advantage of encouraging employee stock ownership.

Stock awards: These are a good example of a no-investment, stock-based incentive plan. This incentive scheme can take the form of restricted stock, stock bonuses, or stock contributions. A major advantage is that no investment is required. In addition, employee stock ownership is encouraged. However, this scheme can also cause disadvantageous dilution of earnings per share and suffers from a lack of control of stock prices. There is also a charge against earnings.

Q: What are the characteristics of gainsharing plans?

Answer

Gainsharing is a type of group incentive plan that is used most frequently with non-managerial employee groups. The gain from improved productivity is shared between the company and its employees according to a pre-established formula. Typically, the formula might give the company one-third of the gain, award one-third to the employees, and allocate the remaining one-third to a reserve fund to be used to offset company losses during periods when productivity falls below the standard. Ultimately, when it is no longer needed as a reserve, the remaining one-third is distributed to the employees.

There are several types of gainsharing plans:

- Value-added plan: The cost of materials and services is subtracted from sales to determine a value-added figure. Only employee costs are then compared to this figure to arrive at a value-added index. This index is then compared to the value added, for future periods, to determine if there has been a productivity improvement. To the extent employee costs are less than what would be the case in applying the value-added index to the value added, there is a productivity gain to be shared. A problem with the plan is removing the effects of automation from productivity gains.

- Rucker plan: Essentially, this is a value-added plan that contains special adjustments to account for base wage and other price changes, capital expenditures (automation), and other costs unrelated to employee productivity.
COMPENSATION

- **Scanlon plan:** Total payroll costs are divided by sales plus finished inventory figures to determine the plan ratio. Employee shares of productivity gains are determined by improvements in this ratio.

- **Improshare:** Under this type of plan, increased productivity is determined by looking to the number of working hours that are saved in producing a number of units in a given period of time, as compared to a base period. Its proponents stress that this measure leads to less waste and better quality control since only finished product is used in measuring the gains.

- **Par plan:** This plan goes beyond other gainsharing plans by rewarding any successful effort to improve profitability. It does not single out gains solely from productivity improvement. A “par” figure is determined based on all manufacturing costs compared to sales. Any improvement in this ratio determines the gain to be shared.

- **Gallway plan:** Employee incentives under this plan are based solely on reductions in labour costs. The labour value of each product is determined and becomes the basis for determining the gain in productivity that is shared with employees.

In order for a gainsharing plan to succeed, employee relations must be good. Gainsharing is not a cure for employee relations problems and will not work in an organization that has serious underlying production or employee relations problems until those problems are resolved.

In addition, the plan’s design must not be so complicated that employees do not understand the measurement system or how awards are determined. Senior management must view the gainsharing plan as integral to the organization’s culture. Performance measures must capture the essence of the business and be of the type the employees can embrace and feel they control. Foremost, improved performance under the plan must result in increased profitability, or there will be no gain to share and the program will fail.

Successful gainsharing plans require communication. Employees must be acutely aware of the company’s financial and business objectives, and of the importance of their contributions to the company’s success. Most importantly, they must understand what they stand to gain from improved productivity. Performance targets should not be set too high or too low. A gainsharing plan should not be installed in a work unit that is dependent on another unit, or a process over which the target unit has no control.
Q: **What are the differences between goalsharing and gainsharing plans?**

**Answer**

Goalsharing is a group incentive program that provides a road map for employees to support the business strategy. The goalsharing process maximizes employee involvement by:

- clearly communicating key business drivers and plan goals (measures);
- educating employees on how they can impact the measures;
- reporting progress towards goal attainment; and
- rewarding employees based on results.

While the focus of gainsharing is financial, goalsharing utilizes a more balanced and strategic approach. In addition to financial goals, it incorporates non-financial measures related to quality, service, innovation and business processes. Gainsharing is formula driven, whereas goalsharing focuses on strategy and agreed upon stretch targets of performance.

Gainsharing is results-oriented, and tends to be best suited to production positions; whereas goalsharing can be broader based, and can be applied across a wide range of different jobs. Gainsharing can reward the short-term achievement of improvements, whereas goalsharing is focused on longer periods of time, usually coinciding with the organization’s fiscal year.
Job Evaluation and Wage Research

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Q: What is job evaluation?

Answer

Job evaluation is a systematic process for determining the relative worth of jobs within an organization. The result of the job evaluation process is the establishment of an internal job worth hierarchy — an ordered list of jobs within the organization, from the least valued to the most valued. This hierarchy, in conjunction with external market considerations, is used to develop salary structures.

The overall objective of job evaluation is to establish internal equity within the organization. Internal equity is the perception that jobs are paid fairly according to their relative value to the organization (jobs that are more valued and complex are paid more). Job evaluation focuses on the job itself, not on the individual performing the job.

There are many different ways that the relative worth of jobs can be determined, and each method varies in terms of its complexity and formality. However, the most common techniques generally fall into one of two categories: job content evaluation or direct market pricing.

Job content evaluation is a broad term that characterizes many different techniques; generally, the worth of a job is determined by the content of the job relative to others. Consideration is given to the skills and abilities needed, education and training required, physical and mental effort required, duties and responsibilities of the job, and working conditions that must be endured on the job.

Companies using job content evaluation must decide which of these compensable factors are most important and weigh them accordingly. Then, taking these factors into consideration, jobs are placed into a relative-worth hierarchy. Salary information is obtained for certain jobs in the group called “benchmark jobs”, either by conducting a salary survey or by obtaining existing salary survey data. The remaining salaries are interpolated from the benchmarks.

Direct market pricing is a technique by which the relative worth of a job is determined by the marketplace. Basically, an organization will conduct a salary survey or obtain existing survey data from which it can determine the current market salary rates for a large group of benchmark jobs. These benchmarks will then be used to create a salary scale within which the organization’s other jobs will be inserted, based on their similarity to the benchmarks.
While the emphasis of job content evaluation and direct market pricing differ, they both consider the characteristics of the job and the external market in some way.

**Q:** Who conducts job evaluations?

**Answer**

Traditionally, job analysts or compensation analysts in the human resources department have been responsible for performing job analyses, writing job descriptions, and conducting job evaluations. Often, a team of HR staff members will conduct the evaluation together to reach consensus. The job information upon which the evaluation is based, however, should be obtained from those most familiar with the specifics of the job.

A popular alternative is to establish a job evaluation committee composed of respected members of line management throughout the organization. With the committee approach, an HR representative educates members about the job evaluation process and facilitates committee meetings. The job evaluation process benefits in several ways. There is more knowledge about the specific jobs and greater “buy in” of the results. A committee approach also helps ensure the integrity of the internal job hierarchy. Committee members can share their knowledge of jobs and make sure there is consistency in evaluating them. A common approach is to invite a line manager from the department of the job being evaluated to the committee meeting. This allows the committee to ask questions of the representative, and it ensures that the evaluators have a clear understanding of the job details.

**Q:** What are the differences between job content evaluation and direct market pricing?

**Answer**

Employers that use a form of job content evaluation compare the content of jobs to determine their relative worth. Once this hierarchy has been established, a few benchmark jobs are selected and salary data is collected for them. The salaries of the rest of the jobs are interpolated from the market data obtained for the benchmarks.

In both direct market pricing and job content evaluation, it is necessary to find out what other organizations are paying for specific jobs. But an organization using direct market pricing must do this to a much greater degree than an organization using a job content evaluation technique.
An organization using direct market pricing must determine the “going market rate” for somewhere between 50% and 90% of its jobs. This is done either by conducting a salary survey or by using existing salary survey data.

Here are some things that organizations should take into consideration when trying to decide which job evaluation technique is right for them:

- **Management philosophy:** Management may (or may not) feel that they owe it to stockholders not to pay salaries higher than the going market rate.

- **Internal and external equity:** Direct market pricing is the most sensitive to the considerations of external equity, while the various techniques of job content evaluation are more sensitive to internal equity considerations.

- **Workforce composition:** The more different types of jobs to be evaluated, the more likely that either direct market pricing or one of the more sophisticated types of job content evaluations is the way to go.

- **Expense:** The more complex the job evaluation technique, the more expensive it is to maintain the pay program.

- **Consultants:** Since many consulting firms are proponents of only one or a few of the specific techniques, it’s a good idea to talk to more than one consultant before a final decision is made.

Q: **What are the basic types of job content evaluation?**

Answer

There are six basic types of job content evaluation.

- **Ranking:** This is an unsophisticated technique where the person conducting the job evaluation subjectively determines the relative worth of jobs. The job that is worth the most to the organization is ranked first, and the job that is worth the least is ranked last. A methodology called paired comparison, which compares jobs to each other two at a time, adds a little order to an otherwise unstructured technique. However, it can lead to some illogical evaluations. If an organization wants a pay program that is viewed as internally equitable, the evaluator may need to reconsider the evaluations and justify the relationships between the jobs until they are consistent. Ranking is most effective with small groups of similar jobs.
**Classification:** With this classification technique, jobs are compared to predefined class descriptions. For example, a series of salary grades are established, complete with a written description of each grade. The job description for each job to be evaluated is compared to the descriptions of the salary grades, and each job is placed in the appropriate grade. One of the drawbacks of a classification system is that it is very difficult to draft job classification descriptions that can be effectively used to evaluate the many different kinds of jobs. In other words, the classification descriptions need to be so broad, in order to accommodate many different types of jobs, that there is often too much room for subjectivity in deciding which jobs to place in which grades.

**Slotting:** This is similar to classification, except that the jobs to be evaluated are compared to jobs that are already in the existing system. The descriptions of the jobs being evaluated are reviewed, and the jobs are placed into the salary grade that contains jobs of similar worth. Slotting is often used in conjunction with other job evaluation methods. For a job to be properly evaluated, the jobs in the existing structure must have been evaluated correctly. And since slotting itself is not a technique by which this initial structure can be set up, there is always a question as to whether this has been done correctly. As with ranking, the comparison of responsibility, skill, effort and working condition requirements is done on a completely subjective basis, heightening the possibility of error.

**Factor comparison:** With the factor comparison method, the jobs being evaluated are broken down by compensable factors and then compared, factor-by-factor, to benchmark jobs for which salary data has been obtained. In analyzing the benchmarks by compensable factors, dollar amounts are assigned to each factor. Salaries of the jobs being evaluated are then determined by breaking them down by compensable factors, comparing their compensable factors to those of the benchmarks, and then assigning the appropriate dollar amounts to the compensable factors of the jobs being evaluated. This method is not widely used, as it is fairly difficult to maintain and explain to employees. It does, however, provide a good mix of market and job content foundation to ensure both internal and external equity.

**Scored questionnaires:** This technique uses job content questionnaires. The questions are weighted based on which aspects of job content are most important to the job being evaluated, and the questionnaires are scored. Jobs are then ranked on the basis of their score on the questionnaire. One of the major
The drawbacks is that it is very difficult to develop a questionnaire that asks all the questions that should be asked.

- **Point-factor plans:** Under a point-factor plan, a limited number of compensable factors are selected and each is broken down into degrees, with a different number of points assigned to each degree. The compensable factors are also weighted appropriately for the group of jobs being evaluated. The jobs being evaluated are then broken down by their compensable factors and compared to the point plan, and appropriate points are assigned. The points are totalled for each job, and the resulting figure determines where the job is placed in the job worth hierarchy. This is one of the most commonly used forms of job content evaluation, but no single canned point plan is good for every situation. Point plans are generally based on a limited number of compensable factors, and the compensable factors selected for use in a point plan will depend on the compensable factors most important to the groups of jobs being evaluated. Somewhere between seven and ten compensable factors are usually used in point plans.

Q: **What are compensable factors?**

**Answer**

Under some types of job evaluation schemes, jobs are evaluated in terms of compensable factors. These are identifiable and observable elements of a job that can be used to determine worth or value. The most frequently used compensable factors tend to flow from one of the following categories:

- skills such as job knowledge, analytical ability, manual dexterity, ability to communicate;
- effort such as the physical and mental requirements;
- responsibilities such as supervisory authority, decision-making, accountability, level of contact with others; and
- working conditions such as temperature, noise, hazardous or adverse conditions.

Q: **How does direct market pricing work?**

**Answer**

Direct market pricing is the kind of job evaluation in which jobs are evaluated by the wage they command in the job marketplace. Some advocates of this type of job
evaluation will tell you that to some extent all evaluation schemes are based on the going market rate of jobs. With direct market pricing, the employer obtains market data (average salaries, etc.) for as many of the organization’s jobs as possible. It is important to ensure that the data gathered is valid and is from reputable survey sources. For each job, the benchmark job descriptions in the surveys should be examined to ensure they match the organization’s job.

As many survey sources as possible should be used. The data can be fitted into a regression line or otherwise averaged to determine a mean. Another method of determining the market rate is to weigh data from various sources according to the strength of the job match, the number of employees represented in the survey data, or other factors such as the degree of relevance (same industry, geographic proximity, etc). After all data is gathered and analyzed, an internal hierarchy can be created by listing jobs according to their market rates, from lowest to highest. Sometimes these hierarchies will need a little tweaking to maintain logic in the structure, for example to maintain an appropriate distance between jobs with reporting relationships.

Direct market pricing can become expensive, though, because the employer will most likely need to purchase numerous salary surveys to obtain sufficient data or a contract with a consultant. In addition, there can be jobs that are unique to certain companies and for which no survey data is available, or there can be jobs that do not completely match the benchmark job descriptions from the salary surveys. These jobs can be slotted into the hierarchy, based on their perceived value in relation to the other jobs.

Q: What are the compliance implications of direct market pricing?

Answer

Direct market pricing uses the going market pay rates of jobs to determine their relative worth, as opposed to using an analysis of the content of jobs, as is the case with the various forms of job content evaluation. Pay equity legislation, however, requires organizations to analyze specific factors such as skill, effort, responsibility, and working conditions to determine if there is gender bias in pay practices. In other words, if male and female employees working in the same establishment under equal working conditions are performing substantially equal work requiring equal skill, responsibility, and effort, it is unlawful to pay them different rates.

With direct market pricing, because of its emphasis on market rates instead of job content, it is easy to see how organizations can get into pay equity trouble if they
do not base their market pricing on comparators that have already eliminated gender bias. Hence, direct market pricing is not commonly used as a stand-alone evaluation system. To comply with pay equity legislation, organizations need to use job descriptions that clearly set out the skill, effort, workplace conditions, and responsibility levels required by a job in order to draw internal comparisons. Market data can be used to establish pay levels, provided the hierarchy of positions has been established in a way that reflects the relative value of positions within the organization.

**Q:** Why are market rates an important part of salary administration?

**Answer**

With direct market pricing and, to a lesser extent, with job content evaluation, salary survey data is used to create job worth hierarchies. In other words, salary survey data is used to determine which jobs are worth more than others and to create a listing of jobs that shows a continuum from “worth the most” to “worth the least”.

There is, however, another use for salary survey data, and that is to determine the wages or salary actually paid each employee. In direct market pricing systems, use of survey data is usually no different than the job evaluation process itself. Whatever the marketplace says a job is worth is usually what an employer using direct market pricing will pay. For an increasing number of employers, external comparisons must be made to determine compensation rates, or it simply will not be possible to hire and retain good people.

Market rates in salary administration are important for a number of reasons. Organizations need to ensure their salary rates maintain pace with inflation. Otherwise, the organization will suffer from excessive turnover. This is one reason why organizations typically review salaries and salary structure annually.

Organizations should be aware of where they sit relative to other organizations that may be competing for employees. This might mean deciding to pay industry driven rates, or it might mean paying according to geographic norms. In skilled positions, employees tend to be more mobile, and therefore the organization has to pay more attention to the salaries paid for similar positions across a greater geographic area. Organizations should also consider the impact of downsizing and technological change. Today’s employees are being asked, for a variety of reasons, to do more with less help. Adding greater responsibilities will drive employees out of
the organization if there is no corresponding compensation for the greater efforts required.

Employees often perceive that other organizations must pay better rates. While this may be wishful thinking, it is important for the organization to have a credible basis for setting its pay scales. Market data can be used to construct a pay program that is sensitive to external equity issues and to show employees that they are being paid fairly in relation to those who work for other companies. Salary survey data is the most accurate way to know what other companies are paying their employees.

Q: How are market rates determined?

Answer

A practitioner can determine market rates by buying survey data from one of the large consulting houses that specialize in salary administration. In specialized industries where market data might not be ready at hand or where there is a perceived need for focused data, an employer may want to commission one of these consultants to do a specific survey that targets certain organizations or industries. Other employers may choose to conduct their own surveys.

The least expensive way to obtain survey data is to get it from those who have already conducted surveys. These sources include consulting firms, company and trade associations (to which your organization may belong), and professional associations. Local chambers of commerce and business groups may also produce area market survey data.

It is critical that a survey include the organization’s competitors, in terms of both the product market where goods are sold and the labour market where there is competition for people. An organization must decide how it wants to position itself in the pay market and must select the data points accordingly. Some organizations choose to pay at or near the median, while others choose to pay in the upper (or lower) quartile. However, market information may be useless unless the organization has some level of confidence that the comparators are good matches.

In addition, organizations are becoming more sophisticated in their competitive compensation strategies. It is becoming increasingly more important to look at total compensation when drawing comparisons. Total compensation typically means base salaries plus bonuses, short-term incentives, long-term incentives, and benefits.
Most surveys come out at specific intervals each year, and they can be updated for a salary budget or any other given budget cycle. It is possible to update old survey data, if necessary, using the Consumer Price Index or data on average wage increases (available from Statistics Canada). For key positions or highly skilled positions where demand outstrips the ready supply of qualified individuals, this method will not take into account the probability that greater-than-average adjustments may be necessary.

Having a consultant conduct a made-to-order survey specifically for the organization can be prohibitively expensive. If, however, an organization decides to use a consultant’s services instead of conducting its own survey, the consultant will often have adequate data on hand already without having to do too much “from scratch” research. A viable alternative is to use a boutique firm or contract with a single practitioner to conduct the survey. Their rates are often substantially less than the rates charged by the large consulting houses.

Organizations may choose to conduct their own surveys. However, this requires having human resources staff with sufficient expertise and time to conduct the survey and do the analysis on the data. Organizations voluntarily participate in surveys conducted by consulting houses because they are assured of confidentiality. These same organizations may be very reluctant to share information with a rival unless it is publicly available information, such as wage scales contained in a collective agreement.

Conducting your own salary survey is one way to ensure that you are getting exactly what you need, provided, of course, that your company’s HR staff is qualified to do it.

Q: How important is it for employee attraction and retention that employers pay higher-than-market rates?

Answer

An employer does not need to be the top payer in the marketplace in order to attract and retain staff. The more important factor in attracting and retaining staff is for the employer to be perceived as “fair”, both internally and externally, when paying employees. If an employer is perceived as paying fairly, then it will be other factors (such as work environment, nature of the work, and company culture) that influence whether an employee stays with the company.
Q: Who are the main providers of salary survey information?

Answer

Several large consulting firms conduct salary surveys on a regular basis. Consultants invite various employers to participate in their surveys, develop data collection instruments, collect and analyze the data, compile the results into a report, and sell the report to interested parties for a fee.

As a service to their members, specialized associations, for example professional engineers associations, often conduct salary surveys for various jobs within their industries and/or professions.

Q: What types of salary surveys are available?

Answer

Although there are many surveys that focus on specific trends, true salary surveys can generally be classified as one of the following:

- **Benchmark surveys:** These surveys collect and report specific salary data for particular jobs. The data is often analyzed by industry, company size, and other variables.

- **Salary planning surveys:** These surveys collect and report information about current and planned salary structure adjustments and/or projected merit increase budgets.

- **Geographic differential surveys:** These surveys analyze differences in pay across geographic areas. Differentials of various regions are typically reported as a percentage above or below the national average or median.

- **Custom surveys:** Individual employers or groups of employers may conduct their own salary surveys if their specialized needs cannot be met with regular published surveys. Oftentimes individual employers will commission consultants to design and conduct specialized surveys on their behalf.

Q: How are jobs put into salary structures?

Answer

Begin by determining how many pay structures are needed. Depending on the size and complexity of the organization, several may be needed. Different structures
might be created for managerial positions, administrators (clerical positions), specialists (scientists, lawyers, IT professionals) and hourly rated production workers. Separate structures might also be developed for different geographic regions to reflect prevailing market rates.

Separate structures can be arranged in job families that reflect the same promotional hierarchy. Often, staff positions and line positions are aligned in different job families to reflect the separate career paths of incumbents. This makes pay structures easier to explain to employees, because it is easier for employees to see the relationship between jobs that are in the same promotional hierarchy than it is for them to see the relationship between jobs in different hierarchies. This enhances the perception of internal equity.

Employees who are paid differently are also aligned in different job families. For example, commissioned sales representatives would be covered under a different structure than employees who are paid straight salary. Other differences might be hourly versus salaried employees or those eligible for incentive bonuses versus those who are not. This differentiation can aid administration.

After benchmark jobs have been separated into appropriate job families and the number of pay structures needed has been determined, the next step in wage and salary administration is to establish pay or salary grades. Pay grades are the components of pay structures. A pay grade consists of a midpoint, a maximum point, and a minimum point. The midpoint is typically the prevailing job rate, as determined by the relationship between the pay the organization wishes to provide and the market median. The distance separating a grade’s minimum and maximum points is the grade’s range. The number of grades to be included in a structure will depend on the number of skill or responsibility distinctions within the organization.

The procedure for establishing the pay structure will vary, depending on the employer’s job evaluation technique. When a form of job content evaluation has been used, the establishment of pay grades is really the merger of the salary survey process and the job evaluation process.

If the employer uses a form of job content evaluation, there will typically be a list of jobs ranked in terms of internal value, along with market rates for benchmark jobs. Looking for natural breaks between jobs in the ordered list can develop pay structures. With point systems, grades can be defined by identifying logical groupings of jobs based on point scores. For example, it may be determined that every increase of 40 job evaluation points or every 15% increase in points will warrant a new grade. The respective salary ranges for each job grade stem from the market data.
for the benchmark positions. The market rates will typically form the midpoint of each grade or the desired position in the market the organization has chosen to occupy (e.g. the top quartile, median, or lower quartile).

In the case of direct market pricing, the pay structure is developed from the many external market rates obtained through salary surveys. The following is a basic illustration of how market rates can be translated into a salary structure:

1. Take the job with the lowest going market rate in the group and use that going market rate as the midpoint for the lowest salary grade in the pay scale.

2. Increase that figure by some arbitrary percentage (10% is a good starting point) to get the midpoint of the next salary grade.

3. Continue this process until you get as close as possible to the going market rate of the highest paying job in the group. This figure will then become the midpoint for the top pay grade in the pay scale.

New jobs that appropriately fit into the group are evaluated by simply plugging them into the pay grade that has a midpoint closest to their going market rate. For the few jobs for which going market rate data is not or cannot be obtained, job descriptions are compared and the jobs being evaluated are slotted into the same pay grade as similar jobs.

Q: How are pay grades created?

Answer

Pay grades are developed by referring to a regression line that depicts the average market rates for various benchmark positions. This line can be adjusted to fit where in the market the organization wants to position itself (upper quartile, median, lower quartile). Benchmark positions are then aligned to the point on that line where they best fit. Other positions can be slotted into this progression according to their relative value, as determined by the job evaluation system (i.e., by point values). Jobs that are similar in value and in pay are clustered within a band or job grade.

The point on the regression line where the points and salaries intersect is the midpoint for the salary range. Upper and lower extremes (maximums and minimums) are usually established by pegging them at 20% higher or lower than the midpoint. The idea is to establish a minimum of about 80% of the job rate as a logical starting point for someone new to the position (having been promoted for example). This can create problems when external candidates are hired at the job rate — a higher salary...
than internal candidates typically start at. This, however, reflects the fact that external candidates are hired because they already have the requisite skills, whereas internal candidates are likely being stretched to develop those skills.

The distance between pay grades is usually an arbitrary figure, typically 15%.

Q: How does broadbanding work?

Answer

Broadbanding is the use of salary structures with significantly fewer grades (or bands) and much wider ranges than those traditionally used. Jobs that were previously covered by as many as four or five grades are typically consolidated into a single band with one minimum and one maximum point. Salary range midpoints are not usually used because a band encompasses so many jobs of differing values. However, sometimes a band may be composed of several zones.

The implementation of a broadbanding program requires a change in thinking in terms of jobs, rewards, and career development in order for it to be successful. Corporate cultures that support broadbanding tend to be looser and more flexible. Broadbanding offers several advantages, including:

- **Greater flexibility**: Broadbanding offers greater flexibility to employers who need to define job responsibilities more broadly. Broadbanding facilitates this flexibility by allowing an employer to add to or change the responsibilities of a job in response to organizational needs without re-evaluating or re-classifying the job.

- **Career growth**: Broadbanding facilitates career growth and development for employees without many of the administrative burdens traditionally associated with promotions and transfers.

- **Fewer layers of management**: Organizations that have streamlined their organizational structure through merger, reorganization, and downsizing will likely find value in broadbanding because the process of streamlining eliminates layers of management and creates a flatter organization.

- **De-emphasizes promotions**: Broadbanding can help employers de-emphasize promotions by shifting employees’ focus from higher salary grades to genuine career growth. Employers who use broadbanding are able to recognize and reward employees for acquiring new skills and assuming more difficult tasks within their current jobs rather than through promotion. It also facilitates
internal transfers because salary grades are less of an issue under broadbanding. Employees are more likely to consider moving into a new job or different business unit without a promotion or advancement to the next job level.

- **Emphasizes individual performance**: Broadbanding allows employers to place more emphasis on individual performance because mechanically determined salary ranges and rigid increase guidelines no longer affect pay. Wider salary ranges provide employers with more room to distinguish between good and mediocre performers. Accordingly, employers need to have sound performance management systems in place to ensure pay is administered appropriately.

**Q: Is broadbanding right for your organization?**

**Answer**

To answer this question, you must consider the following factors:

- **Culture**: An organization whose culture emphasizes hierarchies and places value on promotions and status will have a difficult time adjusting to broadbanding. For it to be successful, management and employees alike need to change the way they think about work and pay. For example, managers and their subordinates need to be comfortable with the notion that they may both fall within the same pay band. And top management needs to support the practice of making individual managers responsible for pay decisions.

- **Cost control**: Under a traditional salary structure, narrow range spreads serve as an automatic cost-control mechanism for pay. Employers need to be aware that with broadbanding there is the potential for all employees to float to the maximum. This would mean that many jobs in the band would be much higher than market value. For employers whose payroll is more than 50% of operating expenses, small overpayments can be significant. Accordingly, employers adopting broadbanding need to develop other cost control strategies.

- **Internal equity**: Under a broadbanding approach, pay decisions become more decentralized and are less driven by strict guidelines.
**HR STRATEGY**

**General HR Strategy**

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Q: What is the strategic role of a human resources practitioner?

Answer

A human resources practitioner’s role in an organization can commonly be split into two functions: strategic and transactional. The strategic role focuses on ensuring that HR initiatives support and are aligned with the overall organizational strategy and business plan. The transactional role focuses on ensuring that efficient and effective processes are in place to carry out day-to-day HR management and administrative activities.

The overall goal of HR is to attract, develop, and retain people who have the right skills, experience, and attitude to help the organization realize its goals. This is how the strategic competitive advantage is attained.

Effective HR management needs to be an integral part of running the business. The HR practitioner cannot be an outside participant who merely adds supporting mechanisms that enhance the business’s direction and mission. The HR practitioner has to be part of developing the mission and direction. Moreover, the responsibilities for managing an organization’s human resources is a shared responsibility. The HR practitioner ought to be a strategist and tactician who coaches line management to manage the organization’s people.

The HR practitioner is in a unique position to take a leadership role in managing organizational change. The practitioner should not necessarily be the champion of change — that role properly belongs to the CEO. However, the practitioner ought to be the chief change agent, designing processes and policies that facilitate change. It is important to develop an enduring direction for change that will create a culture that can easily adapt to the shifting business environment. By understanding the current environment and looking at possible future business environments, employers can better understand change. And once it is understood, change can be managed, influenced, and controlled.

Q: What are the most significant strategic issues facing human resources professionals?

Answer

One of the most significant issues facing human resources practitioners today is the ability of organizations to attract and retain people with the requisite talents to help the organization achieve its goals. Retention strategies must be inventive in
addressing emerging employee needs such as child care, elder care, flexible work arrangements, flexible benefit packages, and training to upgrade employee skills. Also, creating the organization’s employer brand — the unique qualities and attributes of a company that make it a desirable place to work — is an important aspect in attracting and retaining talent.

With increased diversity and significant demographic shifts (including the aging employee population and employing up to five generations in the workplace), there are increased demands on employers to understand the unique needs and wants of their different employee groups and to develop programs, processes, and resources that can meet those interests. Greater flexibility in employee benefit plans, effective performance coaching, and ensuring learning and development opportunities exist in formats that are valuable to all employees are some of the areas where HR professionals will need to focus their energies. A significant challenge for practitioners is the ability to manage potentially increasing costs while still delivering value to employees. Concurrent with the need to control costs is the need to be innovative in the products and services offered by the HR department. This means keeping in touch with the trends and emerging issues and trying to get ahead of them.

Improving employee performance is another focus. The HR field has had a lot of success in “selling” the importance of people management to their organizations. And, as a result, CEOs and managers are demanding performance management tools and compensation programs that are tied to performance. Teaching managers how to motivate employees and creating the requisite culture to drive performance are key. And, on the flip side, organizations are interested in cost effective ways to deal with poor performers. Being able to report on key performance indicators (KPIs) that measure the value people management activities have on the organization is an important element of effective HR management.

**Q: What should HR do to help the organization meet its goals?**

**Answer**

First and foremost, human resources practitioners need to understand what the organization’s goals and priorities are. Once understood, they then need to determine what HR initiatives are necessary to help achieve those goals. The practitioner should begin by focusing on the basics and ensuring that the basic HR functions are performed well. Key functions include:
HR STRATEGY

- recruiting the people with the right competencies who best fit the needs of the organization;
- ensuring the pay and benefits programs are fair and equitable;
- developing employee orientation, communication, and other processes to reinforce the desired organizational culture;
- enabling the organization to manage employee performance effectively to ensure that employee success is tied to the organization achieving its objectives;
- rewarding and recognizing the contributions made by employees;
- training employees to enhance their skills and increase their contributions;
- developing programs to support employees in striking an appropriate work–life balance;
- creating retention strategies that are relevant to employees and suited to their needs and interests;
- ensuring HR initiatives and employee relations services are cost effective, efficient, and value-added; and
- being the champion of organizational culture and change.

Q: How can HR add value to the organization?

Answer

To truly add value, HR needs to understand the business that the organization is in and develop initiatives, programs, and systems that work in that unique environment. Human resources practitioners should actively learn the business, ask questions and learn what important issues the organization faces, learn what people in the organization do, and sit in on operations meetings and attend sales conferences. The HR practitioner should have the basic skill set of a business generalist, which is a strong understanding of the organization’s business priorities. The practitioner then needs to analyze what is going on within the organization to treat root causes of issues, rather than being reactionary and simply responding to problems as they arise.

Sophisticated practitioners go beyond partnering and sell themselves as an integral part of business management. This means being part of the organization’s most senior management group and ensuring the “people” agenda influences all strategic decisions. To arrive at this point, HR needs to be positioned as a strategic
partner to the organization and the image of the HR department may need to be refreshed. This can be accomplished in part by shifting away from compliance activities and administrative duties and focusing more on strategic issues. To do this, the HR practitioner may want to begin with a comprehensive review of the department’s current activities. The result may be to cease some activities, automate others, or outsource others. If it doesn’t add value, don’t do it.

**Q:** What steps need to be taken to set up a human resources department?

**Answer**

When faced with the prospect of establishing a new human resources department or revamping an existing one, an HR practitioner must listen, observe, and learn. In the initial months, the HR practitioner needs to assess the company’s strategic business plans and objectives and determine how the HR department can best help to achieve those objectives. HR must identify key priorities and areas where attention needs to be focused, develop an HR strategy and timeline that supports the organizational strategy, and plan for implementing HR activities that will help the organization.

A useful exercise is to go through an HR audit or gap analysis, which will help the HR department get a handle on where things currently are, determine what is working and what is not, and compare the current state of affairs with the desired future state. This analysis will help determine the HR strategic plan. Areas to review include:

- organizational structure: current and future staffing numbers, reporting relationships, demographics;
- organizational culture: vision, values, mission, work environment;
- recruitment and selection: job descriptions, promotion and transfer processes, recruiting sources, interview processes, background/reference checks, employment contracts;
- compensation practices: salary strategy, bonus and incentive pay process, employee benefits programs;
- employee and labour relations: union/management relations, dispute resolution procedures, grievance handling;
- performance management: performance reviews, coaching, approach to employee discipline;
• reward and recognition programs: rewards and recognition approach and philosophy;
• training and development: new hire orientation, training policies, succession planning, skills development, leadership development;
• communications: formal and information communication channels, paper and/or electronic sources;
• employee record-keeping: personnel files, HR information systems, statutory compliance; and
• general HR policies and procedures.

The HR practitioner should review existing practices in all these areas and assess which areas need improvement or development.

The findings from this review will form the basis for the HR strategic plan. The plan should identify the priorities that match with the overall business plan and contribute to the bottom line. As with any effective plan, the HR plan should outline timelines for implementation, required resources, and a cost–benefit analysis.

Finally, the plan has to be sold to everybody — the senior management team and all the internal clients who will benefit from the implementation of the plan. The HR department needs to be sensitive to the needs of the organization and thus be prepared to make changes to meet the needs of particular constituents. It is important to build acceptance of the plan by building consensus. This drives commitment, which in turn ensures that the HR department will get support from within the organization.

Q: **How should a human resources department be organized?**

**Answer**

The structure of the human resources department, like the organization’s overall structure, must be flexible enough to adapt to the evolving role of the department. At the same time, there must be some stability and sense to the structure so that internal clients understand what the roles of various practitioners are.

The first step is to review what functions and services the HR department needs to deliver. These might include:

- rewards and recognition services;
• performance assessment and feedback process management;
• succession planning and career development services;
• management development services;
• compensation and benefits management;
• health and safety coordination (organizational wellness services);
• change management facilitation and consulting;
• employee communications;
• recruiting and staffing services;
• employee orientation services;
• retirement planning and pension plan management; and
• human resource information systems management.

An alternative to structuring the department around functions is to organize the department to match the structure of the internal client groups. If the organization itself is highly centralized, the HR department will be centralized. Conversely, in a decentralized organizational structure, the human resource function might have a central service core with on-site or field staff and facilitators as appropriate. The central core would be responsible for strategic and asset planning, policy support, administrative and compliance support, change management, communication support, and research. The demand for services would come from the separate sites, depending on local needs.

**Q: How should human resources professionals strategically manage employee engagement and retention?**

**Answer**

One of the most significant issues facing today’s human resources practitioners is an increase in employee mobility. Job-hopping was once seen negatively on a prospective employee’s résumé, as this implied instability. But now it is seen as a necessary strategy for individuals who are keen to manage their own careers.

Mobility is also enhanced by the improved access to job openings through the Internet and other vehicles. Organizations have shifted their expectations and have designed compensation and benefit programs that enhance mobility. For example,
rather than offering defined benefit pension benefits that are inherently designed to
reward long-term service and employee loyalty, many organizations have opted for
defined contribution plans or registered retirement savings plans that offer short-term
participants greater returns on investment and significantly greater mobility.

While competitive pay practices are a prerequisite to attracting and perhaps
retaining the best employees, many organizations are focusing on increasing
employee engagement and retention strategies that not only present a more attractive
environment for prospective employees, but also serve to motivate existing
employees to perform well and to stay longer.

The keys to employee engagement and retention are:

- opportunities for employee involvement in decisions directly related to their
  work;
- sense of achievement and feeling as though work is valued and serves a pur-
  pose;
- opportunities for employees to learn new skills; and
- positive work environments and enjoyable interactions with colleagues and
  clients.

Some drivers of employee engagement and retention are:

- reputation in the job market as a good employer;
- teamwork;
- clear expectations;
- recognition of good work;
- development of employee skills and competencies;
- training to keep up with innovative trends or technology related to an
  employee’s work;
- effective senior leadership;
- opportunities for advancement;
- understanding the unique needs of high performers;
- helping employees understand how their performance impacts the company’s business goals; and
- supporting innovation.

**Q: Do human resources professionals need budget and finance skills?**

**Answer**

Basic financial and accounting skills are critical for human resources professionals. The role of HR has evolved from focusing on creating, managing, and administering HR programs to being a strategic partner supporting the achievement of corporate goals. This most certainly requires knowledge of budgeting and finance.

At a basic level, HR professionals should be able to develop a budget and report on periodic variances to the budget. They should also understand financial statements and the balance sheet. Senior HR practitioners should have some basic knowledge of financial accounting, including how to develop a capital budget, calculate a return on investment, and understand basic decision-making tools. Also, they need to be able to describe HR initiatives in financial terms, providing cost–benefit analysis of HR decisions and building business cases for new programs. In the end, the HR practitioner needs to be able to discuss issues in terms that are important to the rest of the senior management team.

**Q: How has the human resources profession evolved into a strategic role?**

**Answer**

In the 1960s, human resources was focused on employee advocacy and compliance issues. This evolved to a point where the focus was put on employee services and administration. In the 1980s, the business environment became significantly tougher. HR professionals became change management agents who could facilitate the reorganization of the business. This often meant helping to find ways to decentralize decision-making and to empower employees through the development of self-managed teams.

Now, HR management is viewed less as a cost of doing business and more as a source for strategic competitive advantage. In particular, HR professionals are seen as the key executives for facilitating the articulation of the corporate vision into a set
of strategic action steps supported by the organization’s policies and practices. The function is now seen in many contexts as a significant player in the drive to increase employee effectiveness and productivity, customer satisfaction, and enhanced shareholder value.

The quality of the HR profession has also increased with increased certification and regulation. The profession is attracting better quality practitioners with greater business acumen and sophistication.

**Q: What are the strategic opportunities in e-HR trends?**

**Answer**

Over the next decade the human resource function will have to continue to embrace new technologies. Some of the key strategic issues emerging on the technology front include:

- **Enhanced workplace portals and intranets:** HR departments can provide employees with electronic self-service options that allow them to update personal information, change benefit options, file benefits claims, access information on total compensation or performance management, or simply have questions answered.

- **Increased technology access to more workforce segments:** Companies can continue to get more employees web connected, allowing greater access to corporate systems and HR information from home or when traveling. These innovations are designed to increase productivity, and they have the added benefit of increasing work–life balance by facilitating alternative working arrangements.

- **Increased use of Internet technology and social media for recruitment purposes:** With more and more job posting websites cropping up, more job seekers looking for work online, and the increased use of social media networks such as Facebook and Linked In, savvy HR professionals will need to ensure that their organizations’ web presence attracts quality employees.

- **Greater reliance on return on investment (ROI) tools:** Top management may exert more pressure on HR practitioners to justify investments in technology through ROI analysis and business case development.
• **Increased use of virtual workplaces:** Approaches such as online meetings, project team workspaces, web conferences, and video conferencing will continue to gain in popularity, with the added benefits of controlling costs, employee safety, and time commitments.

• **Increased use of technology as a communication tool:** Blogging, wikis, tweeting, and the like will become more commonly used by HR practitioners to communicate with employees and keep them informed of new developments at the company. Also, with increased mobility and remote workers, technology will be embraced as a tool for keeping employees connected.

• **Decision support tools:** HR practitioners will require more analytical tools to measure the impact of their efforts on key metrics that drive business results.

• **Business continuance planning:** The September 2001 terrorist attacks spurred a new understanding of HR practitioners’ critical roles in helping companies get their people back to work by providing space, systems, and support. Look for sharpened human resource involvement in employee communications and disaster recovery plans.

• **Attention to small cost-saving measures that add up:** HR practitioners will focus on the cumulative effect of additional process improvements and cost-saving initiatives such as technologies that improve data accuracy and ease data access.

• **Demand for better integration and collaboration between vendors:** HR will have to carefully select technologies to meet overall business needs and examine how vendor services can be bundled.
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Q: **When and how should consultants be hired?**

**Answer**

Human resource practitioners may, from time to time, find themselves in a position where they need assistance to solve business problems. They may not have the time or resources to address the problem, or they may not have the requisite expertise necessary to handle the issue. Hiring a consultant may be the answer. Before determining who might be the best consultant to perform the work, the HR practitioner needs to decide whether or not the work should be outsourced.

The following steps should be taken when engaging a consultant:

1. Define the scope of the problem.
2. Analyze the available internal resources, including the potential budget to get the work completed.
3. Source potential outsource providers and consultants.
4. Interview potential candidates.
5. Select the consultant.

Q: **What should you ask potential consultants?**

**Answer**

Before you meet with a prospective consultant, be sure you can clearly identify the problem and understand its causes and symptoms. Make sure you can communicate your expectations of the consultant, have determined how success will be measured, and have determined who will be in charge.

If appropriate, prior to the first meeting, give each potential consultant a confidential copy of a document that defines the scope of the problem and the expectations you and your organization have. Where appropriate, the consultant should be asked to sign a confidentiality agreement.

In your initial meeting with a potential consultant, you may want further information about the consultant, including:

- financial performance, stability, and reputation of the consulting firm;
• references or a list of prior clients with a similar problem and, if possible, in the same industry; ask whether or not you can contact the organizations; and

• an estimate of the cost to resolve the problem.

You may also want further detail on planning expenses, how the consultant will bill, and how expenses are handled. Ask for separate cost estimates for each step of the proposed comprehensive solution (this will allow the cost for the entire proposal to be planned and budgeted over several years).

Determine whether the solution to your problem will be the same as others or whether the consultant will create a unique solution for you. To make sure you absolutely understand what you are receiving for your money, request an estimate that includes the expected completion date and a detailed sequence of necessary steps.

The consultant’s fit with the organization, or more precisely with the employees involved, is essential to the success of the project. Insist on meeting with the individual(s) who will do the work if the consultant you are meeting with will not be the individual who will complete the assignment.

Find out how the consultant will safeguard the confidentiality of your information. A statement that the consultant will at all times comply with all laws, regulations, and canons or standards of conduct governing his or her profession and business should form part of the contract for services.

You should insist that the consultant submit a written proposal addressing all the commitments made in the meeting, the plans to resolve your situation, and the total cost, including contingencies to cost. When appropriate, the written submission should contain a guarantee for the work performed.

Where appropriate, the consultant should be asked to sign a copyright agreement stating that whatever ideas, work, software, programs, etc., that the consultant creates is the property of the company and not the property of the consultant. Moreover, the agreement should stipulate that the consultant will execute the necessary documents to assign the consultant’s rights that may exist to the idea, work, software, program, etc., to the company.
Q: How should a consultant be selected?

Answer

Preferably, you should seek bids from at least three different consultants that are capable of delivering on the proposed project. After receiving and reviewing these proposals, you will want to determine whether or not a proposal:

- is consistent with your notes and recollections of what was said by the consultant;
- offers a viable solution to the problem;
- is clearly superior to the others; and
- is clearly more cost-effective than the others.

Chemistry is important. You must be completely candid and feel that the individual has the organization’s best interest at heart.

Do your homework before deciding. Cheapest is not always better. Check the consultant’s credentials and call for reference checks. If the consultant is in a regulated field, check with the governing body to see if it has received any complaints. Also, check with the Better Business Bureau.

Before making a decision, discuss your thought process and preliminary recommendation with your superior and any other interested party.

Once you have made your decision, you may want to have a legal review of the services contract before signing. Pay particular attention to any discrepancies. If a decision was based on price, you may want to negotiate price with other bidders before making a final decision. Call the winning bidder and follow up with written confirmation of your understanding and expectations of the project. As a courtesy, you should advise the other consultants that they were not chosen for the project.

Q: How should a consultant’s progress be monitored?

Answer

Monitor progress closely. If daily contact is necessary, then demand daily feedback. Review all bills.

Incorporate methods, techniques, and solutions used by the consultant into your internal processes in order to avoid similar situations in the future.
Do not broaden the assignment without a proper assessment of the impact on the original project scope. Remember that consultants earn money by billing time. If you ask for information, you will be charged for the time spent in researching and responding to your request.

Designate one organization contact for all communication with the consultant. No one should go directly to the consultant; everyone should work through the designated contact. Do not hesitate to confront the consultant if he or she attempts to go around you as a point of contact.

If there are several individuals doing tasks for the consultant, request that the consultant also appoint a “point person” to facilitate accountability for communication.

Do not “leak” information prematurely. Have periodic update sessions conducted by the consultant and provide the sessions to all interested parties for the life of the assignment.

Do not hesitate to advise your professional counterparts of your experience with your consultant. Open, earned praise or factual information is always valuable.
# Mergers and Acquisitions

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Q: How does HR’s involvement influence the success of mergers and acquisitions?

Answer

The earlier the human resources function becomes involved in a merger or acquisition, the more likely the transaction is to succeed. (Success is usually measured as the increase in market value of the combined unit.) Studies have shown that few mergers or acquisitions actually result in the creation of value, as organizations fail to realize the synergies expected. If this is true, and all evidence seems to say that it is, then the HR management function may well be the key to changing this.

There are four stages to the merger and acquisition process where the human resource practitioner could get involved:

- pre-deal;
- due diligence;
- integration planning; and
- implementation.

The HR practitioner’s involvement tends to be the heaviest in the last two phases. However, the HR practitioner’s involvement is often too little and too late. An HR practitioner can improve his or her involvement in the early stages of a merger or acquisition by:

- identifying issues and planning due diligence;
- conducting due diligence regarding people, organizations, and cultural fit;
- educating the mergers and acquisitions team about people issues; and
- developing acquisition guidelines.

Q: What human resources competencies are important for participating in the merger and acquisition process?

Answer

Human resources practitioners need to understand the general economics of deal-making, the related business issues, and the methodology for successfully incorporating the people component in these deals. In addition, HR practitioners must know how to identify and manage discrete areas of risk, such as loss of business
momentum, employee alienation, and cultural frictions, and to take or recommend actions for eliminating these risks.

Here are some tips for building these competencies:

- gain mergers and acquisitions knowledge and general business literacy;
- develop an ability to contribute to the valuation of another company; and
- plan and lead complex integration projects.
- Understand overall business strategy (as well as people and organizational issues associated with that strategy).
- Understand and spend more time with operating management (for the purpose of supporting them in mergers and acquisitions).

Q: What major issues need to be addressed during a merger or acquisition?

Answer

During a merger or acquisition, the majority of human resources responsibilities come into play after the decision has been made; the details must be kept confidential until the principals agree. It regularly falls to line management and HR professionals in each organization to ensure that the companies become successfully integrated.

Nearly every merger and acquisition requires attention to these basic issues:

- defining the structure of the new organization;
- identifying new roles and responsibilities;
- reassigning personnel and possibly downsizing staff;
- integrating records;
- establishing a communication plan;
- addressing salary and benefits harmonization issues;
- setting common policies and procedures;
- coordinating strategic planning processes; and
- examining contracts and outsourcing arrangements.
Q: During the merger/acquisition process, who is in charge?

Answer

There is a significant period of uncertainty following a merger or acquisition announcement. The human resources department should be integrally involved in developing a communication plan and an integration plan that will alleviate employee concerns during this period. It must be recognized that, regardless of well-intended and well-thought-out plans, the culture of one or both of the involved organizations will be significantly disrupted.

Some of the strategic considerations to be made to demonstrate that someone is in charge and there is a plan include:

- **Integration strategies:** There is no “right” way to plan a consolidation. Rather, several integration strategies are possible. The HR practitioner’s role is to help senior management decide which approach best suits the organization’s needs and goals. Once the specific strategy has been decided on, the HR practitioner may be in a position to lead the design and implementation phases.

- **Downsizing:** In the event there will be layoffs or planned downsizing, these actions must be planned in accordance with legal requirements and good business practices. There is a risk of a sustained period of unrest and distrust that can create unwanted turnover among highly valued employees.

- **Consolidation:** The HR department should be involved in defining the new organizational structure and drafting new organization charts, assisting with defining new roles and responsibilities, and assisting with communicating these new roles to affected staff.

- **Corporate culture:** This process cannot begin without an objective assessment of the culture, including its values, leadership, and management style. Work ethic and corporate protocols are also factors that must be analyzed and integrated.

- **Quick action:** When tasks are delayed or are not perceived as timely by employees, the odds of the merger or acquisition being negatively harmed are increased.

- **Care with contact:** Much harm can be done by improper or casual comments made by representatives of the acquiring organization. Select representatives carefully and advise them to communicate carefully by:
— avoiding answering questions beyond their authority;
— avoiding the appearance and substance of “us” and “them”;
— not letting body language undercut verbal messages;
— stressing the importance of staying on task;
— being careful with casual conversation;
— being warm, non-confrontational, and friendly;
— asking questions and taking notes; and
— remaining positive and upbeat.

Q: What are the first steps that need to be taken to integrate two organizations?

Answer

Typically, the senior leadership of the combined organization will be announced at the same time that the merger or acquisition is announced. In some instances, senior positions such as chief financial officer, head of marketing, and head of human resources must be decided. Little progress can occur until these senior slots are filled, and care must be exercised to ensure that every decision is bias free.

Incumbents being replaced will have questions, so consider the following:

• Are there employment contracts?
• Are there viable options within the new organization for displaced individuals?
• What is an appropriate severance/outplacement package?
• How can confidentiality be preserved?

As each of the senior slots is finalized, the organizations under each executive may be consolidated. Relocation and distance may be factors. As the organization determines its new structure, there will be greater pressure to determine policy and procedural issues. And care must be exercised to avoid acting beyond the range of possibility under the organization’s rules.
Q: How should records be integrated after a merger or acquisition?

Answer

When integrating record-keeping, the basic questions include:

- What records are maintained?
- What written or unwritten rules control those records?
- Have the records been audited periodically? If not, were the records audited before filing?
- Can you assume the information is correct and proper?

Be sure to include personnel records, medical records, current and past disciplinary actions, training and education documents, legal records, as well as managers’ and supervisors’ records. Include databases and paper records. Collect each record by category, check against a master list, and combine the records from each company in a secure manner.

Q: What type of communication plan should be created to deal with merger/acquisition transition issues?

Answer

A solid communication plan is critical during a merger or acquisition. It should address all stakeholders and indicate who is in charge, where the headquarters will be, and whether or not there will be layoffs or further sale of business units. More information is better than less. And being as decisive as possible on these issues will allow employees to know where they stand. If the integration strategy is to consolidate the organizations into one culture, then it is important that human resources policy and practice material is collected and replaced quickly by a new employee orientation initiative that introduces everyone to the new “family”.

Here are some tips for developing a communication plan:

- Develop formal communications. These are official company announcements, meetings, press releases, etc., that are used to communicate news to employees, customers, and other stakeholders.
- Tap into information communication channels. News travels quickly through the office grapevine. Ensure that key players, managers, supervisors, and union
officials are aware of the “state of the nation” so that they can communicate the right message. Speak honestly, openly and frequently. Address bad news quickly.

- Use technology to your advantage. Use e-mails, blogs, Twitter, intranets, etc., to communicate the status of merger/acquisition activities and to address any employee concerns.

- Consider developing a Frequently Asked Questions document. Update the document frequently and ensure that it is accessible.

- Consider your employee groups. There may be a need to develop special communications specifically targeted to certain employees. For instance, employees who do not speak English as their primary language may require translated materials. Or employees who operate in remote locations with limited access to information may require a special meeting where a company representative visits and explains the details of the merger/acquisition.

Employees, especially informal leaders among employees, will fill in the gaps in communications. In fact, if information is not forthcoming, speculation and rumour will be accepted as fact. Therefore, it is imperative that management provide correct, credible information quickly.

**Q: What salary, benefits, and employee service issues should be addressed first?**

**Answer**

Employees need to know whether or not a new assignment created by the merger or acquisition is a promotion, demotion, or lateral transfer. If the company does not provide a scorecard, employees will create one that may be incorrect. Managers need to know the same when asked to assume a new role, especially if that position requires relocation.

Combining two or more salary plans requires careful analysis. However, this also presents an opportunity to correct aspects of the existing plans that should be modified. Regional pay practices can be very important, and up-to-date salary data is critical. Corporate culture is also an important consideration because it influences perceptions of whether pay plans are equitable or not.

With regard to employee benefits, typically benefit decisions, if changed, will not be effected until the end of each benefit’s plan year, and the benefit plan years for
each company may not be the same. Ideally, significant notice of any changes to the benefits plan should be provided. Employees transferring from one company to another may have significant issues with benefits that must be addressed.

Consider establishing a task force to review duplicate benefit plans, and determine which is better for the combined organization. The group can also determine if there are benefits provided by one organization that should be extended to the combined organization and, if so, under what conditions or modifications. Also, be sure to benchmark against organizations that reflect the new, combined organization. Consultants can play a role in this process. This reserves internal staff for more sensitive hands-on tasks that cannot be delegated to external professionals.

Employee services and programs should be treated in a similar manner to employee benefits. Consider these steps when integrating employee services:

- Make a complete list of HR services and programs provided by each organization before the merger or acquisition.
- In addition to the listing, project costs for each item for the combined organization.
- Determine the value of each service and program. Were they well-received by employees? Were they well-used? Attitude surveys, focus groups and other types of independent employee input are valuable to this process.
- Determine what level of funding the combined organization will provide.
- Propose a combined plan, secure approval, and announce to employees. Prepare an implementation plan that includes a communications plan.

Q: **What policies and procedures are important during a merger or acquisition?**

**Answer**

When combining organizations, each organization should compare the following:

- recruiting and interviewing procedures;
- orientation, training, and management development programs;
- compensation practices (e.g., incentive compensation, benefits, salary increases, etc.)
- performance appraisal process and forms;
• promotional policies including postings, transfers, and demotions;
• work rules and discipline procedures;
• grievances and union relations;
• suggestion programs, recognition and service awards;
• affirmative action plans and diversity initiatives; and
• safety programs, violence prevention, and security and crisis plans.

Before adopting one of the existing programs, consider whether or not the program should be continued at all or should be improved. Although it may be difficult, an honest evaluation of the shortcomings of each company’s programs should be attempted. Programs can be adopted on a temporary basis until there is enough time to conduct a proper analysis.

**Q: How are strategic planning and organization contracts affected by a merger or acquisition?**

**Answer**

Although not initially time-critical, combining the planning process of the former organizations and planning for the future of the combined organization is an important part of ensuring the success of the merger or acquisition. The challenges of continuing business and financial performance depend in great part on successful planning. Care should be taken to ensure that the planning process is based on the new organization and not a continuation of one of the former organizations, typically the larger or more powerful one. Even in situations where the organizations are managed as separate entities, there should be some degree of coordination and planning among each subsidiary, particularly in business and market lines.

When looking at outsourcing contracts, determine what contracts exist and whether or not they will be impacted by the merger or acquisition. Typically, outsourcing relationships are contractual and cannot be automatically stopped because of a change in the organization. However, a lawyer should review each contract to determine what impact it will have on the new organization.

In some instances, the former companies may have contracts with competing vendors. Difficult decisions, such as buying out contracts, may have to be made to combine the organizations. There may be significant cost or tax ramifications that must be determined and planned for.
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