CHAPTER 5

The human resource management function — the employment cycle

WHY IT IS IMPORTANT
The promotional photo opposite is part of a recruitment drive for the Australian Navy. The advertisement called for people interested in being trained as Maritime Warfare Officers to serve in submarines. The 2014 Federal Government budget allocated $2.1 billion over 10 years to recruit and retain Australian Defence Force personnel. Recruitment is only the first part of the process. Keeping good employees is a significant task for managers in achieving the aims of an organisation. In this chapter, you will learn about how businesses must plan for their human resources needs before setting out to find the right person for the job. Once a person is selected for a position, they must be ‘maintained’ in the workplace. Training and development as well as ongoing feedback on work performance will assist both the employer and employee. Termination of employment is the final phase of the employment cycle; it must also be managed to ensure employees are treated fairly and within the law.

WHAT YOU WILL LEARN

KEY KNOWLEDGE
Use each of the points below from the Business Management study design as a heading in your summary notes.

Establishment phase:
- human resource planning related to business strategy
- job analysis and job design
- types of recruitment methods and selection processes
- employment arrangements and remuneration

Maintenance phase:
- induction
- training and development
- recognition and reward
- performance management

Termination phase:
- termination management, including entitlement and transition issues

KEY SKILLS
These are the skills you need to demonstrate. Can you demonstrate these skills?
- accurately use relevant management terms
- research related aspects of human resource management using print and online sources
- analyse business literature, information and data
- evaluate key aspects of human resource management theory
- apply human resource management knowledge and concepts to practical and/or simulated situations
- evaluate different practices and processes for managing human resources.
Bupa Health Dialog — a top employer

Bupa Health Dialog, located in Melbourne, offers evidence-based wellness, prevention and chronic disease management services to help meet the health needs of Australians.

The company has a very thorough recruitment and selection process, designed to bring the very best people into the organisation. The process begins with a well-defined job description, which outlines the requirements and challenges of the role, and a job specification that details the key competencies expected. A detailed brief is provided to the human resources team, who then commence the recruitment process.

Whenever possible, company policy is to recruit internally in order to provide existing employees with a career path, as well as to maintain a good cultural fit. However, if no suitable internal candidate is available, the HR team recruits externally using the Internet and online recruitment agencies, such as SEEK, or newspaper advertisements.

After checking the resumes of applicants, the HR team will create a shortlist of candidates to interview. The interview panel usually consists of HR team members and the manager of the department requesting the position. The manager will be more interested in the technical aspects while the HR people look more for an appropriate cultural fit. Cultural fit is very important because Bupa is a people services organisation that has strong internal teams. It is essential that any new employee meets company expectations and is able to reflect the culture of the business. Positive business culture is one of Bupa Health Dialog’s main competitive advantages.

During the selection process, the company uses psychometric (psychological) testing for senior management positions or people working in specialist teams, such as its nurses. They test factors such as intelligence, aptitude and personality characteristics. When recruiting new employees the company is looking initially for the technical abilities to perform the job. Secondly, it is important that all new employees display the right set of values: caring, customer-focused, accepts accountability, has an aspiration to develop and is prepared to work in a team.

The company is very aware of skills shortages in the labour market and the potential difficulty of finding the right people, so sometimes innovative strategies have to be used. One successful strategy, especially for nurse recruitment, is the company’s Refer-a-Friend scheme, where employees can refer friends for a position. Should the referred person be successful, the employee receives a $1000 bonus payment.
5.1 The establishment phase of the employment cycle — human resource planning, job analysis and job design

**Key Concept** Before advertising a staff position, an organisation needs to plan its human resource requirements and determine what jobs need to be filled and what those jobs entail.

**An introduction to the employment cycle**

The employment cycle involves an organisation determining its employment needs in line with its business strategy. Once employment needs are established, it's time to hire staff. Once staff are employed, steps need to be taken to ensure employees are satisfied and productive. The final phase of the cycle is managing what happens when employees leave the organisation. These three phases of the employment cycle are summarised in the following diagram and table.

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**Phases of the employment cycle**

1. **Establishment phase**
   - Staff planning in line with business strategy
   - Job analysis and job design
   - Recruitment
   - Selection
   - Employment arrangements and remuneration

2. **Maintenance phase**
   - Induction
   - Training and development
   - Recognition and reward
   - Performance management

3. **Termination phase**
   - Termination management — voluntary and involuntary
   - Entitlement and transition issues

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**Phases of the human resource/staffing process and their related activities**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Activities</th>
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<tbody>
<tr>
<td><strong>Stage one — establishment</strong></td>
<td>- <em>Planning</em>: identifying staffing needs, conducting job analysis (determining the exact nature of the position to be filled) and job design (determining how the job is to be performed and the material and equipment required to do the job)&lt;br&gt;- <em>Recruitment</em>: attracting people to apply for the position in the business, undertaking internal and external recruitment&lt;br&gt;- <em>Selection</em>: choosing and hiring the most qualified; testing and interviewing&lt;br&gt;- <em>Employment arrangements and remuneration</em>: deciding on the type of employment contract (arrangements) and ways of paying employees (remuneration)</td>
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<td><strong>Stage two — maintenance</strong></td>
<td>- <em>Induction</em>: acquainting new employees with the organisation and the jobs they will perform&lt;br&gt;- <em>Training and development</em>: teaching employees new skills, helping employees to learn tasks associated with their jobs and to improve their skills&lt;br&gt;- <em>Recognition and reward</em>: monetary benefits (rewarding employees’ efforts through financial compensation) and non-monetary benefits (rewards such as better conditions, fringe benefits)&lt;br&gt;- <em>Performance management</em>: methods to improve both organisational and individual employee performance</td>
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### Human resource planning

All organisations have to plan for the positions that inevitably become vacant. Employees retire, resign or get promoted. Also, new positions develop as the business expands. Therefore, for most organisations, determining staffing needs is an ongoing process.

**Human resource (HR) planning** in the establishment phase of the employment cycle involves forecasting the number of employees available and the number of qualified employees demanded in the future. HR planning must be related to business strategies. You will recall that a business strategy is an action that is taken to achieve an organisation’s objectives. A common strategy used in order to achieve the objective of increased profitability may be to reduce business costs. HR must forecast the future demand for employees and estimate the supply available to meet that demand in order to avoid having too many employees on the payroll. If supply of employees is forecast to be greater than demand, HR will have to plan for a reduction of the workforce. For example, large supermarket chains in Victoria will have to plan for the likely staffing effects of customer self-scanning facilities. With as many as six in ten shoppers now scanning their own supermarket items, chains such as Woolworths and Coles must plan for what may inevitably mean a decrease in the number of checkout operators.

Human resource planning that is related to the business strategy of the organisation has never been more important. Given the pace of today’s technology and the global economy we now operate in, organisations must respond to change faster. If an organisation does not plan their human resource needs in line with their business strategy, it is unlikely that the business will succeed.

Human resource planning in the establishment phase of the employment cycle requires that an organisation constantly monitor and plan:
- the number of employees required
- their qualifications, including skills, previous experience and knowledge
- when and where these employees will be needed.

Now that we understand that human resource management must be related to business strategy, let us take a closer look at the establishment phase of the employment cycle in relation to job analysis and job design.

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**Phase | Activities**
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**Stage three — termination** | • Termination management: voluntary termination (dealing with employees leaving of their own accord — retirement, resignation) and involuntary termination (dealing with employees being asked to leave — retrenchment, dismissal)
• Entitlement and transition issues: payment of any outstanding benefits, such as sick or annual leave, and providing support and counselling for dismissed employees
Job analysis

Job analysis is the study of an employee's job in order to determine the duties performed, the time involved with each of those duties, the responsibilities involved and the equipment required.

A job description is a summary of what the worker will be doing — the role they will have in the organisation in terms of duties and responsibilities.

A job specification will indicate the sort of person an organisation is seeking in terms of personal qualities, skills, education and work experience.

Job design details the number, kind and variety of tasks that individual employees perform in their jobs. Jobs may be designed so they include a variety of tasks to keep employees interested and motivated.

Job analysis

Job analysis is the next step in determining an organisation's human resource needs. There is no sense in hiring people unless the organisation is clear about what it is hiring them to do. In other words, the organisation must determine the exact nature of a job before it can recruit the right person to do it. Job analysis is a systematic study of each employee's duties, tasks and work environment. A job analysis examines:

- actual job activities
- the equipment used on the job
- specific job behaviours required
- working conditions
- the degree of supervision necessary.

The job analysis for a particular position typically consists of two parts:

1. a job description: a written statement describing the employee's duties, and tasks and responsibilities associated with the job
2. a job specification: a list of the key qualifications needed to perform a particular job in terms of education, skills and experience (see the figure below). Once staffing needs have been identified, an organisation is able to begin its recruiting procedures.

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The successful applicant will have excellent design skills and can format supplied text both quickly and accurately. A thorough knowledge of Adobe CS3 studio software package for the Macintosh is vital. GoLive, PowerPoint, or website design experience, as well as good English skills, would be very advantageous.

Remuneration will be based upon experience. All applications should be sent in writing by Monday, 3 October 2011 to: Manager, Design, John Wiley & Sons Australia, Ltd, PO Box 1226, Milton QLD 4064. Work samples / copies would be appreciated.

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An example of a job description and a job specification

Job design

Job design concentrates on the work required for a job to be completed, job design details the number, kind and variety of tasks that individual employees perform in their jobs. Good job design takes into consideration the satisfaction of the employee's needs. In your school canteen, for instance, jobs may be divided according to tasks, with one person handling food and another handling money...
only. Alternatively, a single employee may do both tasks and may have other responsibilities such as ordering supplies, developing menus or cleaning the canteen. Jobs that are designed so that they include a variety of tasks and give the employee some decision-making responsibility are more likely to lead to greater job satisfaction. Greater job satisfaction in turn may result in lower employee turnover. To return to our example, if you were working in the canteen and were given sole responsibility of cleaning, you may lack motivation and eventually look for a job elsewhere.

**Job design for motivation**

In the past, jobs specialisation — where production was broken down into distinct tasks that were performed by individual employees — often resulted in employee boredom and dissatisfaction. To counter this effect, three job design approaches have been used based on intrinsic rewards — the good feeling that one gets from doing something well.

1. **Job rotation:** employees switch, for a period of time, from one job to another. This provides variety and gives employees a more comprehensive view of the organisation or the production process.
2. **Job enlargement:** employees are given more things to do within the same job. This provides job variety and a greater challenge for employees.
3. **Job enrichment:** employees are given more control and independence over how they do their work. This makes the job more interesting and challenging and provides motivating opportunities for self-satisfaction.

Working in teams is another way of improving employee satisfaction. In autonomous work teams, the team decides how and what work will be carried out among its members. The team may work without direct supervision.

**TEST** your understanding

1. Name the three phases of the employment cycle.
2. Outline why determining staffing needs is an ongoing process.
3. Predict the problems that could arise if a person being hired does not possess the skills or attitudes required for the position.
4. Explain the relationship between a job analysis, a job description and a job specification.
5. Select three job advertisements from a newspaper or online. Using the figure on page 176 as a guide, distinguish between the job description and the job specification.
6. What is job analysis and why might well-designed jobs lead to lower staff turnover?
7. Undertake a job analysis for the position of Year 12 Business Management Student at your school and identify the key elements for consideration.

**APPLY** your understanding

8. Why is it important to link business strategy to human resource planning?
9. If you were redesigning a job, which job design approach discussed in the case study above would you use? Justify your selection.
10. ‘Job enrichment is just a fancy name for worker exploitation’. Discuss.
5.2 The establishment phase of the employment cycle — recruitment and selection

**KEY CONCEPT** After the planning stage, the recruitment of staff commences and usually involves a thorough and lengthy process to ensure that the best person for the job is selected.

### Recruitment

Recruitment is the process of finding suitable job applicants using advertisements, employment agencies and word of mouth. When an organisation decides to recruit staff, it may choose internal or external recruitment methods.

#### Internal recruitment

Internal recruitment (from within the organisation) involves considering present employees as applicants for available positions. This often occurs when a person is promoted, and it provides a strong motivation for current employees. Internal searches are effective only if the organisation is substantial in size. An internal search for a candidate allows an organisation to use its own employees’ skills. It has the advantage of being low in cost and enables the organisation to select a replacement who is familiar with its operation. Some organisations use employee referral schemes. Potential candidates are identified and recommended by existing employees. If a referral is successful, the employee will receive a referral bonus for helping the organisation find the right person for the job.

#### External recruitment

A suitable applicant for a position may be found from outside the organisation (external recruitment). A business will use external recruitment methods when it wants to bring in people with new or different ideas and attitudes. The recruitment method chosen will depend on the size of the organisation, the type of position available and the nature of the labour force in the organisation’s particular area. The figure below outlines the main sources of employees available to an organisation.

#### Agencies

Temporary or casual employment agencies place people into positions for a short period. Such placements are convenient when current employees are sick or on leave. This type of service is often expensive. Most ‘temp’ agencies commonly supply people for administrative positions.
Many organisations use private agencies or recruitment companies to source suitable applicants for a position. This can be an expensive but effective method. The agency does the preliminary screening of candidates and presents potential employees who fit all the criteria of experience, education and training. Some organisations may even enlist the services of a ‘headhunter’. A headhunter seeks out a candidate to apply for a job. Headhunters are usually used to fill senior management and executive roles.

Many jobs are advertised online. Organisations such as Seek Limited provide an efficient way for job seekers to search online for jobs that meet their qualifications and expectations. Employers and recruiters use organisations such as Seek to advertise positions online, in order to reach a wide audience, although some employers still choose the traditional method of advertising in the newspaper. Advertising in the general media means that an organisation has to screen applicants, and then proceed with interviews. This is often time consuming if the organisation receives a large number of applications, but it does prove effective in many cases and small to medium-sized organisations often use this method.

‘Headhunters’ will usually be aware of talented and experienced people currently working in a number of different businesses. They can help an employer pick out a prospective employee, and encourage that person to apply for the job.

Outsourcing the hunt for the right candidate

It is time consuming to advertise, screen and interview potential employees. Many organisations use recruitment agencies as a way of decreasing the time involved in searching for a new employee. They pay an agency to interview candidates, and recommend a shortlist of potential employees or an employee suitable for the available position. Outsourcing of staff recruitment is becoming popular with organisations. As the skill shortage worsens, employers see the advantage of using an expert to make sure they hire the best people.

Community employment agencies are one of the most common sources of employees for organisations. Mission Australia is a community employment agency. It competes with other mainstream recruitment agencies for government contracts by providing fee-free recruitment services.

Mission Australia Employment Solutions will attract and screen candidates — including apprentices and traineeships — without the fee of a private recruitment agency.

‘. . . employers see the advantage of using an expert to make sure they hire the best people.’
**Selection**

**Employee selection** may be described as a screening or sifting process. It involves gathering information about each applicant for a position, and then using that information to choose the most appropriate applicant. Interviews, tests, physical examinations, and referee and reference checks are all part of this process. In selecting staff, the idea is to choose the most 'appropriate' person with the qualifications that best match the position, rather than the applicant with the 'most' qualifications.

Employee selection can be an expensive process — not only in terms of the time and effort put into the screening process, but also in terms of the costs of inappropriate selection.

A poor selection process leads to increased costs and lower productivity by increasing:
- training costs, if poorly qualified staff are selected
- job dissatisfaction and labour turnover, if the organisation or the job does not meet the expectations of candidates selected
- absenteeism rate, if staff feel inadequate on the job or feel under excessive work pressure
- accident or defect rates, and fines or claims, if untrained staff are selected.

**Selection options**

Selecting a candidate for a position is an important decision. The decision maker must choose appropriate devices for screening applicants, gradually 'narrowing the field' until the most suitable person is found. Developing a short list of suitable applicants helps to limit the number of interviews to be conducted or tests and checks to be carried out. The following devices can be used in the selection process:

- **Application forms.** Candidates outline information about themselves. The form may be simple, requiring details such as name, address and contact number, or it may require more detail about an applicant's personal history, skills and experience.
- **Tests.** These may be written or practical and are designed to assess aptitude, intelligence or ability. They are not used by all industries, and they are not always reliable as the sole indicator of an applicant's suitability for a position.
- **Interviews.** This is the most common device used in the selection process. The interview must be well organised and structured, and common questions must be used in each interview to ensure a consistent basis for selection.
- **Background checks.** The employer verifies the information on the application form by contacting referees or agencies for information about an applicant's previous experience, performance or record.
- **Medical examinations.** Some jobs require certain physical attributes. For example, Victoria Police requires medical assessment as part of their background checks.

**Selection interviews**

The job interview is the most commonly used selection technique. Interviews provide an opportunity for the job seeker and the organisation to learn more about each other. Interviewers ask questions to evaluate the candidate's motivation, personality and attitudes. The interview also provides the candidate with the opportunity to find out more about the job.

Unfortunately, **discrimination** sometimes occurs in the selection process. A female candidate, for example, may mention during the interview that she has a number of small children. Her interviewer may then assume, mistakenly, that she would not be available for night shifts or business-related travel. In addition, interviewers may be unconsciously influenced by a candidate's appearance. Occasionally, interviewers
may discriminate against candidates based on their age, where they live, the school they attended or their sexual orientation. Interviewers may ask different questions of various candidates, depending on the candidate’s appearance or other characteristics. Discrimination in the interview process must be guarded against, because it may contravene anti-discrimination or equal employment opportunity legislation.

After the interviews have been conducted and the checks and testing have been performed, the most suitable applicant will be offered the position. That person is the applicant that best meets the job specification, in terms of skills, qualifications and experience. The organisation will usually wait for the successful applicant to accept the position before informing the other applicants that they have been unsuccessful. This will help to avoid a potential problem, if the successful applicant no longer wishes to accept the position.

The following figure summarises the steps in a typical selection process.

![Steps in a typical recruitment and selection process](image)

**TEST your understanding**

1 Identify the costs that may result from a poor recruitment and selection process. Give examples.
2 Discuss the strengths and weaknesses of recruiting internally and recruiting from external sources.
3 What is the purpose of a job interview?

**APPLY your understanding**

4 You have recently been appointed as human resource manager for a national clothing company. The organisation has a history of high staff turnover and low morale. To correct these problems, you have decided to improve the recruitment and selection procedures. Outline the steps you might take to identify potential capable employees. How would you screen applicants?

5 Use the [Job interview](#) weblink in your eBookPLUS to learn about effective interview techniques. Then, working in groups of three, conduct a job interview. One person adopts the role of a human resource manager, and another adopts the role of the candidate for a position. The third person acts as an observer to assess the interview on the following criteria:

   (a) Was the interview effective?
   (b) How could it be improved?
   (c) What standards/criteria would you apply?

   The student assessing could award a score out of 20, giving a reason for the mark. All students should then change roles.

6 Identify one advantage and one disadvantage of using a private recruitment agency.

**DID YOU KNOW?**

Much employee turnover in Australia occurs in newly recruited staff who have spent less than one year in the job. This reinforces research that suggests most Australian management selection processes are unplanned, subjective, unsophisticated, highly susceptible to error and not supported by effective induction programs.
Practise Your Skills

- apply human resource management knowledge and concepts to practical and/or simulated situations
- evaluate different practices and processes for managing human resources.

Anti-discrimination laws

Discrimination occurs when a person is disadvantaged because of a personal characteristic such as their age or sex. Discrimination sometimes occurs in the recruitment and selection process where a potential employee is not employed because of personal characteristics that have no relevance to whether they can perform the job or not. Discrimination may be direct or indirect (see the following figure). To prevent discrimination and to avoid large fines, employers need to:

- comply with legislation, such as the Equal Opportunity Act 2010 (Vic)
- commit to a workplace free from discrimination
- write and communicate policies to prevent discrimination
- train managers and staff in cultural diversity issues, and about ways to prevent or deal with discrimination
- appoint a grievance officer (designated person in the organisation that an employee can talk to regarding discrimination) and specify grievance procedures involving issues such as sexual or racial harassment.

It is worth noting here that it may be acceptable to discriminate in particular circumstances. For example, in employing males to clean male toilets. Employers may apply for exemptions.

Direct discrimination
Treating a person or group less favourably than another person or group in similar circumstances.

Indirect discrimination
Treatment that seems fair but that has an unequal or unfair impact on one person or a group compared with others.

Discrimination during family leave

In June 2013, a Melbourne wealth management company faced a discrimination claim after it dismissed a new mother while she was on family leave, and refused to allow her to return to work on a part-time basis. Ms Sarah Fillmore has been employed as a client services manager by Carnbrea & Co., and in December 2012 took maternity leave from the company. It was Ms Fillmore’s understanding that the company had agreed for her to return to work part-time in mid-2013, but when she attempted to discuss the details of her return she was told that the company had never agreed to this. Instead the company wrote to her telling her that her employment would be terminated.
This case highlights the difficulties faced by many women when they become pregnant. Many employers openly discriminate against pregnant women, and do not respect their rights to return to work following maternity leave. The financial services industry apparently has a particularly bad reputation in relation to this issue.

On 22 June 2013, the Australian Human Rights Commission announced plans to hold a national enquiry into discrimination against women who were pregnant while working, and who faced discrimination when returning to work following maternity leave. Data from the Australian Bureau of Statistics revealed that in 2012 over 63,000 female employees felt they had experienced discrimination in the workplace while pregnant. Of these, 34 per cent reported they had missed out on opportunities for promotion, while 32 per cent believed they had not had access to training or development opportunities offered to other employees. There were even examples of women who had received inappropriate or negative comments from managers and supervisors in relation to their pregnancy and their employment prospects; a disturbing 28 per cent reported having had this experience.

Women make up 45 per cent of the workforce and 70 per cent of these women are of childbearing age. It makes good sense for employers to develop policies that support the needs of women during and after pregnancy.

**TEST your understanding**

1. Do you think discrimination has occurred in the following recruitment processes? Give reasons for your answer.
   - A Janine was told that it was rare for a female to be able to cope with work down in the mine. Janine did not get the job.
   - B Lai did not meet the qualifications required for the job and was sent a letter stating that she was unsuccessful in her job application.
   - C Renaldo was excited about the interview and felt that he had a chance even though he was 60 years old. The interviewer was clearly surprised that such an elderly applicant would even consider applying for the job. A letter was sent outlining the reasons why Renaldo would not be considered for the next round of interviews, and it stated that the company was only considering applicants in a younger age bracket.

2. Explain in your own words what discrimination is, and why it is important that we have laws that attempt to prevent it.

3. Undertake an internet search to find evidence that suggests pregnant women are discriminated against in the workplace.

4. What can HR managers do to ensure that their recruitment and selection processes are not discriminatory?

**APPLY your understanding**

5. Read about the following case and comment on whether you agree or disagree with the decision made and why.
   In the case Jordan v North Coast Area Health Service (No 2) [2005] NSWADT 258, a pregnant woman had requested that she be given light duties. Her employer did not concede to her request, saying that no alternative work was available and that a replacement worker could not be provided. It was suggested that the employee take leave. The employee claimed that she was discriminated against. It was found that the employer had indirectly discriminated against the pregnant employee. The NSW Administrative Decisions Tribunal said that the employer was required “to do more in the circumstances than to say, in effect, there is no policy [on how to deal with a move to light duties], there are no vacancies, there’s no money [for a replacement worker], and there’s no legal requirement”. Compensation of $7500 was awarded.
5.3 The establishment phase of the employment cycle — employment arrangements and remuneration

**Key Concept** Employers offer a variety of employment arrangements and ways of paying employees (remuneration) to attract the right person for the job.

### Employment arrangements

- **Permanent employment**
  - Full-time
  - Part-time
  - Usually 38 hours per week
  - Agreed number of hours and working times each week
- **Fixed-term employment**
  - Can be full-time or part-time
  - Agreed finishing date for employment
  - Usually has similar entitlements to permanent for the term of employment
- **Casual employment**
  - Usually part-time
  - No set working hours or times
  - Limited employment entitlements

The different needs of organisations will determine the types of employment arrangements offered to employees. **Full-time permanent** employment is the traditional method of employment for most people. Permanent full-time employees usually work for between 35 and 38 hours per week, and are entitled to a set of 10 National Employment Standards (see p. 223 for more details). Most full-time employees are also employed under an Award, which lays down a set of minimum wages and conditions (see pp. 222–3).

Some employees may be offered **part-time permanent employment**, where they work for less than the ordinary full-time hours. Part-time employees have continuity of employment and similar entitlements to those of full-time employees. The difference is that their entitlements are calculated on a proportional basis. For example, if a part-time worker is employed for three days out of five each week, he or she will be paid 60 per cent of the full-time wage, and will accumulate annual leave, long-service leave and sick leave entitlements at 60 per cent of the full-time rate.

While permanent employees are employed on an ongoing basis, a business will sometimes offer employment on a **fixed term contract**. Wages and conditions under these arrangements are usually similar to those of permanent employees, but the employment has a pre-arranged finishing date. Periods of employment from 3 to 12 months are common with this type of arrangement, and this can suit a business that may have specific employment needs for this period of time.

Another type of employment arrangement may involve an organisation employing what are known as **casual employees**. Casual employees are employed on an hourly basis and do not receive a range of entitlements (non-wage benefits) such as long-service leave and sick leave. To compensate, casual employees are sometimes paid a loading — that is, extra pay — on top of the normal full-time hourly rate. Part-time and casual employment can provide workers with flexibility that allows for improved work-life balance.

In some cases, organisations may choose not to employ a person, but to engage the services of a contractor. A contractor is not an employee of the organisation and
does not have the same rights as an employee. For example, contractors are typically self-employed and are responsible for their own tax and superannuation payments. By using independent contractors, companies bypass many of the requirements of a contract of employment, such as annual leave and sick leave entitlements.

**Remuneration**

Remuneration refers to the financial payment an employee receives in return for working for an employer. These payments can be made in the form of a wage or a salary. Remuneration is one factor in retaining productive and efficient employees who are loyal and display a high degree of commitment to their work. Paying employees appropriately is important because it affects productivity by increasing employee motivation, and lowering rates of absenteeism and staff turnover. While employee motivation will be influenced by a broader issues than remuneration (see Chapter 4), an adequate level of pay is a necessary condition in attracting and retaining good employees.

Most industries are governed by Awards that set minimum remuneration levels for workers within those industries. In addition there is a national minimum wage, which is the legal minimum that can be paid to any adult employee. Organisations can pay their employees above these minimum levels, and can use some of the following to provide additional incentives:

- financial incentives, such as bonuses, commissions and allowances, which are paid when an employee achieves specified goals
- other rewards, such as the use of a company car, laptop computers, childcare facilities and holidays
- salary sacrifice (also referred to as salary packaging), where employees sacrifice some of their salary to receive a benefit such as a car. The item is often purchased out of their pre-tax salary, making salary sacrifice an attractive proposition for many employees.

The combination of a base wage and these types of extras form what is referred to as a ‘remuneration package’. It is important that any remuneration package is aligned with the strategic and tactical goals of the organisation, and that additional bonuses are genuinely earned by employees contributing to the achievement of those goals. In recent years, shareholders of some large public companies have been critical of executive remuneration packages that have rewarded senior managers excessively, even when company performance has been poor.

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**TEST your understanding**

1. Not everyone works nine to five these days. List and describe at least five different employment arrangements that can exist between the employer and employee.

2. What other types of monetary rewards can be given to an employee over and above the base wage?

3. What are the National Employment Standards and how do they protect workers?

**APPLY your understanding**

4. What benefits may both the employer and employee enjoy as a result of making more flexible work arrangements available to employees?

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5. The former Governor of the Reserve Bank had this to say about how top executives have been rewarded: ‘The biggest misdirected incentive was the performance-based pay structures which awarded massive bonuses to the management of financial institutions on the basis of short-term profit results . . . Annual bonuses in the millions or tens of millions of dollars were available to the most successful profit earners and, of course, were not returnable when the short-term profits were lost in subsequent years.’

Comment on the pros and cons of offering top executives exorbitant bonuses.

6. Remuneration should reflect the responsibilities and skills required to do a job. Discuss.

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**Remuneration** is monetary payment in return for the work an employee performs.

A **wage** is an hourly or weekly rate of pay.

Employees who earn a **salary** are paid a fixed amount each year, which is then divided by 26 to give a fortnightly salary, or by 12 to give a monthly salary.

**Salary sacrifice** is forgoing salary in order to receive another non-cash benefit of equivalent value.

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Executive remuneration has been under the spotlight ever since the recent global financial crisis. Previously, many executives were given exorbitant incentive bonuses based on their performance. Now, there has been a switch to guaranteed financial packages instead of performance based remuneration.
KEY CONCEPT The total cost of an employee is determined by the wage or salary paid plus other non-wage (on-costs) employee expenses

As discussed on page 185, the remuneration package is the combination of monetary and non-monetary benefits an employee receives in exchange for their labour. An organisation will only employ someone if the return is greater than the cost. The total cost of an employee is not solely the wage or salary paid. The employer is also responsible for other employee expenses. These expenses are referred to as on-costs (or non-wage benefits), which account for around 30 to 40 per cent of the total remuneration package. The main on-costs include:

- superannuation
- occupational health and safety
- long service leave
- sick leave
- holiday pay
- study leave
- parental leave
- workers’ compensation
- leave loading.

How much does an employee cost?

When employing new staff, there are many other costs that are not always taken into account. The following case study reveals that these hidden costs quickly add up.

<table>
<thead>
<tr>
<th>Cost breakdown</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary. This is usually expressed excluding any on-costs, such as superannuation.</td>
<td>50,000</td>
</tr>
<tr>
<td>Superannuation. The employer must pay 9.5 per cent superannuation for all employees earning more than $450 in a calendar month.</td>
<td>4,750</td>
</tr>
<tr>
<td>Annual leave. Usually four weeks per year. This means that the base salary is paid for 48 weeks' work per year. Annual leave cost at 7.69 per cent (4 weeks/52 weeks).</td>
<td>3,846</td>
</tr>
<tr>
<td>Public holidays. There are about 10 public holidays in Australia each year. This is 3.85 per cent (2/52).</td>
<td>1,953</td>
</tr>
<tr>
<td>Sick leave. Most awards provide for 10 days each year. This is another 3.85 per cent.</td>
<td>1,953</td>
</tr>
<tr>
<td>Workers’ Compensation Insurance. The rate charged varies broadly depending on the risk of the industry. In some instances, it can be 15 per cent. For this example, a rate of 5 per cent will be used.</td>
<td>2,500</td>
</tr>
<tr>
<td>Payroll tax. This state government tax is levied once an employer’s annual payroll (including superannuation) exceeds a certain amount. In Victoria, the threshold from July 2010 is $550,000, and the rate is 4.85 per cent.</td>
<td>2,425</td>
</tr>
<tr>
<td>Recruitment. The average cost of recruiting the base-grade employee is about $5,000. This includes the cost of recruiting, lost production and training the new employee. For this example, assume the employee stays for two years.</td>
<td>2,500</td>
</tr>
</tbody>
</table>

Total of on-costs | 19,927 |

DID YOU KNOW? An extra amount, which is presently 17.5 per cent, is added as a leave loading to an employee’s holiday pay. The amount is calculated based on the four weeks’ annual leave that each full-time, permanent employee is entitled to.
The total on-cost for this ‘average’ employee is $19,927. Organisations are responsible for these costs and must budget accordingly. Therefore, based on this case study, the total cost of employing someone on a base salary of $50,000 is $69,927.

The table deals with the most common on-costs for the ‘average’ employee. For some employees, especially senior executives, other on-costs can include fringe benefit tax, car allowance, housing subsidy, travel and meal allowance, bonus fee and association membership fees.

Superannuation — money for later, but paid for now

Under the federal Superannuation Guarantee scheme, all employers must make a financial contribution to a fund for employees’ superannuation (otherwise known as super) that employees can access when they retire. Employers are not required to provide superannuation for employees aged under 18 years, employees that work 30 hours or fewer per week, employees paid less than $450 per month and employees working outside Australia.

The employer’s main obligation is to make a financial contribution — presently, 9.5 per cent of an employee’s earnings for their ordinary hours of work — to their employees’ superannuation account. As with taxation, employers are required to keep records of all superannuation-related transactions, including payments contributed, payroll and employee records, and the level of entitlement of each employee.

The aim of superannuation is to give employees a sum of money that they can use upon retirement or if they become an invalid. Superannuation can be given to an employee’s nominated beneficiary, in the event of the employee’s death.

TEST your understanding

1 Refer to the first case study and calculate the percentage on-costs represent of the base salary.
2 Distinguish between ‘annual leave’ and ‘sick leave’.
3 Explain why on-costs are sometimes referred to as ‘hidden costs’ or non-wage costs.
4 Identify some of the non-wage costs associated with senior executives.
5 Unscramble the following on-costs, and then write a sentence to explain their meanings.
   (a) eelav gaoldni
   (b) nnuepsnrtiaau
   (c) veale nlnuaa
6 Outline what the obligation of employers is towards employees in relation to superannuation.

EXTEND your understanding

7 ‘As an employer, I prefer to hire casual staff, because it reduces my recruitment and dismissal costs and other on-costs’. In small groups, brainstorm the advantages and disadvantages of employing casual staff. Present your answer to the rest of the class.
Induction helps employees to adapt to their new organisation. In this transition phase there are many new things to learn about how the organisation operates and the processes that are used.

Beginning work in an organisation means meeting new people and learning how everything works, and trying to create a good impression at the same time. Soon after candidates join an organisation, they go through the organisation’s induction program. A well-prepared induction program can help an employee through this stressful transition period.

The induction process

The process of induction (sometimes called orientation or even onboarding) introduces new employees to the job and shows them where they can find the basics they need to begin the job. An effective induction program is carefully planned to introduce new employees to the job, their coworkers, the organisation and how it operates. Topics covered in the induction program include information about the history of the organisation, its culture, general conditions and benefits, training, safety and career paths.

Supervisors, coworkers and the human resources department may be involved in the induction process. Research shows that most employees who leave an organisation depart in the first six months, so the need for support is greatest when an employee is new in a job.

The benefits of induction

A well-prepared induction program will:
• reduce stress and anxiety that may be associated with starting a new job
• build a new employee’s confidence in the job by:
  – assisting the employee to feel part of the organisation
  – helping to establish good working relations with coworkers and supervisors
• ensure greater awareness of major safety policies and procedures.
The human resource management function — the employment cycle

Chapter 5

The induction program provides employees with a greater understanding of their role in the organisation...

Starting a new job can feel like walking a tightrope, but a good induction process can take the fear out of the experience.

Victoria Legal Aid — induction training program

New employees at Victoria Legal Aid (an organisation that helps people with legal problems) must participate in an induction training program. The purpose of the program is to welcome new employees to the organisation and ‘settle’ them into the workplace. The program provides employees with a greater understanding of their role in the organisation and helps employees to become familiar with their new workplace quickly, in order to become productive as soon as possible.

The induction program starts with a broad introduction to the organisation by the managing director and divisional manager. Human resource issues will be discussed, in particular ergonomics and salary packaging. Computer training and a visit to the VLA library are also included in the induction process.

Induction benefits employees and the business. The quicker an employee becomes independent, the more likely he or she will enjoy the job and stay with the organisation.

TEST your understanding

1. What is an induction program?
2. Why should organisations offer their new employees an induction program?

APPLY your understanding

3. In principle, induction programs reduce stress, easing the transition into the workplace for the new employee. Not all induction programs are run properly though. Describe the faults in the following cases.
   A. Joanne arrived at 9.30 am for her induction training but no one else was there. The learning and development manager finally turned up with a bundle of manuals for her to read. He said: ‘That should at least keep you going till lunchtime!’
   B. Lee had many questions he needed answered. The basics included information such as: How and when he would get paid. What his job really entails? What the work environment is like? Where the toilets and canteen are? Unfortunately, most of the day was focused on how to beat the competition rather than what he really needed to survive the first month.
   C. Grant enjoyed the induction. It gave him a real feel for the place, but he did finish the day a little confused. He listened to at least three different versions of how to approach his projects from various staff members at different times.

4. Think back to a time when you started something new. It may have been a new year at school or you may have joined a group to learn something new. Explain the induction process that was used to help you ease into the new situation, and comment on whether or not it was beneficial.
An introduction to training and development

Training and development are aimed at improving employees' skills and abilities — they are necessary for both personal and organisational growth. New employees may need some training and development, depending on their level of experience. Existing employees also need training and development to continually upgrade their skills. Training is teaching staff to perform their job more productively. Development is the process of preparing employees to take on more responsibilities in the future through acquiring better knowledge and skills and gaining more experience in a particular area. Developing staff often involves training. It is interesting to note that many employees expect their organisation to provide them with opportunities to grow and learn and ultimately improve their employability.

Training

The aim of training is to seek long-term change in employees' skills, knowledge, attitudes and behaviour in order to improve work performance in the organisation. However, many organisations do not spend enough on staff training. This is unfortunate because training and development benefit both the employee and the employer. These benefits are listed in the table on the opposite page.

Life is a continual learning curve and it doesn’t just stop when you’ve finished VCE. You may go to university or you might start full-time work. In any case you will receive training to help you gain knowledge and learn skills to work productively.
Importantly, a well-organised and well-presented training program develops and maintains an organisation’s sustainable competitive advantage. Ongoing training for all employees is becoming critical due to rapid technological change and global competition — so critical that many organisations now promote the concept of a learning organisation. A learning organisation is aware of its actions and its environment and tries to improve its understanding of the relationship between the two. All employees are involved in developing knowledge and insights that allow the organisation to continually grow and improve.

Benefits of training

<table>
<thead>
<tr>
<th>Benefits for employees</th>
<th>Benefits for the organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity for promotion and self-improvement</td>
<td>Higher productivity through better job performance and more efficient use of human resources</td>
</tr>
<tr>
<td>Improved job satisfaction through better job performance</td>
<td>Goals and objectives more effectively met</td>
</tr>
<tr>
<td>A challenge — the chance to learn new things</td>
<td>Reduced costs due to less labour turnover and absenteeism, and fewer errors and accidents</td>
</tr>
<tr>
<td>Adaptability — greater ability to adapt to and cope with changes</td>
<td>A more capable, ‘mobile’ workforce</td>
</tr>
</tbody>
</table>

Technology creates the need for ongoing training

It is the task of the human resource manager to plan for the effective introduction of new technology. Training needs must be identified well in advance of any proposed technological implementation. This will ensure change happens at a pace consistent with the capabilities and expectations of the workforce. It also means human resource managers must constantly consider the skills required by the workforce in the future. The existing workforce must be trained and, if very rapid technological change demands it, retrained within a short time. While training of employees is often expensive, it cannot be ignored. Untrained employees will often resist new technology or not use it effectively.

Types of training

A number of training methods are available to organisations:

- Off-the-job experience: for example, classroom activities, simulations
- On-the-job experience: for example, coaching, job rotation
- Action learning — learning by experience solving real workplace problems: for example, NAB and IBM use this form of training
- Competency-based training — identifies skill strengths and areas where further training is required
• Training within industry — specifically developing the skills of first-line supervisors
• Corporate universities — organisations can also form partnerships with academic institutions to develop training: for example, Coles and Qantas have forged partnerships with academic institutions
• Training technologies: for example, computer-based training (the computer becomes a vehicle for learning), multimedia training, web-based training (training via the Internet).

Development
As discussed, developing employees is about preparing them for taking on more responsibilities in the future. This is not only good for the employee but crucial for the employer, who must plan for future human resource needs at both the managerial and entry levels. Effective development programs ensure staff are retained, and that motivation and commitment are enhanced through promotion opportunities for all employees over the longer term. Training is a big part of developing staff and assisting them to reach their true potential.

How an employee is developed in an organisation will depend on the organisation’s needs as well as the employee’s career stage. In the early stages of an employee’s career, the focus may be on gaining qualifications. As they move from one employment area to another, younger employees focus on experiencing a variety of roles to determine their interests and talents. Later, developing specialist or managerial competencies may become important as employees move into senior positions.

Programs aimed specifically at developing effective managers may focus on the use of:
• job rotation — the employee experiences many different aspects of an organisation. For example, a manager may move from one section of the business to another, taking with them their management skills and applying them to a different situation. In theory this is supposed to reduce boredom because the employee is exposed to new situations and is given plenty of variety.
• mentoring — a mentor acts a bit like a coach, supporting the employee as they learn. The employee is able to gain from the experience and skills of another person in the organisation.
• formal business training — this may be done through programs such as the Masters of Business Administration (MBA).

Closely related to developing staff is the concept of succession planning. Succession planning is ensuring that there are managers in the organisation who can step into senior management positions, if for some reason a vacancy occurs. This is particularly important for many organisations, because some management roles require specific skills and a detailed knowledge of how the organisation operates. It may take years of grooming the right person to ensure that when a senior manager does move on, there is someone to take his or her place.

TEST your understanding
1 Distinguish between the terms ‘training’ and ‘development’.
2 Outline how training and development can benefit both the employee and the employer.
3 Distinguish between informal on-the-job training and formal off-the-job training.

APPLY your understanding
4 What are the benefits to an organisation of promoting a ‘learning organisation’ concept?
5 Use the Succession planning weblinks in your eBookPLUS to define succession planning and state why many organisations undertake succession planning.
Recognition and reward programs

Recognition and reward programs

Recognising and rewarding employee performance is used as a way for organisations to become more productive.

Recognition and reward programs

When did someone last take time to praise you for a job well done and how did it make you feel? In the workplace, an effective recognition and reward program should help to attract, retain and motivate employees. Recognition refers to acknowledging the fact that an employee has performed well. Acknowledgement may involve giving the employee a reward, such as a bonus, in exchange for doing a good job.

A recognition and rewards system can also reinforce strategies that will facilitate change or support desirable corporate values, such as a focus on the customer. For example, BHP Billiton offers employee awards in categories such as health, safety, the environment and community to recognise employees who demonstrate company values and go beyond their day-to-day job requirements to care for their fellow employees, the community and the environment.

Recognition might just be a pat on the back for a job well done. Many organisations, though, now have formal reward and recognition programs so that employees who perform well are rewarded and encouraged to continue the good work.

DID YOU KNOW?

A survey conducted by the company RedBalloon found that employees said they would contribute more to their organisation if they were rewarded for their efforts.
Rewards can be monetary or non-monetary, and intrinsic or extrinsic (see the figure above). **Intrinsic rewards** are those that the individual derives from the task itself, such as a sense of achievement. **Extrinsic rewards** are those given or provided outside the job. They may be monetary (for example, incentive payments) or non-monetary (for example, flexible work schedules).

Sometimes organisations use profit sharing to reward their employees. Employees may be offered shares, annual bonuses or performance payments based on output, sales, profits or other indicators. Profit sharing or employee share plans are often used to promote a culture that values quality, customer service, participation or teamwork. Reward systems are also increasingly linked to performance management through enterprise bargaining and individual contracts.

**Developing a recognition and reward program**

A reward system should aim to motivate staff and be equitable, clearly communicated, defensible, consistent, relevant, cost-effective and integrated with corporate strategy. Managers can also link rewards with performance and skills recognised in the marketplace, using job evaluations (based on job descriptions, specifications and performance appraisals), comparison with other similar employers and analysis of statistics and surveys compiled by recruitment agencies.

Relating performance-based pay to teamwork may provide a clear focus for employees and reward high-performing employees for their efforts. Some argue that businesses may use performance incentive systems as a substitute for more important motivation strategies, such as improved job design, employee participation and feedback to employees about their work.
The human resource manager can use many tools in developing a reward system. For example, a grid or matrix could be drawn up to assess the objectives of each reward and the overall effectiveness of the system, such as the one shown in the following figure.

**A rewards matrix for an organisation**

<table>
<thead>
<tr>
<th>Reward component</th>
<th>Reward objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employee attraction</td>
</tr>
<tr>
<td>Base salary</td>
<td>✓</td>
</tr>
<tr>
<td>Gainsharing plan</td>
<td></td>
</tr>
<tr>
<td>Performance incentive</td>
<td>✓</td>
</tr>
<tr>
<td>Corporate profit share</td>
<td>✓</td>
</tr>
<tr>
<td>Superannuation</td>
<td>✓</td>
</tr>
<tr>
<td>Other benefits</td>
<td></td>
</tr>
<tr>
<td>Career planning</td>
<td></td>
</tr>
</tbody>
</table>

It is important to note that performance-based rewards may lead to problems, if some individuals believe they work harder than others in teams without recognition of their efforts. They may also lead to competition between workers, rather than cooperation. For some employees, productivity or job performance may be difficult to measure and reward. Employees must perceive the system as fair and equitable, otherwise increases in industrial unrest or employee turnover may result.

**TEST your understanding**

1. Distinguish between ‘intrinsic’ and ‘extrinsic’ rewards in each of the following examples:
   (a) Chris’s new task in his role as chief research officer is to determine how the business can grow online. He finds this an exciting challenge and a change from his usual work.
   (b) Jane just loves working in an organisation that is so caring and well managed.
   (c) In her new job, Louise is excited to find that she has been given a car park in the building and also a corporate discount card that entitles her to a 5 per cent discount on petrol.

2. What is ‘profit sharing’? Why is it used by businesses?

3. Imagine you are conducting a survey into the effectiveness of an organisation’s system of rewards and benefits. How would you evaluate the rewards system? Identify the criteria you would use.

**APPLY your understanding**

4. Read the following scenarios and state:
   (i) the problems that can occur with this recognition and reward system
   (ii) how each of these problems might be overcome.
   A Jamila was given the employee of the month award but Deanne said that was because she was the boss’s favourite.
   B Pete has given up trying because he thinks he does not have a hope of ever receiving a reward in his company’s recognition and reward program.
   C Jaz thinks that only those who are good at self-promotion ever get the rewards. It is not about the work done, it is about who can promote themselves the most.

5. Comment on the following statement: ‘When people say they want reward and recognition they really just want a pay increase and that’s all.’

6. Gainsharing is a group employee reward system where the group shares the benefits of any productivity improvements. Examples include the Scanlon Plan, the Rucker Plan and Improshare™. Using the Internet, research one of these gainsharing plans, stating its main features and why it may be beneficial.
**5.7 The maintenance phase of the employment cycle — performance management**

**KEY CONCEPT** Managing how well an organisation performs relies on many factors, such as its performance appraisal system; and the way the organisation designs jobs, recruits and selects staff, trains staff and provides appropriate reward and recognition.

---

**Performance management**

Performance management aims to improve both organisational and individual employee performance by relating the organisation's performance objectives to the employee's performance objectives. For example, if a food company wishes to increase market share, it might develop a new and exciting range of 'heat and eat' meals. The advertising manager would then have the task of promoting these new products, and his or her objective might be to create an advertising campaign that increases sales by 10 per cent in the first year. In addition, sales representatives would have a performance objective of selling 10 per cent more product than the previous year.

Performance management is about improving organisational and individual performance. If individuals are performing well, chances are the organisation should perform well too.

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Performance appraisal is the formal assessment of how efficiently and effectively an employee is performing their role in the organisation.

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Performance management is about setting objectives that help the organisation achieve its overall objective. Effective performance management looks at whether jobs are well designed and employees with the right skills are hired to undertake work. Training as well as appropriate reward and recognition programs also increase the likelihood that performance in the whole organisation is managed appropriately. Managing an employee's individual performance in the organisation is referred to as performance appraisal, and it too is a crucial part of performance management.
Performance appraisal

Performance appraisal involves five main objectives:
1. to provide feedback from management to employees regarding work performance
2. to act as a measurement against which promotion and pay rises can be determined
3. to help the organisation monitor its employee selection
4. to identify employees’ training and development needs
5. to identify new objectives and put a plan in place to improve future performance.

If most employees continually perform below expectations, the organisation’s recruitment and selection process may need to be changed, or extra training and development may be required. Although many managers are uncomfortable with the idea of evaluating employees, effective performance appraisal is a crucial function of good management.

Regular feedback equals successful performance appraisal

While the end of the financial year provides organisations with an opportunity to do a “stocktake” on their financial performance, equally important, but often overlooked, are regular reviews of the team’s performance.

It is often said employees are the most important asset. If this is accepted, it would also stand to reason that people leaders would also review the performance of their employees.

Performance reviews [or appraisals] are a key aspect of keeping your team engaged and ‘buying in’ to what the business is trying to achieve. However, for some — both people leaders and employees — performance appraisals can be seen as a tiresome and difficult process, but it need not be.

When both parties know what is expected of them, a performance review should not contain any nasty surprises. However, lack of clear expectations is often where problems begin.

Most employees have a strong work ethic and want to do well… Notwithstanding, feedback from peers and people leaders is an important gauge for what an employee is doing well and what areas need development.

It is important to remember that feedback should not happen only at the end of the year in the form of an official performance appraisal. Feedback should happen regularly to ensure all parties are on the same page and any issues can be addressed quickly.

This four step process of performance management has traditionally worked well for setting employees up to achieve the best possible results.

Step 1. Ensure expectations are clear, for no other reason than employees are typically more productive when they know what is expected of them and when. These expectations may be set on a weekly basis but also typically cover a longer term, say half yearly or yearly. Some employers fall into the trap of assuming that their staff know what is expected of them. As a people leader, it is your responsibility to be clear.

Step 2. Assess performance regularly. Some people leaders complete an annual performance review and think their job as a people leader is done. Of course, an annual performance review is important to discuss what has been achieved over the year, but performance should be assessed on a regular basis to make sure projects are on track, milestones are being met and any queries resolved. A monthly catch up is a good starting point, to review… not only what is being achieved, but also how it is being achieved.

• A monthly catch up is a good starting point to review not… only what is being achieved, but also… how it is being achieved.
Step 3. Provide feedback on a regular basis. Ideally, you should not need a formal catch up to provide feedback, but it is imperative that feedback is provided when performance is assessed. Feedback should include recognition of the effort, improvements and achievements throughout the past month, quarter or year, which is an excellent motivator for many employees. This is also the time to provide constructive feedback for development areas. Providing constructive feedback to highlight and bridge performance gaps, if delivered in the right way, can be equally motivating, as most employees want to continually improve their knowledge and skills.

Step 4. Continuous development will keep employees engaged and will ultimately result in increased productivity. Development planning looks not only at what the employee needs to do to complete their current role, but also helps to up-skill them for their next role. Development means different things to different people, but typically encompasses learning new skills on the job, mentoring, new responsibilities or stretch targets and formal courses.


Common methods of appraisal

One widely used performance appraisal technique is management by objectives, where the employer and employee discuss and agree on the objectives to be evaluated. The employee’s progress is reviewed periodically and, if needed, corrective measures are implemented.

There are other appraisal techniques, such as:

- **Essay method.** A manager keeps a journal on each employee being appraised. Notes may be restricted to specific aspects of job performance, such as customer service, sales, personal presentation and cash register use.
- **Critical incident method.** This is similar to the essay method except that the manager records only exceptionally good or bad aspects of work performance.
- **Comparison method.** Each employee is ranked according to a list of predetermined performance characteristics. This method often incorporates statistical values as a means of measurement. For example, a rating scale of 1 to 5 may be employed (1 being poor and 5 being excellent). This scale may be used to assess knowledge, speed, accuracy, communication, interpersonal skills, oral and written skills, personal presentation and administration techniques.

No matter which appraisal technique is used, the results should be discussed with the employee as soon as possible. The manager should explain both the positive and the negative aspects of the employee’s performance, encourage the employee to continue with his or her positive behaviour, and let the employee know what to do to be recognised as a more productive employee in the future. Without this performance feedback, performance appraisals are a pointless exercise.

The most crucial aspect of any performance appraisal method is for the process to be completely objective. Performance based on the opinion of one person can often be subjective and open to manipulation. The article opposite also sheds some light on the recipe for a good appraisal system.
The human resource management function — the employment cycle

**Surprise! It’s performance appraisal time**

A performance appraisal should be the opportunity for a leader in an organisation to set the development opportunities for their employees alight. It should be an invigorating, refreshing occasion.

Admittedly, sometimes it may be a tough experience as some home truths are formally shared about performance and leadership. But it should never, never be a surprise.

Many organisations fail the most rudimentary test of a good performance appraisal system. The system becomes routine. A tick the box exercise that has as much to do about developing people’s performance as macroeconomic theory has to do with customer service.

Performance appraisal systems that are routine and more about the system than the systemic and systematic development of people are a failure, and should be stopped and overhauled for the good of the organisation.

A good performance appraisal system will have coaching at the heart of its structure and application. If an organisation has not set about teaching their leaders how to coach, it is not serious about having a performance appraisal system.

Not many people are naturally good coaches. They need to be trained. They need to be able to comprehend that the appraisal is not about them, but about the employee. The key to a successful appraisal is having the employee believe they have performance gaps and that rewards will come through closing the gaps. Belief is a powerful motivator.


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**TEST your understanding**

1. Distinguish between performance management and performance appraisal.
2. Read ‘Regular feedback equals successful performance appraisal’. What are the benefits of a regular informal catch up with employees?
3. How does the author of ‘Regular feedback equals successful performance appraisal’ believe performance appraisals can contribute to ongoing employee development?
4. Briefly outline four common methods used to conduct a performance appraisal.
5. Outline why it is important to provide feedback after a performance appraisal session.
6. Explain the benefits, both to an employer and an employee, of a good performance appraisal system.
7. According to the article ‘Surprise! It’s performance appraisal time’, why do so many organisations fail when it comes to providing a good performance appraisal system?

**APPLY your understanding**

8. Have you been asked to appraise your own learning or performance? Research how self-appraisal could be used as a part of a performance appraisal process.
9. Use the [360-degree feedback weblinks](#) in your eBookPLUS to explain what this feedback is and why it might be beneficial to the employee and employer.

---

**10** Survey five people, asking them to respond to the following statements. Collate the results as a class and write a paragraph about what the survey has revealed about performance appraisal.

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>When appraising work, everyone should be given the same score.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>If the organisation as a whole has not made a profit, no employee should receive a bonus.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Poor performers should be sifted out and sacked.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Pay increases should be linked to good individual performance.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>A good rating in a performance review is more likely to reveal excellent self-promotion skills than anything else.</td>
<td></td>
</tr>
</tbody>
</table>

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**The human resource management function — the employment cycle • CHAPTER 5 199**
### Key Concept
The final stage in the employment cycle is the ‘termination stage’, in which workers leave the workplace on a voluntary or involuntary basis. This stage needs to be handled carefully and sensitively by the human resource manager.

**Termination of employment and how it is managed**

Gone are the days when a person would commence their full-time working life at the age of 16 or 17, work for approximately 45 years, and then retire. Work patterns and organisational operations have undergone radical change over the past two decades and this has dramatically altered the movement of people into and out of jobs. Due to increased international competition, many organisations — large, medium and small — have been forced to restructure. As a result, there has been a marked increase in the number of voluntary and involuntary redundancies being offered.

**Termination** of employment is when an employee leaves a particular workplace, ending the employment relationship. Termination of employment is usually managed by the human resource manager, who must ensure that the employee is treated both fairly and within the law.

There are many reasons why employees leave an organisation. However, it is possible to classify the different types of separation into two broad categories: voluntary and involuntary (shown in the following figure).

**Retirement** occurs when an employee decides to give up full-time or part-time work and no longer be part of the labour force.

**Retirement** is when an employee voluntarily leaves the workplace and the workforce. Until the mid-1980s, it was common for men to retire once they reached 65 years of age and women when they reached 60 years of age. Since changes to legislation in the 1990s, there has been no ‘official’ retirement age. People now can choose when they would like to retire. A recent trend is for people to retire ‘early’ — that is, in their mid- to late 50s. The way businesses have approached employee retirement has also changed. Today, many organisations provide advice and assistance to employees to help them prepare for retirement.
An employee may leave an organisation for many reasons. If an employee is retrenched (laid off) or dismissed, it can lead to feelings of disappointment and rejection. Fear of not getting a replacement job and being able to pay the bills make termination difficult to bear for some people.

**Resignation**

Resignation, or ‘quitting’, is a voluntary ending of the employment relationship. People resign for a variety of reasons, including:

- the offer of a promotion with another business
- to start their own business
- boredom with their present job
- a change of lifestyle.

Usually, the employee needs to give the employer sufficient notice of his or her intention to resign. The length of notice varies from job to job, ranging from a few hours for casual employees to a month for some professionals.

Whenever an organisation wants to downsize — that is, decrease the size of its operation — it will not fill vacancies that have come about due to retirements and resignations.

**Redundancy — voluntary and involuntary**

Redundancy occurs when the job a person does is no longer necessary, usually due to technological changes, restructuring or a merger or acquisition. Unless the existing employee can be retrained for another job, he or she will be made redundant.

Redundancy can be either voluntary or involuntary. Voluntary redundancy occurs when the organisation wishes to reduce either the size or the nature of its workforce, and decides how many employees should be ‘let go’. Employees are informed of the situation and given the opportunity to nominate themselves for redundancy. Voluntary redunancy is usually initiated by employees,

Resolved redundancy occurs when a person’s job no longer exists, usually due to technological changes, an organisational restructure or a merger or acquisition.

Resolved redundancy occurs when a person’s job no longer exists, usually due to technological changes, an organisational restructure or a merger or acquisition.
5.8 The termination phase of the employment cycle

Retrenchment occurs when a business dismisses an employee because there is not enough work to justify paying them.

Dismissal occurs when the behaviour of an employee is unacceptable and an organisation terminates their employment.

DID YOU KNOW?
An employment contract is legally binding. Therefore, employers must terminate the contract in a legally compliant manner. Gone are the days when a boss can simply shout: ‘You’re fired!’ on a whim.

Unfair dismissal is when an employee is dismissed because the employer has discriminated against them in some way, such as firing someone because she is pregnant.

voluntary redundancy. Involuntary redundancy occurs when an employee is asked to leave the business against his or her will. In this case, the employee is not at fault in any way; the decision to make the employee redundant is purely based on the ongoing needs of the organisation.

Retrenchment is sometimes called redundancy, but there is a subtle difference between the two terms. Redundancy occurs due to the permanent elimination of some jobs, because organisational or technological change has removed the need for those particular skills. Retrenchment is employee termination due to lack of sufficient work to keep the employee fully occupied. Retrenchment is a cyclical phenomenon tied closely to the level of economic activity. The end result of both retrenchment and redundancy is that the employee is out of a job.

The HR manager must be aware of the rights of an employee in relation to redundancy and retrenchment, and must follow the correct procedures. These procedures might include providing necessary information to the employee being made redundant or retrenched, a consultation process, time off leading up to the final day when the employee leaves, and organising redundancy pay (sometimes referred to as severance pay). The amount of redundancy pay will usually depend on how long the employee has been continuously employed in that workplace. Other entitlements, such as payment for accrued annual leave or long-service leave, may also be owing to the employee when they leave the organisation.

Dismissal

There will be occasions when the behaviour of an employee is unacceptable and it then becomes necessary for an organisation to terminate the employment contract of that employee. This is called dismissal. The most serious form of dismissal is summary dismissal — when an employee commits a serious breach of their employment contract. For example, an employee who is drunk at work or is found to have engaged in criminal activity may be summarily dismissed. If an employee is given a summary dismissal, no notice is required. Another form of dismissal is referred to as dismissal on notice, when an employee is not performing the job satisfactorily. Poor performance may be identified during an appraisal or performance process. The amount of notice (or payment given in lieu of notice) will vary depending on a number of factors, such as whether the employee is governed by a particular award or contract, the age of the employee and how long they have worked for the employer on a continuous basis.

Selecting staff for dismissal can be risky and requires awareness of legislation and industrial agreements to avoid litigation and industrial action. Employees must be given proper notice and employers must comply with procedures established in law, including the unfair dismissal laws in the Fair Work Act 2009. To avoid misunderstandings, written warnings and/or notice is preferable. Written confirmation of resignation is also preferable to verbal statements made in the ‘heat of the moment’. This way, a lengthy unfair dismissal case can be avoided.

Unfair dismissal occurs when an employer dismisses an employee for discriminatory reasons. This is an issue that both employers and HR managers need to be aware of. Some examples of discrimination under Commonwealth workplace relations laws include dismissal because of:
- absence from work due to illness or injury
- either belonging or not belonging to a trade union
- race, colour, sex, sexual preference, age, disability, marital status, family responsibilities, pregnancy, religion, political opinions held, or nationality.

An employee who believes they have been unfairly dismissed may lodge an unfair dismissal claim with an industrial tribunal.
Unfairly dismissed for rescuing a kitten

In August 2012, Fair Work Australia found that a cleaner who found a kitten at her work and gave it to a friend was unfairly dismissed for doing so. Judith Montague was working as a cleaner at student accommodation in Carlton when she found a kitten that Melbourne City Council workers had been attempting to rescue from a drain. She had been lead to believe that she would be allowed to keep the kitten if it escaped. However, when it was discovered she had taken the kitten, council workers were upset she had done so, which resulted in her employer dismissing her.

The Fair Work Australia Commissioner pointed out that Ms Montague’s employer had failed to follow the Small Business Fair Dismissal Code by not issuing a warning before dismissing her. He found the dismissal to be ‘harsh, unjust and unreasonable’ and ordered the employer to pay $3940 to Ms Montague.

The employer had offered Ms Montague two weeks pay in lieu of notice, and had later increased it to five weeks pay. Ms Montague pointed out that she had barely worked since the dismissal, and had few prospects of gaining new employment.

More organisations are recognising that managers need to be trained to handle dismissals in a way that:
- takes account of the legal and financial implications
- minimises the trauma for both parties
- does not have adverse effects on the morale of the remaining staff.

TEST your understanding
1 Explain the difference between voluntary and involuntary termination, giving examples of each.
2 Which of the following scenarios would most likely lead to summary dismissal?
   A John bribed another employee not to tell his manager that he had been accessing pornographic websites during office hours.
   B Peter arrives for work totally drunk. He has just been out to see a client, driving a company car. It is the third time this week he has arrived in such a condition.
   C Jane is just not very good at her job. She frequently makes mistakes and does not have the knowledge or skills to perform the job satisfactorily.
3 What are some of the entitlements of employees who are made redundant or retrenched?
4 In which situations would a dismissal be considered unfair?

APPLY your understanding
5 Termination management is about managing the final phase of the employment cycle, when the employee leaves. Give a general outline of the issues an HR manager must be aware of when dismissing an employee.
6 In August 2008, workers at SPC Ardmona in the Goulburn Valley were informed that 60 retrenchments were to occur, because the strong Australian dollar had meant a drop in exports, and there was a fruit shortage due to the drought. The company employed 450 workers in three plants in the region.
   SPC Ardmona chief executive, Nigel Garrard, said at the time that initially the redundancies would be voluntary and workers would be offered deployment to different sites.
   (a) Explain what Nigel Garrard meant when he said that initially redundancies would be voluntary.
   (b) Predict the possible impact on staff who volunteer for redundancy and those who remain.
7 Use the Termination of employment weblink in your eBookPLUS to summarise the latest employee rights and rules that apply to termination of employment.
CHAPTER 5 review

Summary

The establishment phase of the employment cycle — human resource planning, job analysis and job design
- The three phases of the employment cycle are establishment, maintenance and termination.
- An organisation's business strategy will dictate what human resources are needed to ensure organisational objectives are met.
- Job analysis involves defining what duties must be performed as well as factors such as the time that will be required to complete the job and working conditions required.
- A job description outlines the duties involved in performing a particular job and a job specification focuses on who is needed to do the job in terms of their knowledge, skills and qualifications.

The establishment phase of the employment cycle — recruitment and selection
- Recruitment involves attracting suitable applicants to apply for a job and selection involves choosing the right applicant to fill the position.
- Internal recruitment involves choosing an applicant from within the organisation. External recruitment involves recruiting from outside the organisation.

The establishment phase of the employment cycle — employment arrangements and remuneration
- Employment arrangements vary and can include full-time work, part-time work and casual work. Sometimes an organisation uses an independent contractor to perform work. Employment arrangements may also vary in terms of where work is performed and the hours that are worked.
- Remuneration refers to what the employee is paid in return for work and may include, for example, base pay, bonuses and allowances.

The maintenance phase of the employment cycle — induction
- Induction is the first part of the maintenance phase in the employment cycle and involves providing the employee with a good introduction to the organisation. Typical topics covered in induction may include the history of the organisation, its culture, safety and work processes.

The maintenance phase of the employment cycle — training and development
- Training involves learning how to do a job more effectively. The aim is to increase the person's knowledge and skills.
- Development focuses on preparing the employee to take on more responsibility in the future and can involve training.

The maintenance phase of the employment cycle — recognition and reward
- Recognising employee achievement and providing monetary and non-monetary rewards is aimed at keeping the employee motivated and working productively in the future.

The maintenance phase of the employment cycle — performance management
- Performance management is about managing the performance of individual employees and the organisation as a whole to ensure objectives are met. It involves good job design and hiring the right people to perform well for the organisation, as well as performance appraisal (monitoring the performance of the employee).

The termination phase of the employment cycle
- Termination of employment is the final phase of the employment cycle. An employee may leave the organisation voluntarily through resignation, retirement or accepting redundancy. Sometimes an employee will be forced to leave the organisation because they have been made redundant or have been dismissed.
Review questions

TEST your understanding
1. Name the three stages of the employment cycle.
2. Why is HR planning important?
3. How can a ‘job analysis’ be conducted?
4. Are the following part of a job description or job specification?
   (a) hours to be worked
   (b) number of years of experience
   (c) the need for negotiation skills
   (d) prepare weekly customer invoices
   (e) conduct team meetings
   (f) ability to relate to others in the workplace
5. What are three ways you could provide recognition for the efforts of your employees?
6. A performance appraisal of a worker indicates a lack of computer competency. What should the organisation do about this?
7. How would becoming a training organisation save the organisation money?

APPLY your understanding
8. After HR planning at the Melbourne Football Club, some job vacancies are to be advertised.
   (a) Prepare a job advertisement for ‘Head Trainer’ at the Melbourne FC.
   (b) How and where would you advertise this position?
   (c) What would you do once the applications have been received?
   (d) How would you structure the interviews for this job? For example, number of interviewees, who will conduct the interview, etc.
   (e) What employment arrangements would you offer the successful applicant?
9. Compare ‘voluntary’ and ‘involuntary’ departures in terms of:
   • how difficult each is for the organisation to manage
   • effects on the company
   • effects on the staff leaving
   • effects on the staff remaining.
10. Read the following hypothetical case study and explain in one paragraph why Natasha’s termination was handled inappropriately.

Natasha had been employed by Top Line Printers Ltd for 12 years. During this time, she had worked at a number of different jobs in the factory. In her last position as a clerk, she received a very poor assessment from her supervisor. He complained about her performance and warned her that if it did not improve she might be dismissed.

Prior to her job as a clerk, she worked in the graphic design section of the organisation. Because she is a creative person, she enjoyed this work and received many favourable comments from her customers. However, for economic reasons, the graphic design section was closed and all the employees were given other jobs within the company. Natasha was given the clerk’s job in the personnel records section.

One Friday afternoon, she was called in to her supervisor’s office. She was told that another supervisor had complained to him about her poor performance and that her services were no longer required. Natasha was not aware of any other complaint about her. She had never been given any written advice that her service was unsatisfactory. However, the supervisor’s decision was final. She was dismissed.
Exam questions

Question 1
(VCAA Business Management exam 2009, question 3)
The Wilton Hotel has decided to change its business strategy and upgrade from a 3-star hotel to a 5-star luxury resort. Ms Zheng, the proprietor, realises that the staff will need to improve their standard of service to achieve a 5-star rating. An increase in the staff to client ratio is also needed, so twenty new staff will be employed.

a. Discuss two ways this change in business strategy will affect the way in which the human resource department selects new staff. 4 marks

Question 2
(VCAA Business Management exam 2007, question 1)
Staff turnover at White Sands, a major Queensland resort island, has been cut dramatically because of innovative personnel strategies. These strategies were introduced by Wendy Howard, Human Resource Manager. The Queensland Airlines Company operates White Sands which is located near the Great Barrier Reef. In May 2007, the Chief Executive Officer conducted a SWOT (strengths, weaknesses, opportunities and threats) analysis that resulted in the introduction of a decentralised management structure that encouraged greater staff participation.

Subsequently, Wendy conducted a training needs analysis that resulted in an induction program modelled on her observations of best practice companies. She also introduced a new training policy for existing staff. The new training policy encouraged multiskilling so that staff could swap positions and transfer between departments. Wendy also introduced regular performance appraisals. She generated commitment and loyalty in her workforce by only recruiting people with long-term career aspirations at the resort.

a. Define these terms.
   1. Induction program 1 mark
   d. Outline and justify two human resource strategies that could be used by Wendy Howard to recruit the best applicants for White Sands. 4 marks
   e. Discuss the relationship between performance appraisals and training. 2 marks

Question 3
(VCAA Business Management exam 2013, question 6)
The movement of staff into, through and out of an organisation (the employment cycle) is generally managed by the Human Resource Manager.

With reference to management practices and processes that are associated with each phase of the employment cycle, discuss
• how the management role of planning could be used in the establishment phase
• how performance indicators could be used in the maintenance phase
• how the choice of management style could impact on the termination phase. 10 marks

School-assessed coursework

OUTCOME 1
Analyze and evaluate practices and processes related to human resource management.

ASSESSMENT task — structured questions

Time allowed: 50 minutes
Marks allocated: 20 marks (the marks for each question are indicated at the end of each question)
Conditions: closed book (no notes or textbooks may be used when completing this task)
1. Explain the link between ‘performance appraisal’ and ‘training and development’ of staff.  
2. What are three possible outcomes of a performance appraisal?  
3. Do you agree with these statements? Explain your response:  
   (a) The establishment phase of the employment cycle includes planning HR needs, recruitment and training.  
   (b) Recruitment is best done from inside the organisation.  
4. Distinguish between the following terms:  
   (a) Dismissal and retrenchment  
   (b) Performance management and performance appraisal.  
5. Examine this advertisement and answer the questions that follow.  

**POSITION VACANT**  
**DOMESTIC**  
**LIVE-IN HOUSEKEEPER/CARER**  
A live-in position for a HOUSEKEEPER/CARER is available in the Geelong area with an elderly couple. Duties include: preparation of mid-day and evening meals, supervision of personal care, light house duties, transport locally and to Melbourne, help with correspondence. Essential: experience working with elderly people, current first aid certificate, current Victorian driver licence. This position is 5 days a week and includes a self-contained 1 bedroom unit. Wages are negotiable. For an information package and application form please contact 5221 6262 and ask for Janice.  

(a) List four other methods of advertising this position.  
(b) For the position of the housekeeper/carer, give an example of something that could be listed in the job description and the job specifications.  
   Job description:  
   Job specifications:  
(c) Once the applications have been received by the Human Resource Manager, explain the next step in the recruitment process.  
(d) Identify two reasons why it is important to select the ‘right person’ for the position advertised.  
6. List two examples of ‘on-the-job’ training and two examples of ‘off-the-job’ training.  
   On-the-job:  
   Off-the-job:  

2 marks  
2 marks  
2 marks  
4 marks  
4 marks  
2 marks  
2 marks  
1 mark  
2 marks  
2 marks  
1 mark  
2 marks