2.   Human resources management – planning and review

With changes occurring so rapidly – in technology, expectations and the marketplace – consistent HRM planning, record-keeping and evaluation activities are critical to the future success of the organisation. Without planning, organisations may have unsuitable numbers of employees and inappropriate skill combinations, thereby risking missed opportunities to maximise the on-going success of the organisation. With adequate and timely evaluation of HR practices and procedures, and initiatives, skills and numbers can be match appropriately to the organization.

2.1   Human resources planning (HRP)

Human resources planning (HRP) is the process of forecasting and managing the organisation's short and long-term human resources (HR) requirements.

HRP identifies the organisation's labour force requirements and establishes a path to secure the human resources needed. The purpose of HRP is to ensure timing and availability of the correct skills and knowledge that are required at different stages and phases of the organisation's business cycle, to ensure it can achieve its business goals.

The business strategy will put specific demands on the organisation's human resources. For this reason, HRP must be undertaken with consideration of the business objectives and integrated as part of the overall business strategy. This process ensures a more effective and efficient use of HR and provides a clear link between the management of HR and achievement of the business objectives.

2.1.1   The HRP process

The HRP process enables an organisation to forecast:

> short and long-term demand for human resources
> supply of external human resources
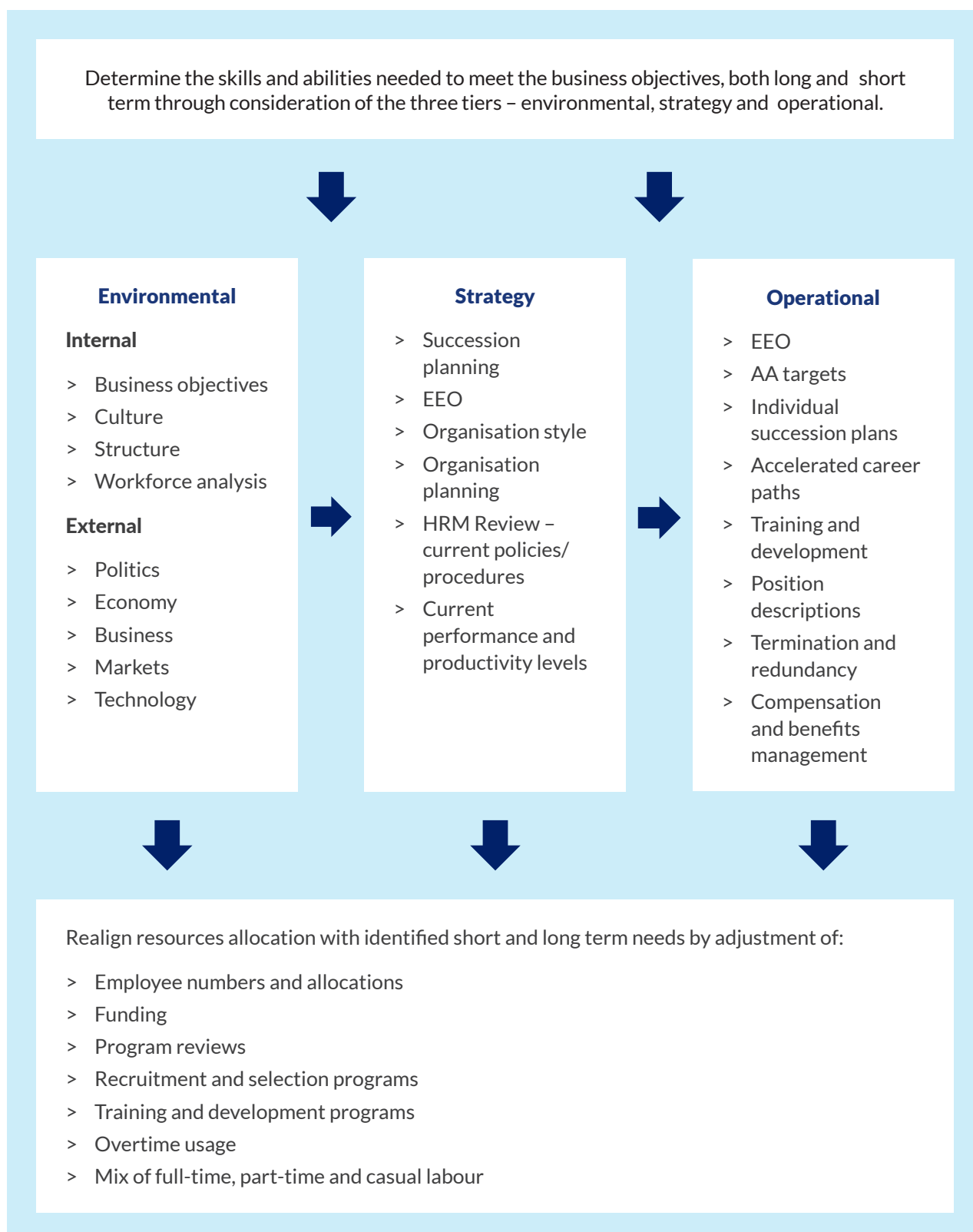> supply of internal human resources.

The *HRP Planning Flow Chart (page 7)* assists an organisation to systematically undertake the HRP process.

Environmental considerations are imperative to determine the short-term and long-term demand for HR. Issues such as the availability of specific skills and expertise in the labour market should be considered well in advance if an organisation is to source the appropriate skill mix to meet its future business objectives.

Strategy considers issues such as current productivity and performance levels, organisation style and planning, and identifies current resources such as individuals suited to succession planning or accelerated career paths.

At the **Operational** level, an organisation should consider the compliance factors associated with issues such as equal employment opportunity (EEO), affirmative action (AA), and termination and redundancy. Finally, the review will highlight whether the organisation is facing a surplus or shortage of labour supply. Adjustments to funding, employee numbers and allocations will need to be made to ensure the organisation has access to the right type and level of skills that will meet the anticipated business demands.

HR Planning Flow Chart

Determine the skills and abilities needed to meet the business objectives, both long and short term through consideration of the three tiers – environmental, strategy and operational.

Environmental

Internal

> Business objectives
> Culture
> Structure
> Workforce analysis

External

> Politics
> Economy
> Business
> Markets
> Technology

Strategy

> Succession planning
> EEO
> Organisation style
> Organisation planning
> HRM Review – current policies/ procedures
> Current performance and productivity levels

Operational

> EEO
> AA targets
> Individual succession plans
> Accelerated career paths
> Training and development
> Position descriptions
> Termination and redundancy
> Compensation and benefits management

Realign resources allocation with identified short and long term needs by adjustment of:

> Employee numbers and allocations
> Funding
> Program reviews
> Recruitment and selection programs
> Training and development programs
> Overtime usage
> Mix of full-time, part-time and casual labour

2.1.2   Qualitative and quantitative HRP processes

There are essentially two methods to the HRP process: quantitative and qualitative *(Stone, R. Human Resource Management, 1995).*

a) Quantitative approach

The quantitative approach is at its core a 'numbers approach' underpinned by statistical techniques and is mainly used in large organisations. This approach ranges from complex and sophisticated analysis to simple approaches such as basic succession planning charts and manual records. More complex approaches are workforce supply and demand analysis.

The main focus of the quantitative approach is to identify labour surpluses, labour shortages, and career limitations or opportunities. Quantitative analysis enables the organisation to predict demand for types of skill/labour based on the organisation's previous performance and projected performance.

b) Qualitative approach

The qualitative approach conversely relies on expert opinion and operator input to determine likely future labour force requirements. This technique considers issues such as current employee performance, promotability and succession planning.

The Delphi technique is a more complex approach to qualitative analysis. The Delphi technique uses a panel of experts, such as key senior managers, and other experienced employees, to make independent, anonymous predictions. The answers are compiled and analysed, and fed back to the panel. The panelists are then provided an opportunity to review their answers in light of the analysis. The main aim is to make the information as objective and as accurate as possible through this process of re-clarification.

2.2   Human resources review (HRR)

HRR is an audit of the HR function within an organisation to determine its effectiveness. It is a tool used to assess the many activities of the HR function and how they are contributing to the overall achievement of the business objectives.

An HR audit can be a useful tool in a variety of situations. In particular, the HR manager may find a review is necessary due to:

> dramatic change to the business such as a merger, or entering a new market
> need to assess the overall effectiveness of the HR function
> consideration of new human resources/industrial relations initiatives, such as development or review of an enterprise agreement
> appointment of a new HR manager.

2.2.1   Conducting HRR process

An HRR should be undertaken with a planned and systematic approach to ensure the information is complete, accurate and useful for decision-making. Before deciding how the HRR will be conducted, the specific objectives of the review should be identified and clearly understood.

The information sought from an HRR may be collected in a number of different ways. In most cases, a combination of methods would be appropriate. Some methods that may be used to gather information as part of an HRR are:

> collection of written policies and procedures and related documentation
> questionnaire to be completed by the HR manager
> surveys to be completed by people at different levels within the organisation
> interviews with a sample of people from different levels within the organization
> focus groups conducted with groups that are representative of the organisation.

A Victorian Chamber consultant can undertake a comprehensive HRR using a tailored format, which provides objective and effective assessment of your organisation's HR function.

Once the information has been collected and presented in a report format, decisions about the structure and functions of HRM within the organisation can be made. The review may highlight the need for additional HR investment, the need for specific HR programs or initiatives, and/or the areas in which HRM programs have contributed to particular achievements.

2.2.2   Sample HRR questions

The following questions are examples of the type and depth of detail required to undertake a comprehensive HRR. Responses to these questions may be sought using a combination of the methods listed in 2.2.1 Conducting HRR process.

1. HR strategy

> Is there an HR strategy or action plan in place?
> Is the HR strategy or plan linked to the corporate business plan or strategy?
> Is there a senior manager directly responsible for HR? (Who is this?)
> Does the manager responsible for HR have sufficient time and skills to consider strategic HR issues?
> Do you evaluate the outcome of the HR strategy?
> Is the HR spend (i.e. all employee-related spending) per employee planned?
> Is the HR strategy defined, linked to the corporate plan, well-resourced and managed as a key function in this organisation?

2. HR service delivery

> Are there HR performance indicators in place across the organisation?
> Is HR performance data collected?
> Is employee turnover and absenteeism below the industry average?
> Do managers seek assistance readily on HR issues?
> Do managers follow HR advice given?
> Do managers receive reports on HR performance, such as absenteeism or turnover?
> Has HR accountability been delegated to line managers through their position descriptions?
> If HR has been delegated, were HR-related tools and training supplied to line managers?
> Does the organisation have documented HR policies and procedures?
> Could any employee independently find the answer to an HR policy or procedure question?

> Are HR policies and procedures reviewed annually?

> Have there been breaches of the HR policies/procedures?

> Does the organisation maintain HR files, including appointment details, performance, attendance records and leave information? How is personal leave recorded?

> Does the organisation have an HR Information System (HRIS)?

> Is the HRIS accessible and used by line managers?

> Can employees access their own HR files electronically, to check leave entitlements etc.?

> Are salaries and wages paid by EFT (Electronic Funds Transfer)? Does each employee receive a payslip in accordance with the requirements of the *Fair Work Act 2009 (Cth)*?

> Are HR files kept in a secure and confidential area?

> Are HR files and pay records kept securely for at least seven years?

3. Compliance

> Does the organisation have anti-discrimination policies?

> Have all employees been informed of their rights and responsibilities according to anti-discrimination and harassment legislation?

> Have all managers/supervisors been informed of their rights and responsibilities according to anti-discrimination and harassment legislation?

> Does the organisation have a nil-rate of anti-discrimination claims?

> Does the organisation have an internal resolution process for managing these issues?

> Does the organisation have any employees with a disability?

> Has an external occupational health and safety (OHS) consultant (or ergonomist for office environment) reviewed your compliance with OHS?

> Do you have an induction program that includes employee instructions on safety?

> Have employees been instructed on safe working procedures (e.g. forklift, machinery, hazards, manual handling)?

> Have your managers and supervisors been trained on safe working procedures?

> What OHS regulations or legislation apply to you?

> Are there regular workplace safety checks at all sites?

> Is there an OHS preventive maintenance program in place across all sites?

> Do you have a nil-rate of Prohibition or Improvement Notices served on the organisation by an OHS inspector?

> Are accidents thoroughly investigated in all workplaces?

> If OHS advice is outsourced, is there a strategic alliance/stable provider?

> Do you record average lost-time due to death, injury or illness per employee?

> Do you have a Register of Injuries in accordance with the Accident Compensation Act 1985 (Vic)? (Who is your WorkCover insurer?)

> Do you know what your WorkCover rate is?

> Have you developed an occupational rehabilitation program?

4. Organisation culture and employee relations

> Are HR measures that are potentially related to motivation/morale, reported and monitored monthly (e.g. labour turnover, absenteeism, climate survey results)?

> Do you regularly conduct confidential employee attitude surveys or focus groups to measure employee expectations and perceptions?

> Do you act on the issues highlighted by the employee attitude survey?

> Are employees generally satisfied with their working conditions?

> Is labour turnover below industry average?

> Is most information about the organisation freely shared with all employees?

> Are employees encouraged to contribute ideas to improve the organisation in areas outside their position descriptions?

> Do you have an employee improvement/suggestions process?

> Are employees' improvement suggestions responded to?

> Do you have a disciplinary and counselling procedure?

> Are managers and supervisors trained in disciplinary processes before the need arises?

> Are employees aware of and do they understand the disciplinary processes if conduct/performance is unsatisfactory?

> Does the organisation have a clean (zero) unfair dismissal record (modern award employees) or civil prosecution record (non-modern award employees)?

> Do you have a grievance/complaint procedure (e.g. is there a process for employees to follow if they have a problem or complaint about a work matter)?

> Do you know which modern awards are applicable to your organisation?

> Do you know which industry sector wage rates govern your employees' terms and conditions of employment?

> Do modern award-covered employees receive at least terms and conditions of employment in accordance with the modern awards by which you are bound?

> Are superannuation contributions paid as per the *Superannuation Guarantee Act* (note: this is increasing from 9 per cent to 12 per cent)?

> Is an enterprise agreement in place in your organisation?

> Have you considered developing an enterprise agreement?

> Do you use individual contracts of employment / letters of offer / letters of appointment?

> Do you have an HR consultative committee?

5. Structure

> Do you have an organisation chart in place that reflects the organisation's business goals and key processes?

> Is there a current organisation chart that clearly defines reporting lines and position titles?

> Are workloads and workflows reviewed routinely?

> Does every employee have a written job description?

> Do position descriptions (PDs) include standards of performance and measures?

> Do PDs include core skills and competencies for roles?

> Do PDs include authorities and accountabilities?
> Are PDs reviewed at least annually?
> Are PDs linked to organisational goals and outcomes?

6. Labour planning

> Is labour needs forecasting a critical step in your organisation when drafting your business plans?
> Are labour market trends considered in HR forecasting?
> Are total employee costs identified in the budget?
> Are temporary employees used to cover peak periods?
> Does a succession plan exist for key specialist positions?
> Does a succession plan exist for all top team/executive positions?
> Can all employees clearly describe their next career move?
> Are exit interviews held on resignation?

7. Recruitment and selection

> Does the organisation have a clear, consistent recruitment process?
> Are at least two reference checks carried out?
> Are relevant employees trained in the same recruitment processes?
> Is recruitment linked to the competencies required by the vacant job?
> Does all recruitment use Behavioural Event Interviewing?
> Are all pre-employment medical checks clearly linked to the inherent requirements of the job?
> Are all employees legally allowed to work in Australia?
> Are vacancies advertised internally?
> Are redeployment opportunities available in redundancy situations?
> If using external recruitment consultants did the organisation brief them so they communicate a consistent and accurate 'story' about the organisation's culture, and its strengths and weaknesses?
> Are all internal promotions based on merit?
> Is it easy to recruit good employees?
> Is it easy to keep good employees in all areas, regardless of age and gender?
> Do you recruit at all levels of the organisation?
> Are written offers or contracts of employment issued prior to commencement?
> Do the letters of offer/contracts specify a probationary period?

8. Reward and recognition

> Is there a clear policy on pay and benefits?
> Is there a formal salary review mechanism?
> Is there a pay system that enables managers to clearly move employees from pay as 'learners' to 'competent' to 'expert' according to appraisal results?
> Do managers have responsibility for making decisions relating to pay?
> Are employee benefits well publicised and understood?
> Are benefits consistent across the organisation?

> Is there a menu of non-pay rewards accessible to employees?

> Is CPI adjustment to salaries done as a separate event from appraisals?

> If linked to performance, are bonuses to be re-earned from period to period?

> Do performance bonuses or other financial reward systems exist for high-performing employees?

> Are there objective and consistent methods for allocating employees' rewards?

9. Performance management

> Is there a documented performance review process?

> Does the performance review process apply to every employee?

> Are managers trained in the use of the performance management system?

> Are employees trained in the use of the performance management system?

> Are copies of appraisal documentation available for the employees to keep?

> Are reviews undertaken at least annually?

> Does this system promote continuous informal feedback?

> Does the system use position descriptions as the basis for performance evaluation?

> Is the performance management system considered to be a positive communication tool within the organisation?

> Is the performance appraisal tool clear and simple to understand?

> Does the performance management system have objective measures?

> Are the objectives and goals, set down during the planning period, agreed to by the employee?

> Does the system/tool include qualitative and quantitative measures?

> Are all employees measured against common Key Performance Indicators (KPIs)?

> Are all ineffective performers easily identified and managed swiftly – towards improvement, re-location or termination?

> Are documented action plans defined and monitored for all under-performing employees?

> Are ineffective people supervisors only promoted to management roles on attainment of identified team management skills?

10. Training and development

> Is there a current Training Needs Analysis in place?

> Do you have a training plan that resources and identifies how to meet training needs?

> Is the training investment identified across the organisation in the budget?

> Are individual training needs identified and recorded regularly in performance review processes?

> If training and development is outsourced, do you have a strategic alliance with the provider?

> Are internal trainers accredited?

> Do you conduct an induction program for new employees?

> Do employees have access to internal or external training to address identified training needs?

> Are changes to work practices always supported by training?

> Does the organisation conduct on-the-job training?

> Are training costs recorded?

> Are training programs evaluated by the organisation?

> Do participants evaluate training programs?
> Has the organisation undertaken a skills inventory?
> Has the organisation undertaken management training?
> Has the organisation undertaken supervision training?
> Has the organisation undertaken leadership training?

2.3 Human resources accounting

2.3.1 Internal controls

Management of any organisation requires the maintenance of an adequate accounting system that should include internal controls appropriate to the size and nature of the organisation. Internal control may be defined as the system controls established by management in order to:

> carry on the business in an efficient and orderly manner
> ensure adherence to management policies
> safeguard its assets
> prevent, detect and correct errors
> assist in maintaining accurate and reliable records.

2.3.2 Objectives of internal controls

Internal controls relating to the accounting systems are generally concerned with achieving the following objectives:

> transactions are executed in accordance with management's authorization
> all transactions are promptly recorded for the correct amount, in the appropriate accounts and in the correct accounting period
> access to assets (e.g. payroll, bank accounts) is permitted only in accordance with management's authorisation.

2.3.3 Objectives of internal controls over payroll

The objectives of internal controls in the payroll system will include consideration as to whether:

> employees are engaged only on the basis of appropriate authorisation procedures
> bona fide employees are paid only for actual work performed
> rates of pay, special payments and payroll deductions, including executive payrolls, are properly authorised
> payroll costs are accurately determined and promptly recorded in the proper accounting period
> personnel records, documents and cash are protected from theft, misuse, destruction, or misappropriation
> employees receive all benefits of employment to which they are entitled
> payroll costs are reported on a responsibility basis, preferably in comparison with standard or budget.

Adequate internal control procedures in respect of payroll preparation, recording and payment assist in ensuring that adequate records are maintained and payroll misappropriation is prevented.

2.3.4   Evaluation of internal control

The evaluation of internal control existing in any accounting system may be assisted by the use of an internal control checklist. Appendix 1 is a payroll control checklist in a format similar to that used by auditors in the course of an audit. The list is provided as a guide for identifying, reviewing, and evaluating the type of internal controls that may be implemented in respect of payroll by an organisation.

Achieving sound internal control comes from systems of authorisation and recording procedures which provides reasonable accounting control, and by segregation of functional responsibilities ensuring that people are not performing incompatible functions.

The nature of each organisation, and a small number of employees, may limit an employer's opportunity to maintain a complete system of internal control, due to the lack of segregation of duties. However, there are usually measures which can be implemented to achieve more effective internal control. In a small organisation with a limited number of employees, internal control can be significantly improved by personal contact by the proprietor and by that person's approval of many of the payroll procedures such as wage records and payroll payments.

If the segregation of duties is limited and the supervisory controls are lacking, there is a risk that errors may result in the payroll system (e.g. fraud) which may remain undetected for some period.

2.3.5   Description of the payroll system

The following is a brief description of the payroll controls that might exist for a small business:

> new employees are screened before being hired
> employment of new employees is authorised by responsible officials or management
> wage and personnel policies are in writing
> current and complete personnel files are maintained
> an adequate system is used to ensure electronic recording of hours and times (e.g. time clock cards)
> all payroll computations are independently checked
> all salary and wage payments are distributed by persons other than those preparing the payrolls or controlling hiring and termination, or deposited directly into the employee's nominated bank account.

2.3.6   Appendix

Appendix 1 - Payroll – internal controls checklist

Internal controls	Yes	No	N/A	Person and/or Comments
Employees are engaged only on the basis of proper authorisation procedures. (a) Requests for new employees can only be made by the line manager or Human Resources. (b) Candidates are required to complete an employment application form. (c) The backgrounds and references of short listed candidates are checked prior to engagement. (d) Overall approval for new employees is given by the line manager and/or Human Resources, and is evidenced by a signature on the application form. (e) Terms of employment are confirmed in writing.				

Bona fide employees are paid only for actual work performed.
 	
(a) The determination of wages is based on records of hours worked, productive output or similar factual records (e.g. time clock cards, job cards or other formal attendance records):
  i)   Changes in pay rates and notification of termination of employees are documented and authorised
  ii) Overtime, shift changes, leave and department changes are properly approved on a change of pay form
(b) Payment may be made by Direct Credit into a bank account in the employee's name that is provided by the employee.
(c) Employee names on the payroll are regularly checked with human resources records.				

Internal controls	Yes	No	N/A	Person and/or Comments
Rates of pay, special payments and payroll deductions (including executive payroll) are properly authorised. (a) Human resources files are maintained independently of payroll section. (b) Human resources files are current, complete and contain all relevant information. (c) Employees are required to complete relevant payroll forms. (d) The following types of payroll payments require authorisation: leave (including personal, long service), and adjustments (including overtime, commissions, bonuses).				

Payroll costs are accurately determined and promptly recorded in the proper accounting period.
 	
(a) Wage rates are periodically compared to rate authorisation (e.g. applicable award rates)
(b) The payroll is authorised by a responsible official prior to distribution
(c) Records of leave and employer superannuation contributions are utilised:
   i) to allocate costs to appropriate cost centres
   ii) to determine accruals
   iii) in preparation of management financial accounts as well as year-end financial accounts				

Human resources records and documents - and cash - are protected from theft, misuse, destruction or misappropriation. (a) Confidential and other important records (including electronic) are stored in areas which are securely protected. (b) Access to electronic and other confidential records and critical forms is restricted to authorised personnel.				

Internal controls	Yes	No	N/A	Person and/or Comments

Employees receive all benefits of employment to which they are entitled.
 	
(a) An authorised company representative is allocated responsibility for maintaining a continuous review of applicable awards, industrial laws and employer association, union and similar publications dealing with industrial relations, so as to ensure that management is advised of requirements and new developments.
 	
(b) There is an adequate procedure in the human resources department to ensure that wage and salary adjustments arising from the following causes are promptly effected:
  i) amendments to awards
  ii) length of service
  iii) age of employees
  iv) national wage determinations
 	
(c) Proper procedures are established to review employee performance with regard to eligibility for promotion and merit pay increases.
 	
(d) There are procedures to ensure that employees are advised in a timely and appropriate manner of:
  i) entitlements to various types of leave
  ii) eligibility to choose superannuation fund manager
  iii) promotions, merit increases and other pay adjustments
  iv) eligibility to choose superannuation fund manager
  v) promotions, merit increases and other pay adjustments
  iv) eligibility for other employment benefits, if appropriate (e.g. housing subsidies, travel benefits, share purchase options etc.)
  v) meetings held with union representatives to discuss employment conditions etc. and arrangements agreed with union representatives with regards to notification of dispute and claims				

Internal controls	Yes	No	N/A	Person and/or Comments
Payroll costs are reported on a responsibility basis, preferably in comparison with standard or budget. > Actual payroll costs are compared to standard or budget in a timely manner and significant variances are investigated promptly.				