

Lesson Note- Human Resources

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What does the HR Department do?

The HR department does a lot of things!

1. Hiring (recruitment)
2. Onboarding (welcoming new employees to the company)
3. Performance management
4. Managing exit (dealing with employees who leave the company)
5. Payroll
6. Deciding on salaries and benefits for employees
7. Decide on workplace policies (rules)
8. Create organization-wide training

1. Hiring

Managers have to work with HR to hire new employees.

Let's say a manager from the engineering department wants to hire a new engineer. How does she do that? Well, she has to work with the HR department. First, she tells the HR people what kind of person and skills she wants in the new engineer position. Then HR creates a job posting and puts it on the Internet and goes to universities and promotes the job to people.

After the deadline to apply, HR will give all the resumes to the hiring manager, and she can decide who she wants to interview. Then the HR department contacts those candidates and sets up the interviews. After the hiring manager finishes the interviews and chooses who she wants to hire, she tells HR. HR then contacts that person to give him the job.

2. Onboarding

When new employees join a company, somebody needs to welcome them on their first day and introduce them to the company and the leaders and the office space. HR organizes all of that. Usually, HR organizes an “**orientation day**”, which will be a day full of activities to welcome new hires and teach them about the company. It's very similar to how schools have an orientation day (or week) for their new students.

3. Performance Management

Managers have to work with HR to manage the performance of their employees.

Let's say a manager has an employee who is not doing a good job. The manager cannot just fire the employee. The HR department usually has a **progressive discipline** policy for dealing with under-performance. The policy will usually look something like this:

1. Talk to the employee and make them aware of the problem
2. Then tell them how they can improve; give training
3. Give them a chance to improve (example: 2 weeks)
4. If they still don't improve, write a warning letter. Provide more training if needed.
5. If they still don't improve after that, they can be fired.

So the manager will let the HR department know about this employee not doing well, and then she has to follow those steps. If later, the employee still does not improve, then the manager can fire the

employee with HR's permission. Usually, HR will try very hard to help employees improve their performance rather than letting them get fired.

Now let's say a manager has a really great employee, and she wants to promote him to senior engineer. She also needs to get HR's approval for that. HR will see if the company has the budget and need for a senior engineer position. If yes, then HR can approve the promotion. If no, then the manager has to wait to promote that employee.

4. Managing Exit

Exit means when employees leave the company, either by resigning or by getting fired. Either way, the HR department will conduct an exit interview to investigate why the employee is leaving.

A common misunderstanding about exit interviews is that the employee can share all the complaints they had about the company. The HR department actually isn't interested in hearing all the conflicts you had with your boss or coworkers. The HR department does the **exit interview** to see if anyone in the company broke any company policies or any laws. If yes, they have to deal with it. If no, then there's no extra work for the HR department.

5. Payroll

The hiring manager decides the employees' salary, but the HR department sends out the salary payments (payroll). If your pay cheque didn't come on time, or if there's a mistake on it, you should talk to HR, not your manager. If you want a raise, then you need to convince your manager, who then has to convince HR.

6. Deciding on Salaries and Benefits for Employees

HR works with managers to decide the salary and benefits for employees. Typically, HR will do a lot of research on how much the industry is paying for certain roles. HR also sets policies for when people get a raise and how much those raises can be.

Let's say a manager has an employee making \$50,000 a year, and that employee wants a raise. First, the employee has to convince that manager that he is doing a good job and deserves a raise. Then the manager has to get approval from HR. HR might say, well, other engineers in the industry only make \$40,000 a year, so he's already making a lot. It doesn't make any sense for us to give him a raise. Or perhaps the HR department might say, it's company policy that we can only give a 2% salary raise every year. He's only worked here for 8 months, so he needs to wait 4 more months.

Unlike salaries, which are specific to each job, benefits are usually common across the whole company. Benefits include things like vacation days, health insurance, dental insurance, and pensions. Many companies also try to offer cool benefits like gym membership, free food, games at work, and sports at work. These benefits are decided on by the HR department.

7. Workplace Policies

Just like how a school has school policies (rules), a company also has company policies. Most of these policies come from labor laws set by the government. But each company will also make their own policies in addition to the ones set out by the government.

The government will set out rules for employers, such as

- You cannot discriminate against people's skin colour, gender, age, or religion
- You have to make your workplace friendly to people with physical disabilities
- You have to keep your workplace safe
- You have to offer at least 10 vacation days per year

The HR department might set out additional rules for employees, such as

- You can work from home 1 day a week
- You can have unlimited vacation days as long as your manager approves it
- You can only get a raise of up to 5% each year
- You can spend up to \$300 a year on learning and the company will pay for it

If any employee of the organization, including managers, break any of the company policies, then you can tell HR and they will deal with it. For example, if your manager is harassing you, you can tell HR and provide proof, and HR will deal with it. Usually, the process is first to try to get the person to improve, and if they still don't improve after a certain time, then they're out.

8. Organization-Wide Training

Department managers will organize training for their department, but HR organizes training for the entire organization. An engineering manager might organize training related to using an engineering tool, whereas HR organizes training that's relevant to all employees.

Many large companies have annual training conferences where they fly all their employees from all over the country to the headquarters to bond with each other and go through training. The training will cover many of the topics you learned in this course, such as leadership, teamwork, communication, and time management.

Why is HR Important?

Firstly, HR manages arguably the most important resource of any organization: the people! HR works with managers to manage employees. A manager works with their employees everyday and develops a strong relationship with them. The HR department stays away from the daily tasks of the employee and maintains a very professional and objective relationship with employees. A manager might treat some employees better than others; the HR department treats all employees equally, according to the company policies.

Second, the HR department makes sure the company is following the employment laws set by the government. Otherwise, the government could shut down the company.

Employee Retention

All organizations wish their employees would stay with them forever (well, at least the good ones anyway). Hiring new people and training them is expensive and a lot of hard work, especially for the HR department! That's why the HR department also focuses on retaining employees.

Ultimately, retaining employees is about keeping them happy and motivated to work at the company. You already learned about this in our lesson on motivation. There are extrinsic and intrinsic motivators.

For extrinsic motivators, the HR department will decide on things like salary and benefits. These should be on par with the rest of the industry. For example, if most engineers make \$50,000 and get a company laptop and free food and can work from home 2 days a week, then your company should offer at least that. Otherwise, employees will have lower motivation and want to switch to another company.

For intrinsic motivators, the HR department will look for ways to increase autonomy, mastery, and purpose for employees (the Drive model). They might increase autonomy by allowing work from home days, or by giving employees Friday afternoon to work on any project they want. They might increase mastery by paying for employees to learn more about their field. They might increase purpose by organizing social events to have employees make more friends at work.

The HR department might also have programs to improve employee wellness as a way to keep employees happy. After all, employees being sick and missing work, or being mentally sick and having low productivity at work, is very costly for the organization! More and more companies are starting to provide benefits like paying for massages or therapy or spa visits to encourage employees to take care of their health. They might invite guest speakers and yoga teachers come to the company every week. The next lesson will talk about employee wellness in more detail.

The Importance of Performance Appraisals

Performance appraisals are when a manager evaluates an employee's performance. Typically, employees have an annual performance score. The HR department keeps track of these performance scores, which can be used to decide whether or not to give that employee a raise.

Ideally, managers should give feedback to employees quarterly or even monthly. If a manager waits a whole year and then tells the employee, *"You're doing a bad job"*, the employee would be very unhappy and say, *"Why didn't you tell me sooner so I could improve earlier?"* This is especially important because whether or not an employee gets a raise is usually dependent on the performance evaluation. If you are an employee and your manager is not giving you frequent feedback, it's up to you to ask for that feedback, and get it in writing so that there's no surprising during the end-of-year performance appraisal.

Many employees feel that performance appraisals are only to help the company decide whether to promote employees. But actually, performance appraisals also help motivate and retain employees because they ensure that employees get feedback. When an employee gets good feedback that they are doing well, and here's what they can do to keep growing, that keeps them motivated.

Performance Appraisal Question Types

Question Type 1: Rating Scale

The manager lists a number of traits, such as responsibility, teamwork, etc. and then rates the employee for each trait. Here is an example:

	Extremely poor	Bad	Average	Good	Excellent
Attention to detail					
Knowledge					
Teamwork					
Initiative					
Creativity					

Question Type 2: Checklist

The manager lists a number of requirements, such as “the employee finishes work on time” and “the employee works well with coworkers.” Then it’s either a yes or a no for each requirement. Here is an example:

	Yes	No
Gives complete attention to detail		
Has complete knowledge of the product		
Works well with the team		
Takes initiative		
Has creative approach to solving problems		

Question Type 3: Written Answer

The manager lists the traits and then writes out comments about whether or not the employee meets those traits. Here is an example:

	Attribute	Discussion / Comments
1	Does the employee pay attention to detail? Explain.	
2	Does the employee work well with the team? Explain.	
3	Is the employee capable of taking initiative? Explain.	

Individual versus 360-degree Feedback

In the past, performance appraisals were usually just the manager giving feedback to the employee. The problem with that is the manager might be biased or might not have the full picture of the employee's abilities. If the manager doesn't like that employee, but the employee works well with colleagues and customers, then the employee still gets a bad review. That's unfair to the employee. Or if the manager likes the employee but the employee does a bad job working with colleagues and customers, then the employee still gets a good review. Again, unfair.

360-degree feedback solves this problem. Rather than only the manager giving the feedback, instead, feedback is from many people, including the manager, coworkers, and maybe even customers. This gives a much more holistic view of feedback for the employee.

Managers also have to get performance appraisals from their bosses, and in their 360-degree feedback, their employees also rate them. This motivates managers to develop good relationships with their employees.

Check Your Understanding Questions

1. Briefly explain 8 things that the HR department does.
2. What is progressive discipline?
3. What are two reasons for why the HR department so important for organizations?
4. How can organizations retain employees better?
5. Why are performance appraisals important?
6. What are some different ways to ask questions on a performance appraisal?
7. What is 360 degree feedback and why is it important?