

7 Best Practices for Effective Human Resource Management

7 Best Practices for Effective Human Resource Management. Copyright ©2015
Aspire HR Consulting LLC. All Rights Reserved.

The information contained in this book is for informational purposes only. Users of this book are advised to do their own due diligence when it comes to making business decisions and all information that has been provided should be independently verified by your own qualified professionals.

No part of this publication shall be reproduced, transmitted, or sold in whole or in part in any form, without the prior written consent of the author.

Introduction

Thank you for reading **7 Best Practices for Effective Human Resource Management**. I wrote this book to help you develop the best practices in human resource management to protect and grow your company.

In my experience as the owner of my own HR consulting business, I have learned that one of the secrets to a continually growing company is a great internal “organization.”

Great employee teams do not come about by chance. Behind them is a well-organized system of identifying, hiring, training and developing talented people, at all levels of the company. Company systems and legal protections are carefully written down in employee policies, reflected in the Employee Handbook, and the organization itself understands and communicates its compliance to Federal and state laws covering the employment relationship.

7 Best Practices for Effective Human Resource Management is focused on small businesses, but the development of an effective HR structure applies to all businesses. Everyone can learn something from these “HR fundamentals.” People who can benefit from this book include business owners, managers, CFO’s and Controllers, HR managers and office managers, and anyone else involved in managing employees.

This book is a guide, and the purpose is to do just that – guide you. It is not a magic formula, and will take time and work on your part. But it lays out an effective system, that, if followed will set the foundation for your human resource management.

Bill Gottlin

P.S. If at any point while you’re reading this book you have any questions, please don’t hesitate to contact me. You can email me at Bill (at) [AspireHRConsulting.com](mailto:Bill@AspireHRConsulting.com), or call me at (203) 321-2175.

Table of Contents

SMART HUMAN RESOURCE MANAGEMENT WILL GROW YOUR BUSINESS

BEST PRACTICE #1: BUILD YOUR FUTURE TEAM, NOW

BEST PRACTICE #2: HIRING GREAT PEOPLE

BEST PRACTICE #3: MANAGING YOUR PEOPLE

BEST PRACTICE #4: KNOW THE LAW

BEST PRACTICE #5: EMPLOYEE HANDBOOK

BEST PRACTICE #6: ORGANIZE YOUR RECORDS

BEST PRACTICE #7: OTHER HR BEST PRACTICES

FINAL WORDS

THANK YOU SO MUCH!

HR MANAGEMENT CHECKLIST

Smart Human Resource Management Will Grow Your Business

Every business is built on the basics – sales and marketing, accounting, operations. Shouldn't your business have a solid foundation of human resource management as well?

The number one human resource priority of all businesses is to hire qualified people and develop them into an effective team. A common issue is trying to do so in a haphazard way and hoping for the best instead of strategically planning and putting into place a simple, effective hiring system.

The cost of disorganization may be high in legal bills. There are many labor laws that have to be applied, and "ignorance is not an excuse" in the eyes of the law. Whether you win or lose a lawsuit or claim may hinge on whether you have followed the simple practices that I will explain in the following pages.

Employee communication is a vital part of management. Included in this book are basic ways to improve employee communication, and let every employee know the policies and procedures of your company.

So let's get started. Everything in this book will have a very positive effect on your company.

Build Your Future Team, Now

One of the most important business concepts I have learned is to work *on your business*, not just in it. This means, take a step back from the daily workload and strategically plan the future structure of the business when it will be many times its' present size.

The reason I put this first is that the owner or senior managers of any small business spends most if not all of their time putting out fires and multitasking. It may feel good to be able to “do it all,” but it also the main reason your business is stuck in neutral. Ask yourself at the end of such a day, have you made progress as a business? How can you change things so that you have time to plan the next step?

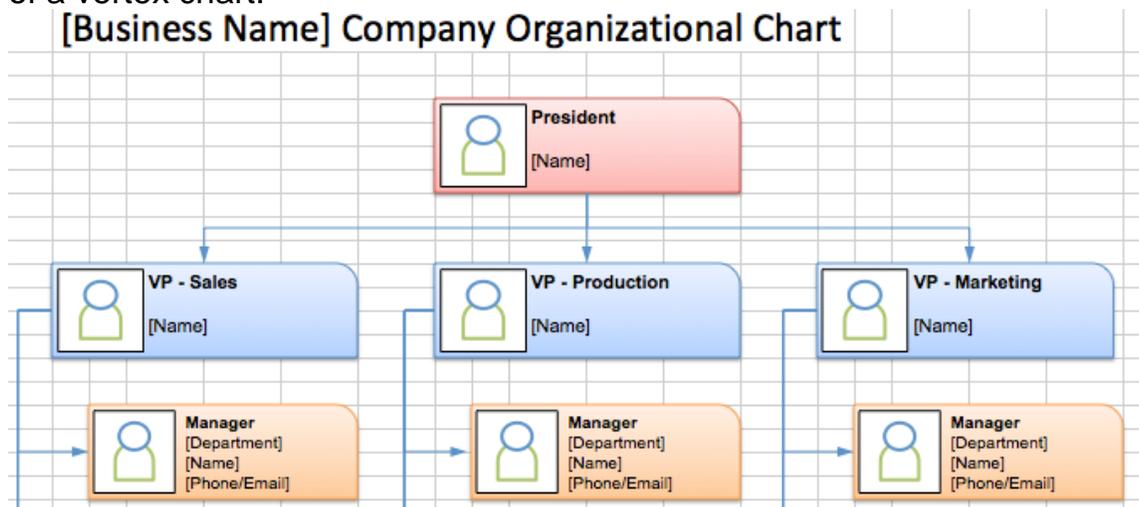
The answer is to start planning to remove *you* from every job that someone else can do. Human resource management begins with creating the roadmap that you will follow in the future.

Let's create the roadmap through a three-step process:

1. Create an Organizational Chart
2. Create a Job Description for each position
3. Put a name in each box in the Organizational Chart

Organizational Chart

The first step is to create a simple organizational chart for the future “big” business. You can start simply by drawing a series of boxes on a piece of paper, with a job title in each, or download a free spreadsheet template from [vertex42](http://vertex42.com). Here is an example of a vertex chart:



Job Description

Second, write a job description for every position. A job description is a summary of what is required for effective performance of a particular job. It is not only a useful document when it comes to hiring new employees, training existing employees, and for performance appraisals, it is a strategic document to be used with the organizational chart above.

A good job description should not be more than one page in length. Focus on what this position should be responsible for and how that will be measured. You can do some research online for job description examples, but many of them are extremely wordy and abstract. Be precise and concise!

Here is an example of a job description:

JOB DESCRIPTION – Staff Accountant

Position Title: Staff Accountant

Reports To: Controller

Scope of Position:

The Staff Accountant assists the Controller in financial reporting and administration.

Primary Job Duties:

- Process month-end balancing and journal entries.
- Complete the month-end process.
- General ledger analysis of accounts.
- Prepare monthly Standard Reporting Package.
- Extend credit to customer and handle wire transfers.
- Prepare sales tax returns for multiple states.
- Approves expense reports for employees.
- Prepare monthly inventory reports for Inventory Management.

Additional Duties and Responsibilities:

- Accomplishes all tasks as appropriately assigned or requested.
- Be able to work with Microsoft Office programs.

Measurements of Successful Performance in this Position:

- Key indicator reports and other standard reports are distributed to management based on the accounting schedule, 100% of the time, in keeping with the “On Time, The First Time” standard.

- Journal entries, month-end balancing, sales tax, expense reports, inventory reports, and payroll are accurate to an agreed upon percentage, as measured by periodic audits.
- Meets personal goals.
- Completes all assigned training and educational programs.
- Meets with his/her supervisor on a quarterly basis to discuss goals and progress.
-

I have read and understand the job duties and responsibilities of this position.

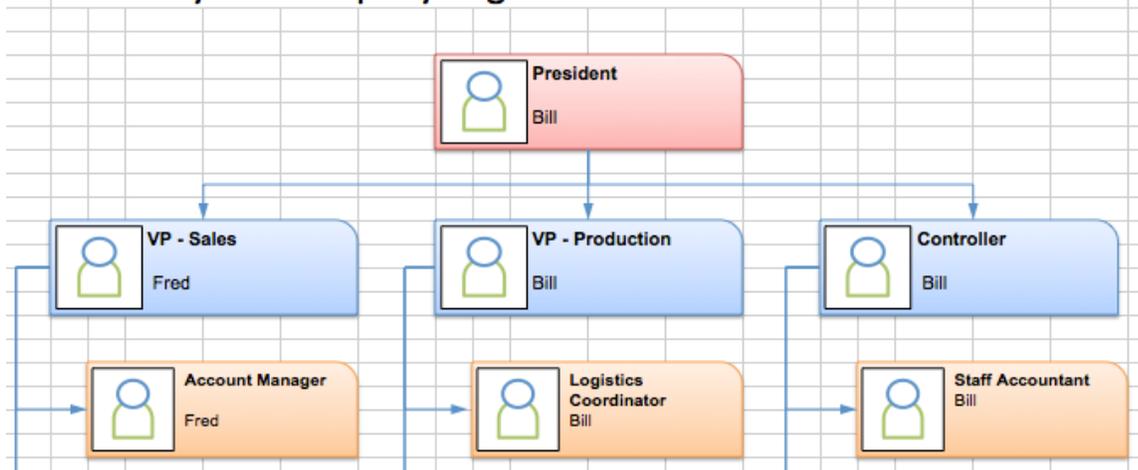
Name of Employee

Date

Put a Name in the Box

Now that you have created an org chart and a job description for each position, complete the org chart by putting a name in each box. If you have a small company, you may find yourself putting your name in many boxes. That is great, it is a snapshot of how things are getting done in your company – and also provides you with a strategy to move your business to the next level, which we will go over shortly. For example, below is Bill’s Bicycles Organizational Chart. There are only two employees, Bill and Fred. Fred is acting as VP of Sales and also Account Manager for the bicycle retail stores. Bill is President, and is also handling all of the production, logistics, and accounting. Quite a load!

Bill's Bicycles Company Organizational Chart

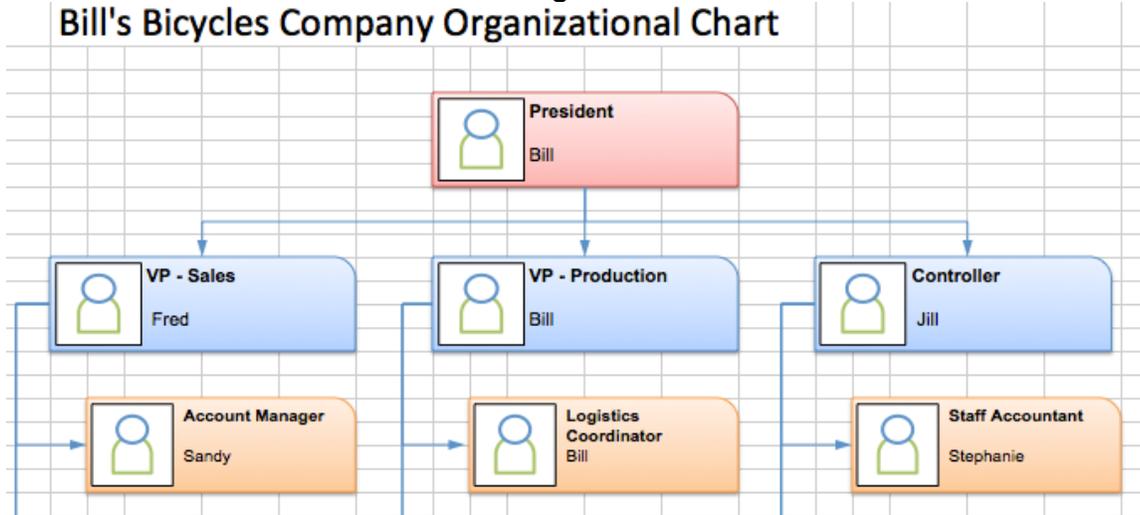


Bill and Fred want to expand but cannot do so if they are doing everything! Exhausted by putting out fires all day, they decide that they will implement a strategic human resource plan. Starting from the bottom of the org chart, they will replace themselves as finances allow.

First they hire an Account Manager, removing Fred from that position and allowing him to find more new business. Then they hire a Staff Accountant, freeing Bill to focus more on Production and less on assembling accounting reports. Step by step, they take themselves out of the business – except in those areas where their presence is crucial and can be done by no one else.

18 months later, this is what their organizational chart looks like:

Bill's Bicycles Company Organizational Chart



As the company grows, revise the org chart accordingly.

Hiring Great People

Every small business starts out small – maybe only the founder. At some point, business growth overwhelms one person’s ability to “do it all” and they will need to add staff to the organization. This places a great responsibility on the owner or manager of the venture to do an effective job of filling positions with excellent people, and then managing them effectively so they perform to your expectations or more. The value of great employees cannot be over emphasized

Take the time to develop specific criteria for a new hire, and interview prospective employees with these in mind. Don’t get caught up hiring a new employee only based on personal appearance and personality. Delve into the individual’s experience in the past in work and school to ensure that this is the right person for the job.

Hiring and developing good employees is what will make your company grow and prosper. Here are some policies on how to do it the right way.

“Hire deliberately, not randomly”

Hiring System

From the human resource management perspective, recruiting and hiring people is a system. Here are a few easy steps to having a productive hiring system.

- 1. Write a Job Description.** This will clarify what you are really looking for. If this is a struggle, take a step back and look at your organizational chart. Where does this job fit in? What are the duties and responsibilities, and is the position even needed?
- 2. Commit to a salary range.** It should be competitive with the market. No one wants to overpay, but some employers hope that they can find a superstar for half the going wage. It doesn’t happen very often. If it does, question why.
- 3. Write an attractive advertisement** and have a strategy of where to place it – whether on-line job boards, social networking, newspapers, or other sources. A key to getting a good response is to “sell” the company – good candidates are not just looking for more money or benefits – they want to feel that they will be working in a team environment, the company has a vision for the future, and they can be part of the company’s growth.
- 4. Simple “ABC” system of reviewing resumes** – here is where many people get slowed down. Staring at a pile of resumes is like going to the dentist for some. But focusing on the key variables you need in the candidate will get you

through the pile quickly. Write down in advance the 3 key variables (“ABC”) you are looking for and scan each resume for those variables.

For example, you may want a candidate with a college degree, 5 years of customer service experience, and who has worked with a certain software. Train your eye to look for those variables first instead of reading each resume top to bottom.

Another, more subtle variable that I look for is whether their resume is well organized, logical, and there are no spelling or grammar mistakes. This tells me a great deal about the candidate’s attention to detail.

5. Have an employment application form – to standardize information.

6. Plan the interview in advance. Many managers “wing it” when it comes to interviewing, and often the result is a pleasant, general discussion, followed by an uninformed, gut reaction as to whether to hire the person or not. Professionals, on the other hand, prepare a series of questions that are designed to get at the candidate’s behavior. This type of interviewing, known as “behavioral interviewing,” is based on the idea that past behavior predicts future behavior. Here are some examples:

- a. Initiative: “Tell me about a situation where you found a way to make your subordinate’s job easier or more productive?”
- b. Assertiveness: “Tell me about a time when you were willing to disagree with another person in order to build a positive outcome.”
- c. Judgment: What are the biggest and toughest decisions you have made in the last year? Tell me how you went about making them?

For each question, have the candidate describe the situation or task, what action (behavior) they took, and the outcome.

Note that these types of questions tend to be “open ended,” meaning that they force an answer other than “yes” or “no.” Look at the difference between asking,

- a. “*Have you made tough decisions ...*”
(Candidate’s answer: yes or no),

... as compared to:

- b. “*What are the biggest and toughest decisions you have made ...*”
(Candidate gives a description of their behavior.)

“I guarantee that just preparing a list of behavior-based questions in advance will increase your decision-making confidence by 100%.”

7. When interviewing, the biggest decision should not be about skills – it is relatively easy to find out if the person has the technical, sales or administrative skills needed. The hard part is finding what motivates the candidate, what they hope to achieve, why it fits with what you need done. Several trusted people should interview each candidate. Get several points of view. Invite the candidate in for a ½ day to shadow someone in the area they are going to work. Call references. Ask for more references. Take them out to lunch. Get to know them.

8. Consider other types of information gathering: these include psychological, integrity, skills and intelligence tests, drug testing, background checks – to find out information such as criminal history and credit record - and reference checks.

“A hiring system, with trained interviewers, is far more effective than the typical unfocused interview.”

Orientation and Training

Once you have hired someone, have an orientation and training plan in place. The first 30-60 days of employment are the critical period in which time the employee adjusts to the company culture and job; or not. So extra attention paid during this time will pay dividends in the future. Here are some easy steps to take:

1. Team the new employee with an experienced member of your staff; make sure that they are not only given a copy of the Employee Handbook but that they also understand it;
2. Give them small assignments and check the results before giving larger assignments; and
3. Get feedback from other employees, who will know more than you will how the new person is doing.

**“Imagine your first day in high school.
That is how your new employee feels.”**

Managing Your People

Develop a Team Feeling

People are happiest when they are part of a larger team who care for each other and are working for a specific goal. Employees do not want to be treated as collateral, but rather as valued members of your organization who will share in the success of the venture. Go out of your way to ensure that your employees have this feeling and are committed to the success of your venture. It will pay significant dividends long term.

Manage Employees by Objectives

Every employee should know what the responsibilities of the job are and what the measure of success is in that position. Work with your employees to help them grow in the job so they can meet and exceed all objectives.

One of the biggest mistakes businesses make is not placing enough emphasis on the ongoing management and training of employees. This is done in many ways, such as demonstrating the standards of the organization, sharing knowledge with employees to help them grow and reward them both verbally and financially for the efforts they put in to achieve their objectives.

Delegate and Avoid Micromanaging Employees

One of the cardinal sins of small business is the sense that the owner must know everything and every detail of the organization, and that the employees are simply charged with the execution of the owner's wishes. This is not an effective way of running an organization or utilizing either your or your employees' time very effectively.

By delegating responsibilities in accordance with the capabilities of each person, and then following up to ensure that the tasks have been accomplished you will develop better employees and have more time yourself to build the business by effectively managing the entire operation.

“Leverage your time instead of trying to do it all”

Performance Evaluation

Bring up the words “performance evaluation” and most people will shudder, and most think it is a waste of time. The process is not well understood and even less well

executed (very little training time is typically given to this critical process!). But it is a very important part of human resource management.

Performance evaluations can be informal conversation, weekly meetings, or a formal sit-down with a written evaluation – but the intent is the same, to give and receive feedback and make sure everyone is on the “same page.” If necessary, problems can be addressed rather than allowed to fester. As always, the human resource advice is to document performance and place it in the employee’s file, to protect against future legal issues.

In order to make this a productive process of mutual communication, you need to go back to the job description and review what is expected of this position. Take another look at this section of the example job description for the Staff Accountant:

Measurements of Successful Performance in this Position:

- Key indicator reports and other standard reports are distributed to management based on the accounting schedule, 100% of the time, in keeping with the “On Time, The First Time” standard.
- Journal entries, month-end balancing, sales tax, expense reports, inventory reports, and payroll are accurate to an agreed upon percentage, as measured by periodic audits.
- Meets personal goals.
- Completes all assigned training and educational programs.
- Meets with his/her supervisor on a quarterly basis to discuss goals and progress.

That should be the basis for your “management by objectives” and the review itself.

A simple evaluation form can help you. For example, your performance evaluation form can contain this section:

Progress on or Completion of Significant Projects/Objectives During the Appraisal year:

PROJECT/OBJECTIVE	DATE SET OR ASSIGNED	CURRENT PROGRESS OR DATE COMPLETED

... followed by a section for goal setting.

GOALS TO BE ACCOMPLISHED

GOAL	OBJECTIVE	HOW IT WILL BE ACCOMPLISHED	WHEN IT WILL BE ACCOMPLISHED

Focus on expected performance and outcomes and set goals for personal and professional development. This takes the performance evaluation beyond the typically uncomfortable meeting where the manager fumbles for things to say and the employee can't wait to get out of the room. Now it becomes a productive business meeting.

Progressive Discipline Policy

Progressive discipline is a term used to describe a step-by-step approach to discipline, usually with increasingly severe levels of discipline for repeat offenses. In legal terms, it is called "due process." It is a legally defensible system that will help you to administer discipline in a fair and consistent way.

Keep in mind that the employee does not have a "right" to progressive discipline. In a way, it is a company benefit. In some instances, such as engaging in illegal behavior such as theft or violence, you can terminate an employee without going through the progressive discipline system. If an employee sues for wrongful discharge, the law will usually be on your side without too much trouble.

However, when it comes to discipline for not following company rules (i.e., frequent absences) or just poor performance (i.e., not meeting sales goals), you will need more justification for terminating an employee to protect the company in case of a lawsuit. How do you prove, for instance, that you terminated the underperforming salesman for lack of sales rather than because he was over 40 years old? You may think it is obvious, but a jury may not. Progressive discipline becomes your ally in this case.

The most important points in the disciplinary process are:

1. The Company must be fair, objective, and handle all employees in the same way (i.e. do not discriminate or warn some employees for behavior that you ignore in other employees)
2. Document, document, document! If you don't write it down, it did not happen! This is doubly important when the matter goes outside the Company's walls – the Department of Labor, Unemployment Claims Examiner, etc. They will ask for documentation of what the employee did, and what you did – in writing. So make it a habit to document disciplinary action, sit down with the employee to discuss it, give them a copy and put a copy in their Employee File. It will save you a lot of time and money later on.

Progressive Disciplinary policies should be included in the Employee Handbook.

“Documenting performance issues is key to protecting the company in a lawsuit.”

For more policies, information and free downloads, please visit my blog at AspireHRConsulting.com.

Know The Law

What Federal & State Laws Apply to Me?

Any company with employees must comply with many federal and state employment laws. Many major labor laws do apply to companies with as few as one employee. This includes minimum wage and overtime. Employers of 11 or more employees fall under the federal health and safety act (OSHA) and the Civil Rights Act. Twenty or more employees and you are obligated to abide by COBRA, which provides for medical benefit continuation. Fifty or more employees, you must provide unpaid leave under the Family and Medical Leave Act.

Failure to understand and comply with federal and state laws may result in costly lawsuits and fines. Below are a few common problem areas for employers.

Who is an Employee?

It has become increasingly common for the company's "workforce" to be comprised of a core group of employees, circled by vendors, consultants, and other independent contractors. For our purposes it is important to understand who is an employee, who is not, and what are the implications.

Employees vs. Independent Contractors

By definition, an employee is a person who works for another in return for compensation, where the employer has the power or right to control and direct the employee in the material details of how the work is performed. An employee is paid by the company and must file a W-2 for to report wages to the government. Companies must pay social security, unemployment and workman's compensation insurance for employees.

An independent contractor is one who, in the exercise of an independent employment, contracts to do a piece of work according to his own methods and is subject to his employer's control only as to the end product or final result of his work. A contractor files a 1099 form for the government to report income from their clients. The "client" company does not pay social security or unemployment insurance for a 1099 contractor.

Employers use independent contractors to reduce the cost of benefits and employment taxes and increase their flexibility. Independent contractors are not covered under many labor laws such as minimum wage, overtime and unemployment coverage. In addition, independent contractors can bring a specific expertise to a project that is critical, but not needed on a full-time basis.

How can this cause a problem? If the employer has wrongly determined that an employee is really an independent contractor, then there can be severe consequences. The IRS can pursue the employer to collect back taxes and other contributions that should have been paid by the employer on the employee's behalf. The employee can also seek compensation for job benefits that were denied to them. This can quickly add up to substantial sums of money.

Therefore, it is important to understand the distinction. As a rule of thumb, if the worker does work only for you, under your direction, he or she is an employee.

**“Employee or Independent Contractor
status is defined by law.”**

Employment at Will

In the United States, most employees are “at will.” “Employment at will” generally means that an employee has the right to leave a company, and the employer has the right to terminate an employee, at any time and for any reason. You can add to that, “as long as it is not for a discriminatory reason,” meaning on the basis of age, religion, creed, color, national origin, gender, or any other reason prohibited by law. In addition, if the employee is covered under a union collective bargaining agreement, or has an employment contract, then there may be additional obligations on the part of the company.

However, “at will” does not mean that the employee cannot litigate, and win a lawsuit for wrongful termination. Much depends upon the company's written policies on discipline and termination, and how well the company follows its own policies.

It is important to create fair policies for your employees, and be consistent in administering them. Employees have choices too, and it will be difficult to keep good employees if they feel that their employer is randomly firing people for non-job related reasons.

“At Will” statements should be put in your employment application and in your Employee Handbook.

Overtime and Minimum Wage Laws

The Fair Labor Standards Act (FLSA) is a federal law that covers two areas that affect all employers: overtime and minimum wage.

Exempt and Non-Exempt Employees: Overtime

The FLSA defines two types of employees, those that are non-exempt (employees that are covered by the FLSA), and exempt (those that are not).

Non-exempt employees are:

- All employees other than those who qualify as exempt below.
- “Blue Collar” workers who do manual labor or who perform work involving repetitive operations with their hands, physical skill and energy.
- Police, fire fighters, paramedics and other first responders, no matter how much money they earn.

Non-exempt employees must receive overtime pay for hours worked over 40 in a workweek at a rate not less than time and one-half their regular rates of pay. In some states, overtime must be paid sooner (for example, after 8 hours worked in a day). Check with your state Department of Labor.

To qualify as an “exempt” employee, employees generally must meet certain tests regarding their job duties and be paid on a salary basis at not less than \$455 per week. Exempt classifications are:

- Executive
- Administrative (narrowly defined)
- Professional
- Outside sales employees
- Certain computer employees
- Highly compensated employees

Job titles do not determine exempt status. This is a very important point. Employers often make the mistake of thinking that they can decide whether or not an employee is exempt from the FLSA overtime provision based on job titles. In order for an exemption to apply, an employee’s specific job duties and salary must meet all the requirements of the Department’s regulations. Misclassifying employees can result in back pay due and fines for employers, so be careful that you understand this important law.

**“An employee’s pay status is a matter of law,
not your budget.”**

Minimum Wage

There is a federal minimum wage, which sets the baseline for the states. Many states, however, have higher minimum wages, so you should check with your state Department of Labor. As a practical matter, the minimum wage may or may not be important to you, as you will be paying wages competitive for the industry and position. Also, there are exceptions to the minimum wage, for classes such as minors, agricultural workers and tipped employees.

Discrimination

There are many federal and state laws covering discrimination. In brief, you may not discriminate on the basis of race, color, religion, sex, age, natural origin, disability, genetic information or any other protected characteristic as established by law.

When interviewing candidates, you must ask questions that are relevant to the job. Questions about a candidate's work history, education, or skill level are relevant. Questions about their country of origin, religion, marital status or age are not. If the candidate has a disability, you cannot disqualify them if they can otherwise perform the job and you can provide a reasonable accommodation.

Likewise, you cannot discriminate against an employee on the basis of race, sex, age, etc. in making pay decisions, promotions, layoffs or firing. This does not mean that you cannot terminate the employment of a worker who is of a certain age, race, sex, etc. It means you cannot fire them for a discriminatory reason; it has to be related to their performance or violation of a company policy.

Firing an employee is an especially sensitive situation for all managers, and is a leading reason for lawsuits and discrimination claims. Good managers know that the best defense is to have a strong progressive disciplinary policy, written down in your employee handbook (more on that later). Formal, written documentation of any disciplinary meetings, with a witness on hand, is one of the most cost-effective ways to protect yourself if you have to later defend your actions in court.

Sexual Harassment

Sexual harassment is a type of discrimination. This comes in two types; "quid pro quo" harassment is when an employee is offered something, like a job or promotion, in return for sexual favors; "hostile work environment" refers to an overall atmosphere of harassment, whether it is from inappropriate actions, words, jokes, etc. An inappropriate poster on the lunchroom wall may be considered a "hostile work environment." Crude emails or photos may be harassment. Your responsibility as the owner or senior manager of the business is to set the example for your employees, investigate any claims, and not tolerate discrimination or harassment in the workplace.

In addition, if you have managers, they should be trained in the basics of labor law, including non-discrimination and sexual harassment training, how to communicate with others, and how to handle employee disputes and concerns fairly and impartially.

“Setting a good example always starts at the top of the organization. Employees follow the leader.”

Labor Law Posters

There are many federal and state laws covering the employment relationship. Among them are minimum wage laws, overtime laws, workers' compensation and disability laws, and laws against discrimination and harassment in the workplace. You are required by law to post federal and state regulations in a prominent place, such as your employee lunchroom, locker room, or other place where all employees can see it.

A number of companies have made it easy to post all of these laws by selling “all-in-one” laminated posters. These companies will also alert you to changes in the law (and sell you updated posters!) You can also get free copies of these posters by accessing the Federal Department of Labor website and your State Department of Labor website and downloading their posters. A drawback is that you must download a number of individual posters, while the paid services put them all on one big poster for your convenience.

Why both Federal and State posters? While all states must follow federal law, they are free to go beyond the federal law in providing protections for employees (but not less protections). For example, the state minimum wage might be higher than the federal minimum wage.

Employee Handbook

All companies need written policies in order to help manage their workforce. Communicating these policies is both good for morale and will help protect you from lawsuits.

Employee Handbook Policies

An Employee Handbook explains your company's policies and procedures, communicates your company culture and expectations, and protects your company in the event of disputes or lawsuits.

A good employee handbook will have policies that cover legal issues such as "employment at will" and "non-discrimination," as well as a variety of company-specific policies such as paid days off, types of unpaid leaves, definitions of full- and part-time employees, and time-keeping and payroll procedures. Every employee should get a copy of the Employee Handbook, and sign an Acknowledgement Form that they have received it. This will help you in case of potential legal issues.

A good handbook should be able to cover all these areas in about 35-40 pages. Remember, the Employee Handbook is a guide for employees, it should be approachable.

With all the possible policies to include, it may seem difficult and confusing to put together a good Employee Handbook. To help you, Aspire has created a downloadable Employee Handbook template that provides you with over 90 pre-written policies to put together on your own, or we can create a customized handbook. More information is on the Aspire HR Consulting website in the HR Projects section.

Organize Your Records

Recordkeeping is a Good Practice and Legally Required

Organizing your employee information is both a good business practice and, in some cases, legally required. There are three key employee files that you should maintain. They should be kept in a secure place that only designated persons can access.

File #1: Employee File

Set up a file folder for each employee, and keep the files in a secure file cabinet. You may also store employee information electronically, using a Human Resources Management System (HRMS).

The Employee File may contain information such as an employment application, resume, background check authorization form, reference checks, offer letter, contracts, tax forms such as the employee's W-4, requests for leaves of absence, vacation days, etc., status change forms, which record change in hours, salary, title, etc., performance evaluations, disciplinary action forms, awards, commendations, acknowledgement of receipt of employee handbook.

File #2: Form I-9 File

Form I-9 is required to prove eligibility to work in the United States. A completed Form I-9 must be on file for each employee. The employee and the Company fill out this form when the employee is hired.

These forms must be available for inspection by the Government. Therefore, keep all of the forms in one file, in alphabetical order. That way, if there is a request for inspection, they are all in one, easily accessible place.

To get a current Form I-9, go to the Department of Homeland Security site and download it for free.

File #3: Employee Medical File

In accordance with the Health Portability and Accountability Act (HIPAA), you must keep employee medical information private. Create a separate medical file for each employee. Place these files in a secure file cabinet (or electronic file) and limit access to one designated person. In this file, put: medical benefit enrollment forms, any medical information obtained during employment (such as doctor's notes), and disability information.

Other HR Best Practices

Payroll Processing

A top concern for all businesses, this is also a tedious, detail-oriented process with high potential for error. There are many commercial payroll companies that can process your payroll, submit taxes and file tax forms efficiently for a small fee, and it is well worth the expense.

Medical Benefits

Depending upon the number of employees you have, you may or may not be legally obligated to provide medical benefits to employees, but it is a part of the “package” that many employees seek. A reputable insurance agency can give you coverage and cost options that fit your budget. Most companies share the premium cost of medical coverage with their employees.

Background Checks and Drug Testing

There are many vendors who will provide these services quickly and inexpensively. Background checks include criminal history, credit, social security verification, previous employers, school records, and other publically accessible records. Before conducting background checks, you must get a signed authorization from the candidate. Be aware that hiring decisions still need to be made in a non-discriminatory manner, and someone with a criminal record should not automatically be disqualified from a job, depending on the circumstances.

Drug testing is usually conducted by independent laboratories. Depending upon the type of company and position, you may be required to conduct pre-employment and/or random drug tests. You should have a policy in place for drug testing if you intend to do this.

Employment Practices Liability Insurance

Employment Practices Liability Insurance provides protection for an employer, including its Directors and Officers, against claims of discrimination, wrongful termination, sexual harassment, and other employment-related allegations. Like any insurance, it is there not for the “run of the mill” incident but to protect against large monetary losses. Contact your insurance agent for more details.

Final Words

If you've made it to this point, you have gotten a lot of information about effective human resource management that will well serve your business. Now is the time to put your knowledge into action.

Don't worry about doing everything at once. You can use the checklist at the end of the book to take a step-by-step approach to human resource management that will take your organization to the next level.

Remember, for more great information and free downloads, please visit [Aspire's Blog and Resource page](#).

Thank you So Much!

I hope you've enjoyed **7 Best Practices for Effective Human Resource Management** as much as I loved writing it for you.

If you have questions or want us to provide support to your company, please contact me at Bill (at) [AspireHRConsulting.com](mailto:Bill@AspireHRConsulting.com), or just call at (203) 321-2175.

Thanks again, and I wish you great success!

Bill Gottlin
Aspire HR Consulting LLC

HR Management Checklist

- ✓ Draw a Present/Future Organizational Chart and replace yourself, starting at the bottom
- ✓ Write down a one-page job description for each position
- ✓ Create a simple Hiring Guide for all interviewers with job-relevant questions and a grading system
- ✓ Create an Orientation checklist for new hires
- ✓ Write an Employee Handbook or hire a professional to do it for you
- ✓ Create a performance management system including MBO and Performance Evaluations
- ✓ Create a Progressive Discipline system that is fair and consistent and train your managers to document performance issues
- ✓ Meet with your managers regularly to develop management skills such as delegation and communication skills – time well spent!
- ✓ Purchase Federal and State Labor Law posters
- ✓ Organize employee files to protect confidentiality and legal requirements
- ✓ Hire outsourced professionals for tasks such as Payroll, Insurance and background checks