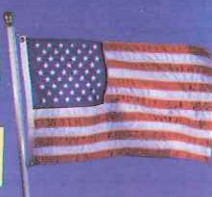


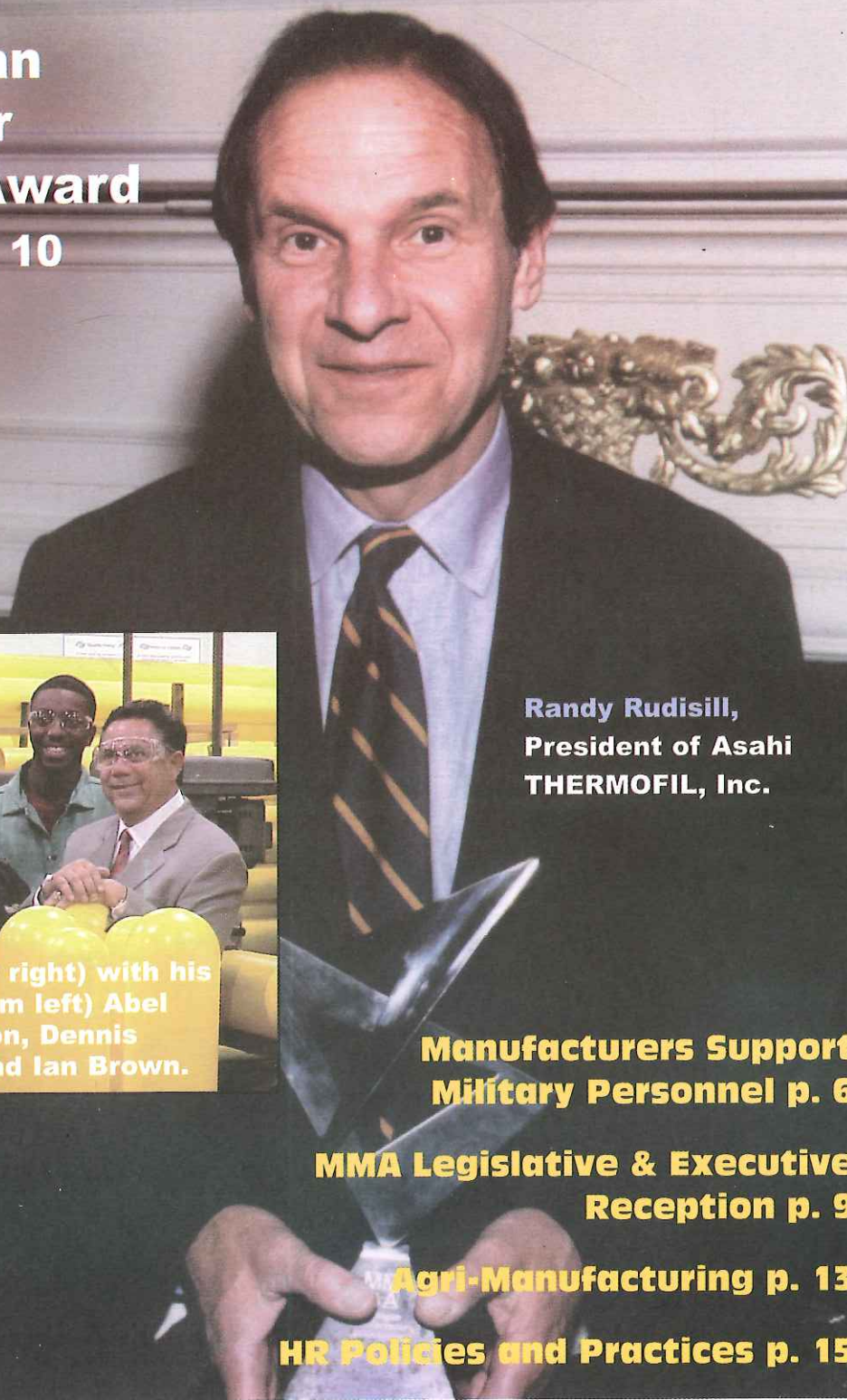
# ENTERPRISE



Newsmagazine for Members of the Michigan Manufacturers Association

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## 2003 Michigan Manufacturer of the Year Award Recipients p. 10



**Randy Rudisill,**  
President of Asahi  
THERMOFIL, Inc.



**Frank Venegas, Jr. (far right) with his  
Ideal Shield Team, (from left) Abel  
Guterrez, Ellen Clauson, Dennis  
Knittel, Daryl Palms and Ian Brown.**

**Manufacturers Support  
Military Personnel p. 6**

**MMA Legislative & Executive  
Reception p. 9**

**Agri-Manufacturing p. 13**

**HR Policies and Practices p. 15**





# HR Policy Trends Challenge Small Companies

By Edmund B. Ura

In the past, formal human resource policies and procedures were more often found in larger organizations, while small companies played things by ear. The situation changed in the 1990s as formalized policies became the rule. Customizable human resource policy manuals and employee handbooks from bookstores, the Internet and associations became too tempting to resist. Headline-making lawsuits and investigations that went beyond the "deep-pocket" targets encouraged business owners to see the light and take the formal road. Now, however, it appears that smaller organizations are backing away and becoming less formal, and are perhaps once again putting themselves at risk.

The conclusions in this article, as well as many more, are drawn from the results of the 2003 Human Resource Policies and Practices Survey, conducted by Management Resource Center, Inc. (MRC) and sponsored by the Michigan Manufacturers Association. Participation in this important survey increased dramatically for the second time, with 220 companies submitting questionnaires — a 25 percent increase from 2001, and more than double the participation in the initial survey conducted in 1999.

## Handbooks and policy revisions are slipping behind

While most employers (90 percent) are still maintaining employee handbooks, they are not being revised nearly as often as in past years. Every year there are

changes in the regulatory environment and the economy that call for changes to employer policies.

In the 2001 survey, more than a third of the surveyed companies had revised their manuals to reflect changes in the last year, and nearly two-thirds had revised them within the past two years. Only 18 percent of companies reported revising their manual in this year's survey, and less than half have made updates since 2001. Small companies (those with sales under \$5 million) were less likely to have made updates; 18 percent reported that they have not modified their handbook in more than five years (since 1997).

## How has the economy affected policies?

While total employment is down, employers are still finding it difficult to hire trained employees. However, about a quarter of employers (26 percent), particularly larger firms, restrict the hiring of

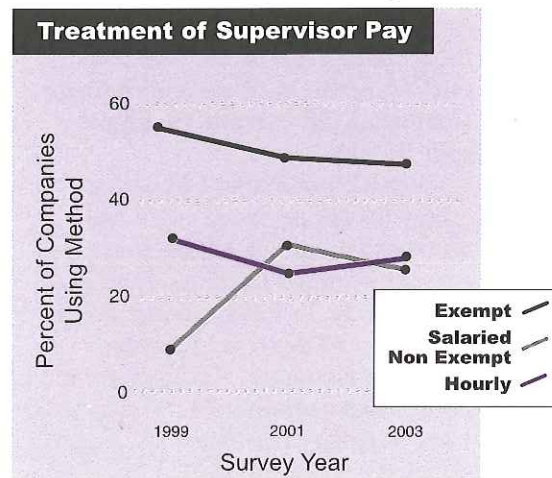
relatives ("anti-nepotism"), but many more employers are considering hiring former employees. This year, 19 percent placed some kind of restriction on hiring former employees, down from 31 percent who initiated such restrictions in 2001. Companies with less than \$10 million in sales are least likely to put restrictions on hiring, either of relatives or former employees.

The ever-changing nature of benefit programs is affecting the way in which employers deal with various classifications of employees. In 2001, 41 percent of employers provided different benefits to employees considered "exempt" under the Fair Labor Standards Act compared to "non-exempt" employees. Methods have been simplified since the last survey. In 2003 37 percent reported a different set of policies.

First-line supervisors are finding today's environment more profitable than in the past, due to the market as well as to regulatory changes. Historically manufacturers have had problems finding supervisors, particularly when promoted from within. Many employees were reluctant to take on extra headaches when their new pay (often a salary with no overtime) was less than their subordinates would earn with their overtime. The past six years have uncovered a trend toward reclassifying supervisors to non-exempt status (see Figure 1).

Severance pay and transition assistance have dropped, as companies find it

Figure 1





difficult to keep their current employees compensated, let alone those who are no longer employed. In 2001, just under one-fifth (18 percent) of employers had a formal severance pay program, and half did not have a formal plan, but had given terminated employees compensation on a case-by-case basis. Overall, then, almost three-quarters provided some kind of financial assistance, including nearly a quarter which provided outplacement assistance.

The situation for a terminated employee in 2003 is not nearly as favorable as it has been in the past. The number of companies providing formal severance plans has dropped by half (only 9 percent) and those companies without a policy but that still provide payments is also off somewhat (down 14 percent). Overall, just over half of companies are now making some kind of severance payment, and less than 20 percent of companies now provide outplacement assistance.

### Policies reflect changes in the workplace

Equal opportunity and sexual harassment issues are not occupying the minds of policy developers nearly as much as in the past. When asked whether the composition of the workforce (by age, gender, race, etc.) reflects the make-up of the local labor market, most participants (72 percent) report that they are in line; this level has been consistent since 1999. However, the manner in which they have achieved this statistic has changed.

After reaching a peak of 87 percent in 2001, 80 percent of employers (the same number as in 1999) reported having a formal policy in place to encourage equal employment opportunity. Reported formal attempts to increase minority representation have dropped 25 percent, with only 29 percent reporting they had made such attempts (down from 39 percent in 2001 and 35 percent in

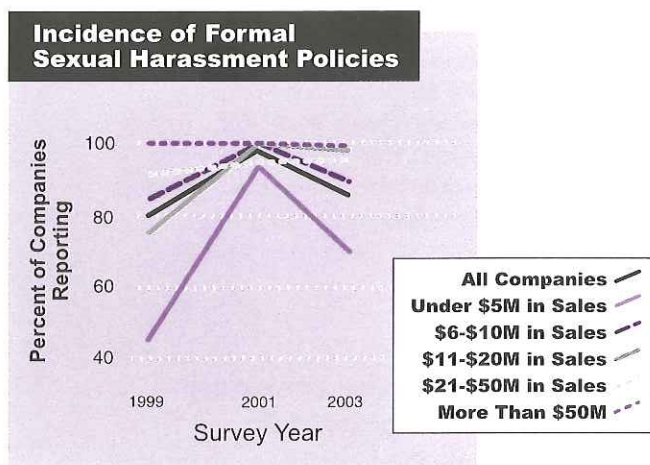
most (72 percent) provided formal training. In 2003, the number of formal plans dropped to 85 percent, definitions of inappropriate behavior to 80 percent and training is down to less than two-thirds (62 percent).

It is not that sexual harassment has diminished as a concern in the manufacturing sector; rather, new and smaller companies have not addressed it. While there was some

drop overall in the incidence of formal policies, it was most apparent among smaller companies (Figure 2).

While some of the differences between survey results can be attributed to a change in the survey participants, it is clear that the peak attention to sexual harassment that took place in 2001 has dimmed somewhat, and that the primary source of that decline is among smaller companies.

Figure 2



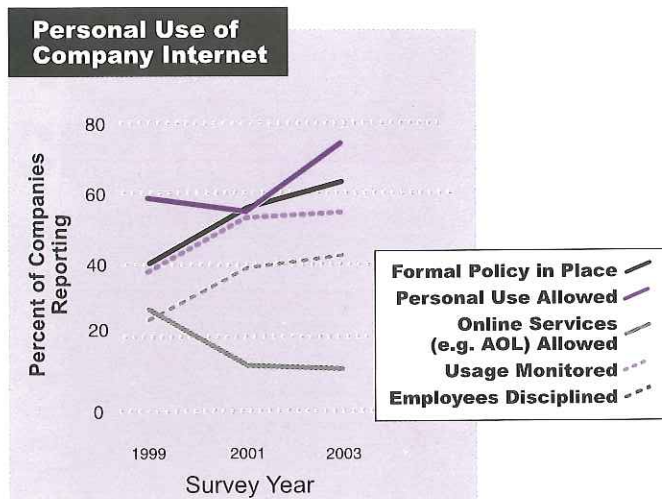
1999). While the number of companies who are required to have affirmative action plans has decreased (this is not a function of their performance, but by what is required by the government or their customers), those voluntarily putting plans in place is also down somewhat (26 percent vs. 32 percent in 2001).

Sexual harassment appears either less of an issue, or in the alternative, an issue that some companies need to take a look at, and quickly. In 2001, nearly every company (97 percent) reported having a formal sexual harassment policy; most companies (85 percent) were very specific about what constituted inappropriate behavior and

### Disciplinary policies are more relaxed, particularly regarding technology

The overall theme when it comes to workplace discipline in 2003 seems to be a general relaxation of the formality of the programs, which is occurring across the entire spectrum of manufacturing employers. The trend is not toward a sharp decrease overall, but on certain aspects of behavior, and how they are dealt with. For example, there has been a slight drop in the number of companies with formal discipline procedures (78 percent in 2003, compared to 80 percent in 2001), but the number that use formal methods such as mediation

Figure 3



or arbitration to resolve disputes is down sharply (from 57 percent of plans having such an end result in 2001 to just 38 percent in 2003).

Many employers saw e-mail and the Internet as a both a blessing and a curse when it became the norm for company communication, and their approach to technology has reflected this view. Dramatic reductions in productivity were expected as

employees spent more time playing desktop solitaire and using company e-mail as a way to chat with friends and relatives. As a new generation who has grown up with technology — and with a significantly different work ethic — has entered the workforce, employers have bowed to the inevitable and allowed personal


use of technology but have, at the same time, put employees on notice that they would be monitored and disciplined (Figure 3).

### To find out more...

Detailed results from the survey are available now. Fill out the form below or contact MRC, Inc., at 734-

454-2500, to order your copy of the survey or for further information on any aspect of the report.

MMA members who participated in the survey can receive a copy of the report for only \$80, and non-participants can purchase a copy for \$120. Non-members may also purchase copies of the report at non-discount prices.

The 2003 MMA Executive Compensation Survey Report, published in April, is also available. The MMA Cash Compensation Survey has been mailed and the survey report will be available around Labor Day. 



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