

# ENTERPRISE

News for Members of the Michigan Manufacturers Association

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## People:

### Your Ultimate Resource

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# Policies and Procedures—

## *The Hidden but Crucial Component of the Human Resources Program*

By Edmund B. Ura



**A policy costs nothing more than the paper it is printed on—until it comes time to implement it. Many Michigan manufacturers, including the 112 who participated in the inaugural *MMA Human Resources Policies and Practices Survey*, are finding that having cohesive and competitive human resource policies is just as important as having a competitive compensation and benefits program.**

**H**uman resource policies and practices have traditionally had a “punitive” feel, focusing on what employees can and can’t do on the job. Two major recent developments have changed the face of policies and practices:

- The increased risk of litigation, in the face of allegations that virtually any behavior an employee doesn’t like merits compensation from their employer.
- The need to make the workplace and jobs more attractive without significantly raising costs.

### **Managing the Risk**

The primary focus of many human resources professionals is now on “risk management”—protecting employers from government agencies and increasingly litigious employees. This trend is illustrated by a number of Policies and Practices survey findings:

- Eighty percent of participants have established sexual harassment poli-

cies. Of that group, 90 percent give specific examples of inappropriate behavior, and 68 percent provide training to managers and employees on the subject.

- Eighty-five percent of companies surveyed consider themselves “at will” employers, reserving the right to terminate employment at any time, for any reason. Leaving nothing to chance, 85 percent of these employers have had their dismissal policies reviewed by counsel and 75 percent require employees to sign statements declaring their understanding of the policy.
- Employers are increasingly wary of providing reference information. When contacted, 55 percent refuse to provide information without signed consent from the employee in question. From most often to least often provided, the following is a list of commonly requested information:
  - dates of employment (96%);

- answer to the question “would you rehire this employee?” (44%);
- current compensation or compensation history (34%);
- information concerning disciplinary actions (14%);
- information on performance appraisal results (12%).

The ethics and attitudes of the modern work force call for even greater change and adaptation, as well as a form of “risk management” that refers more to the protection of company assets, versus protection from prosecution and litigation.

The most common complaint made by employers today is that there is a severe shortage of employees with even a rudimentary understanding of the traditional work ethic. In the past, work was conducted between 8 and 5, and personal business was attended to on an employee’s personal time. Many of today’s younger workers believe that personal business deserves atten-



tion during the workday, rather than around it.

Consider, for example, the plight of a company that has spent thousands of dollars to provide Internet access in order to streamline office functions and increase productivity. There are hidden costs: many workers spend so much time surfing the Internet that they actually act as a drag on productivity. More than a third (36%) of survey respondents with e-mail systems prohibit employees from sending personal mail, and 42 percent limit Internet use to business purposes only. The concern is not without cause. While most companies have entered the Web age in only the last few years, nearly a quarter (24%) have had to discipline employees for "Web abuse." Web abusers beware—28 percent of employers monitor e-mail use, with 15 percent monitoring the actual content of employees' e-mail. Similarly, 38 percent monitor Internet use.

Workplace safety and discipline are often intertwined, and survey results show a very low tolerance among Michigan employers for substance abuse on the job. While it is often difficult to detect when an employee is under the influence of a controlled substance, being found in possession is non-negotiable—70 percent

of survey participants indicated they would terminate employees for a single possession of alcohol on company premises.

### Making the Workplace More Attractive

The second emerging trend in human resource policies and practices is the development of approaches to make the company more attractive in order to lure in prospective employees and to retain present employees. While much weight is placed on insurance benefits, as well as liberal education and leave provisions, simple policy changes can also have a significant impact on employee attitudes:

- Typical Michigan manufacturers have become quite relaxed in their requirements for employee dress—only 40 percent maintain a specific dress code. Very few (8%) employers require formal business attire, with most opting for "business casual" (66%) or allowing anything that is "not inappropriate" (26%).

- Reacting to the changing nature of the workforce, and the varying needs of employees where their non-work life is concerned, more and more employers are allowing employees to control some aspect of their work time. Forty percent of survey participants now allow some form of flexible scheduling for employees in non-production environments.

Whether your compensation package is competitive for a manufacturer's key employee group (the first line supervisor) will largely depend on a human resource policy—the payment of overtime. While the Fair Labor Standards Act generally "exempts" supervisors from its overtime requirements, the labor market and the internal dynamics of a company often make it essential to compensate supervisory employees with some type of overtime. Forty-five percent of those surveyed treat their production supervisors as "non-exempt," and this can be a significant cost, as the average production supervisor works a 45-hour week. Employers who do not pay overtime to their production supervisors need to realize that, in order to remain competitive (pay the "same" net amount) with employers offering overtime, their average pay levels will have to be nearly 20 percent higher.

### Keeping it All Together

Keeping track of all of these HR policies and practices is no easy task, and ensuring they are properly communicated to (and understood by) employees is a major component of the human resources "mission." Most survey participants (85%) have handbooks describing the terms and conditions of employment, and most are kept quite current.

#### Employer Handbooks

Year of Last Update	% of Companies
1999	42%
1998	26%
1997	14%
1996	5%
Before 1996	13%

## Other Survey Findings

The *MMA HR Policies and Practices Report* covers a wide range of working terms and conditions. Survey material deals with issues that remain of great interest to those trying to formalize policies and procedures so that more time can be devoted to doing business. A sampling of other survey findings follows:

### ● *Hiring Processes*

The human resources department takes a lead role in hiring and managing the process in 72 percent of businesses surveyed. Human resources staffers also manage the internal screening of applicants in 66 percent of cases. Current employees can refer prospects for open jobs prior to the public posting at 82 percent of companies, with 29 percent of employers offering compensation to an employee that refers any individual eventually hired.

### ● *The Employment Relationship*

Most Michigan manufacturers hire their own employees. However, as part of a growing trend, employers nationwide are increasingly "outsourcing" some or all of the recruitment process. Sixty-two percent hire temporary employees, and close to a third (29%) utilize an employee leasing service.

### ● *Ending the Employment Relationship*

Severance policies and procedures have become more common, particularly in a formal setting. Most employers (97%) allow employees to continue working after they have given their notice. When terminated for cause, however, most employers will ask for an employee's immediate departure from the premises (96%).

Typical scenarios in which employees might receive severance pay or benefits include:

<b>Cause of termination</b>	<b>% providing some type of severance</b>
Department/job elimination . . . . .	81%
Corporate restructure . . . . .	71%
Inability to perform job duties . . . . .	38%
Termination for cause . . . . .	29%
Reduction of job responsibilities . . . . .	28%
Voluntary termination . . . . .	17%

Thirty-five percent of companies provide some type of outplacement assistance. Eighty percent require employees to sign a separation agreement before severance benefits are provided.

## More About the Survey Report

In addition to the topics mentioned in this article, the *MMA HR Policies & Practices Survey Report* contains

## How Competitive is Your Company?

For more than seven years, MMA has partnered with Management Resource Center, Inc. to track the compensation and benefit trends occurring in Michigan manufacturing. By surveying manufacturers of various sizes throughout the state, the following list of reports provide a comprehensive and reliable measure of what is happening in the area of cash compensation, incentive plan participation, benefit options, and human resources policies.

### ■ **1999 MMA Cash Compensation Report**

Contains the most sought-after information about compensation in Michigan's manufacturing sector.

### ■ **1998 MMA Employee Benefits Report**

Useful information about employee benefit practices including data on the cost of health insurance coverage and new benefit options.

### ■ **1999 MMA Executive Compensation Report**

Includes data on base salary and total cash compensation levels, incentive plan participation, supplemental benefit programs and executive perquisites for various executive positions.


### ■ **1999 MMA Policies and Practices Report**

This newly released report provides information on the total sample of 112 companies according to industry, geography, and size.

### ■ **1999 MMA H.R. InfoSeries.** The series includes cash compensation, executive compensation, and policies and practices reports.

Each report is available individually at a cost of \$80, or the entire *1999 MMA H.R. InfoSeries* can be purchased for \$200.

For more information, or to purchase a copy of any of these reports, contact Daniel L. Fisher of the Management Resource Center, Inc., at 248-362-6745, or via e-mail at [dlfisher@mrc-consulting.com](mailto:dlfisher@mrc-consulting.com).

extensive coverage of a variety of other issues, including: smoking policies, retirement practices, religious and gender accommodations and protections, shift practices, overtime and on-call pay, as well as discipline and ethical practices. 



**Ed Ura is president of Management Resource Center, Inc. (MRC) in Troy, Michigan. MRC is an independent consulting firm offering business and compensation strategies along with planning, research services, and management consulting. For more information, call 248/362-6746.**