

WHITE PAPER

COMPENSATION CULTURE REQUIRES SOUND POLICIES APPROACH

The growth of the compensation culture has increased demands on employers of all sizes to have in place robust HR policies to cover all the eventualities they and their employees might face, argues Adrian Moss, sales director of HR Solutions International.

Within the last few years, the increase in the level of employment regulation and legislation that have been generally witnessed across the UK has meant that employers must take careful steps to ensure that they have in place appropriate HR policies capable of covering every eventuality.

This need has been still more evident with the development of a burgeoning compensation culture in which we read of often quite lurid accounts of large pay-outs being awarded to aggrieved employees, sometimes for what are on the face of it quite trivial grievances.

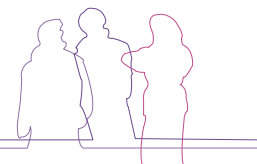
But these payouts are often likely to be the result of management failure to adapt to a rapidly changing legal environment or ignoring the issues involved. This has placed pressure on organisations of all sizes to maintain complete, accurate and accessible HR policies and communicate them effectively.

Recent published research shows that many of them are not actually very successful at doing this, however, and the latest figures suggest that 68% of organisations don't know if employees have seen their policies and that 79% of organisations do not know if they are fully compliant – damning evidence indeed!

The key to tackling the compensation culture for all employers is to have in place a robust set of core HR policies and procedures and to communicate them effectively to all members of staff, making sure all legal bases are covered.

The latest HR software systems should be capable of doing just that, typically linked in to a corporate intranet or extranet, to ensure everyone receives a copy of all the company's HR policies.

It is not enough to simply send your policies to your staff, however; you need to know that they have read and understood them. The latest systems allow a company's own HR policies and procedures to be distributed electronically to the workstation of every employee, with automated prompts for each employee to open, read and accept the policy, thus providing management with a complete audit trail.



Key policies

As rising levels of employment legislation place the emphasis on employers to continually keep ahead of the game, there are a number of core HR policies that must be communicated directly to employees for employers to remain compliant with the law.

Employers of all size need to be fully aware of the rules covering areas such as disciplinary policy, grievances, discrimination, health and safety and family orientated policies, and to have communicated these to all employees. Failure to do so leaves the employer wide open to the risk of complaints or grievances being made by employees to an Employment Tribunal - a process which can be time consuming and expensive.

For example, under new provisions brought in by the 2002 Employment Act, it is imperative that every employer has a disciplinary policy in place, and this now applies to all organisations regardless of the number of staff employed.

There are considerable risks involved in not having a disciplinary policy in place. For example, if an employer fails to comply with the statutory disciplinary procedure prior to dismissing an employee, the dismissal is deemed to be automatically unfair, irrespective of whether the employer had good grounds for dismissing the employee.

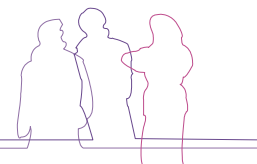
This can lead to claims for unfair dismissal and the likelihood of the employee being awarded enhanced compensation at an Employment Tribunal – an outcome most employers would be keen to avoid.

Another area of key importance is that of employee grievances, one that more employers are unfortunately becoming familiar with! An effective grievance policy is essential to the smooth operation of a business, and for ironing out any concerns or complaints that employees may have. It can also prove to be an essential element for employers in defending claims in an Employment Tribunal.

Having the correct grievance policy ensures, as far as possible, that employees' grievances are dealt with and resolved through discussion, promoting both confidence and trust in management, and resolving any issues that employees may have.

Failure to follow the statutory grievance procedures in circumstances where an employee's contract of employment is terminated, however, renders a dismissal automatically unfair, irrespective of the merits of an employee's grievance. This can increase claims for compensation by 10-50% at an Employment Tribunal and is well worth preventing!

Another important area is that of health and safety at work. By law, the existence of a health and safety policy is mandatory for all businesses with five or more employees. This policy is designed to regulate the health and safety arrangements within an organisation or business, including the effective planning, organisation, control, monitoring and review of relevant preventative and protective measures. If there are less than five employees within an organisation or business the appropriate arrangements still need to be in place.



There are circumstances which employers are open to prosecution. This can be where the alleged offence involves a significant breach of the law such that the health, safety or well being of employees is or has been put at risk. An effective health and safety policy, that is actively managed, can help to avoid such breaches.

Discrimination in the workplace is also something that most employers will want to avoid as claims for a variety of forms of discrimination - be it on sex, age, race or religious grounds - have become an increasingly commonplace. A variety of policies need to be in place to ensure that all of these important areas are covered.

Employers need to be aware, too, that they may be liable for any act of discrimination on the grounds of a person's colour, race, nationality, ethnic or national origins in relation to the terms upon which it employs staff, the opportunities afforded to employees and their dismissal. Employers should also be aware that they can also be vicariously liable for the discriminatory acts of its employees whilst in the course of their employment.

Advice for employers

Given the legal minefield that employment law has become, it is essential that employers have in place robust HR policies that tackle all the key areas. This means talking to your HR systems supplier to ensure that their system provides adequate cover.

The ideal HR software system allows you to quickly and easily publish your policies, procedures and other relevant information and make them available to all staff, via easy to use features of the main application. Managers should be able to select what types of information they want to publish, using the behind-the-scenes features of the product.

Not all policies or procedures apply to everyone within an organisation, and the perfect system will have the ability to link policies with relevant groups of employees, and avoid staff from being presented with policies which don't apply to them.

The system should also be capable of encouraging two way conversations with staff members about HR matters, and users should be able to report any concerns or feedback suggestions for improvements or alterations.

The main application should also be configured to track staff acceptance of policies. By electronically "signing" policies, and other documents, users can indicate they have read and agreed these documents, providing management with a clearly distinguishable audit trail. This also identifies those employees that have and haven't accepted the policies and makes this information available in the form of management reports.

Keeping track of how each policy has changed and which employees have agreed to each updated version is a practical and legal necessity. The best systems do this automatically, providing management with peace of mind and a safeguard against the compensation culture.

Adrian Moss, Director, HR Solutions International

T: +44 (0)8453 70 72 70

E: info@hrsolutions-intl.com www.hrsolutions-intl.com

