

Cost Category	Definition	Measurement	Impact	Control
Recruitment	Costs incurred in identifying, selecting, and hiring new employees.	Recruitment cost per hire	Increases turnover and reduces productivity.	Streamline recruitment process.
Training	Costs for developing employees' skills and knowledge.	Training cost per employee	Improves performance and retention.	Invest in high-quality training.
Compensation	Costs for salaries, wages, and benefits.	Cost per employee	Attracts and retains talent.	Review compensation structure.
Retention	Costs for maintaining current employees.	Retention cost per employee	Reduces recruitment and training costs.	Improve employee engagement.

References

Wass, L. B. & Johnson, D. (2007). *Managing Your Human Resources*. Harlow: Business Press, pp. 1-10.

Green, M., Whittaker, A., & Whittaker, C. (2005). *Managing Your Human Resources*. Harlow: Business Press, pp. 1-10.

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Employee Wastage and Turnover Rates

- What's the difference between employee wastage and employee turnover?
- Measures of both can indicate the effectiveness of HRM programs and activities
- But what can be considered a healthy or unhealthy turnover or wastage rate?
- What are some of the costs of wastage?
- Causes of turnover and wastage

HRM Costing

Original cost - measures the accumulated costs associated with recruiting, selecting, inducing and training employees.

Replacement cost - estimates the dollar value of replacing any employee, including separation payments and training costs.

Opportunity cost - estimates the maximum value of the employees when alternative use.

Economic value - attempts to predict the value of employees in terms of future savings.

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Indicators of HRM Performance

- Quantitative measure of the costs or benefits of aspects of HR processes.
- A form of benchmarking to indicate the contribution of HRM to the organisational goals.
- Are HR metrics a reflection of the effectiveness-impact components of HRM evaluation systems?
- Pitfalls of HR metrics

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Absenteeism

- Any failure of an employee to report for or to remain at work on scheduled regularity of the reason (Hendricks et al., 2014)
- What are the costs of absenteeism?
- What can be done to reduce absenteeism?

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Occupational Injuries and Illnesses

- Aims for HRM to measure cost and control costs can be concentrated on accident and illness trend analysis as WFLG issues cause significant costs to industry.
- Incidence rate - can help to provide a basis for making comparisons both internally and externally.

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Employee attitude and engagement surveys

- Organisations the opportunity to get feedback on job design, pay policies, communication and other areas which in turn can inform their decisions where it comes to addressing problem areas.
- Other problem areas are identified action must be taken

Employee Exit Interviews

- Provides organisations with another opportunity to receive feedback and to identify problem areas

Evaluating the major HRM programs

- Planning and Recruitment
- Selection
- Training and Development
- Performance Appraisal
- Salary and Benefits
- Industrial Relations

From your experience as an observer, how do you think McDonald's identifies and manages diverse talents within the organisation?

By observing their employee behavior, McDonald's can ensure that diverse talent is used to the greatest advantage and not lost to the company.

Management communication is a key to effective work processes as well defined team to be effective.

Employee behavior directly impacts the outcome of HRM. If employees are not motivated, performance, both efficiency and quality, and resulting customer satisfaction will be affected.

HRM Cost - Benefit Analysis

- Aid overall HR planning and control
- Highlight the nature and value of inputs to the organization
- Provide effective and reliable methods of reporting cost and value
- Support senior and line managers to measure their individual performance

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Practices:

- Recruitment
- Training and development
- Performance management
- Performance appraisal
- Skills management
- Personnel administration
- Compensation, employee relations
- Employee development
- Payroll
- Employee labor law administration
- Personnel cost planning

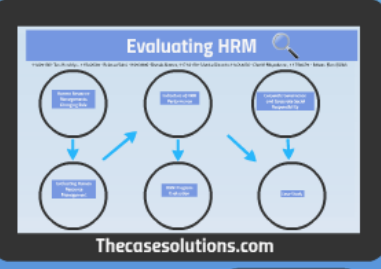
Discussion Question:

Should the challenge and expense cost be prioritized by HRM departments? Why or why not?

HRM Evaluation: Theory and Practice

Theory:

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Discussion Question

Do you think the evaluation process should be a continuous process or a one-time event? Why or why not?

HR Program Evaluation

What is HR Program Evaluation?

- Methods intended to assist managers in making judgments about the value of the outcomes of programs adopted by a company.
- It aims to evaluate this by generating both qualitative and quantitative data that measure the impact of the program on the performance of the organization.
- Requires the use of valid HRM standards as a baseline to assess the program's progress.

Purpose of HR Program Evaluation

- Evaluation is an important function in terms of HR control and accountability.
- Process of evaluating evidence on the performance of HRM, to provide a link between its goals and its outcomes.

Aims to:

- Evaluate the effectiveness of HR functions
- Ensure compliance with laws and regulations
- Address ethical standards
- Promote change
- Bring HR and line functions closer
- Improve quality of HR functions and its staff

Training and Personal Development

- TMS has given McDonald's the tools to identify, early on, employees with prosperity to lead. It can then tailor development resources to those individuals who will be business critical in the future.
- TMS has helped to identify any training and development deficiencies
- They have established partnerships with leading development organisations (Charlie Bell School of Management)

Case Study: McDonald's Talent Management System

- McDonald's implemented an integrated TMS in 2009 by PeopleScape
- Established leadership programs
- Aligned everyone with the McDonald's strategy
- TMS takes performance development and targeted learning initiatives online to engage all corporate and restaurant management team members in line with the McDonald's business strategy
- TMS enables users to plan their career path at McDonald's.



Discussion Question

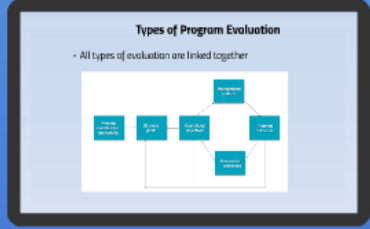
Do you think the evaluation process should be a continuous process or a one-time event? Why or why not?

Corporate Governance and Sustainable Business Performance

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Example: Banking on Development

- Approval bank decided to invest in an education strategy
- Program objectives: assist manager without tertiary qualifications to develop skills and to encourage completion of tertiary qualifications
- Program was subject to an internal evaluation
- The evaluation was based on two areas of concerning criteria for each university
- Research was completed in consultation with the primary stakeholders
- Evaluation produced results supportive of the program in regards to enhancing outcomes aligned with its formal goals.



Towards the Future

The Future of SHRM

- Organizational goals/objective drive HRM strategies, plans, policies and processes
- Requires constant and comprehensive evaluation to ensure ongoing congruence with organizational goals and objectives.
- Current organizational emphasis - quality, productivity, ethical practice, innovation and efficiency, with continue as industry becomes more competitive.
- Lean and mean organizations - due to increasing automation of repetitive tasks in all industries, continuing outsourcing, contracting out or offshoring non core functions
- New and more highly skilled positions will be required, creating increased 'war for talent' growth in service industry to accommodate new consumer needs.

HRM Practice in the Future

- HR professionals - significant responsibilities in the future.
- SHRM is a shared responsibility of all organizational managers.
- Integration between HRM processes and strategies.
- Future developments in HR practice are likely to include a concentration on the cultural elements of employee relationship, team-orientated work system, knowledge management and multi-skilling

Year	Revenue	Profit	Assets	Liabilities	Equity
2008	1000	100	1000	1000	0
2009	1100	110	1100	1100	0
2010	1200	120	1200	1200	0
2011	1300	130	1300	1300	0
2012	1400	140	1400	1400	0
2013	1500	150	1500	1500	0
2014	1600	160	1600	1600	0
2015	1700	170	1700	1700	0
2016	1800	180	1800	1800	0
2017	1900	190	1900	1900	0
2018	2000	200	2000	2000	0
2019	2100	210	2100	2100	0
2020	2200	220	2200	2200	0

Reforming Social Security Around the World

HRM Process	Key Issues	Key Concepts	Key Outcomes
Recruitment	Attracting and selecting the right people for the job	Job design, job analysis, job description, job specification	Cost-effective recruitment, high quality hires
Selection	Choosing the best candidate for the job	Personnel selection, personnel testing, personnel assessment	High quality hires, low turnover
Training and Development	Improving employee skills and knowledge	Human capital, employee development, employee training	High performance, high productivity
Performance Management	Monitoring and improving employee performance	Performance appraisal, performance evaluation, performance measurement	High performance, high productivity
Compensation and Benefits	Attracting and retaining employees	Compensation management, employee benefits, employee welfare	High performance, high productivity
Employee Relations	Maintaining a positive work environment	Employee engagement, employee involvement, employee participation	High performance, high productivity

HRM Costing

Original cost - measures the accumulated costs associated with recruiting, selecting, inducing and training employees.

Replacement cost - estimates the dollar value of replacing any employee, including separation payments and training costs.

Opportunity cost - estimates the maximum value of the employees (non alternative value).

Economic value - attempts to predict the value of employees in terms of future savings.

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Indicators of HRM Performance

- Quantitative measure of the costs/benefits of aspects of HR processes.
- A formal benchmarking to indicate the contribution of HRM to the organisations goals.
- Are HR metrics a reflection of the efficiency-effectiveness-impact components of HRM evaluation systems?
- Problems of HR metrics.

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Absenteeism

- May failure of an employee to report for, or to remain at, work as scheduled regardless of the reason (Kleinbeck et al., 2014).
- What are the costs of absenteeism?
- What can be done to reduce absenteeism?

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Occupational Injuries and Illnesses

- Aims for HRM to measure cost and control in costs can be concentrated on accident or illness trend analysis as WHS hours cause significant costs to industry.
- Incidence rate - can help to provide a basis for making comparisons both internally and externally.

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Employee attitude and engagement surveys

- Edgewood organisations the opportunity to get feedback on job design, supervisors, communication and other areas which can inform their decisions when it comes to addressing problem areas.
- These problem areas are identified, action must be taken.

Employee Exit Interviews

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Evaluating the major HRM programs

- Planning and Recruitment
- Selection
- Training and Development
- Performance Appraisal
- Salary and Benefits
- Industrial Relations

Have your experience or observation, how do you think McDonald's handles employee turnover?

- By offering flexible employee benefits, McDonald's can ensure their employees work there about with the company's commitment can be seen as a way of checking progress.
- Managers know that they're expected to achieve and have success will be measured. For example, regional managers that it's with tasks and problem solve issues can be by obtaining employee behavior.
- Management communication is open and effective. Work practices are well defined and having a effective.
- Part-time employees already demonstrate the outcomes of TMS and employees are self-motivated, performing tasks efficiently and effectively and providing excellent customer service that their behaviors reveal successful outcomes of TMS.

Training and Personal Development

- TMS has given McDonald's the tools to identify, early on, employees with propensity to lead. It can then tailor development resources to those individuals who will be business critical in the future.
- TMS has helped to identify any training and development deficiencies.
- They have established partnerships with leading development organisations (Charlie Bell School of Management)

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- Practices:
- Recruitment
 - Training and development
 - Performance management
 - Performance appraisal
 - Skills management
 - Personnel administration
 - Change activities in wages or salaries
 - Time management
 - Payroll
 - Employee's benefits administration
 - Personnel cost planning

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HRM Evaluation: Theory and Practice

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Evaluating HRM



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Case Study: McDonald's Talent Management System

- McDonald's implemented an integrated TMS in 2008 by PeopleStrong.
- Established leadership programs.
- Aligned everyone with the McDonald's strategy.
- TMS takes performance development and targeted learning initiatives online to engage all corporate and restaurant management team members in line with the McDonald's business strategy.
- TMS enables users to plan their career path at McDonald's.

Corporate Social Responsibility

- CSR is a concept that describes the commitment of business to act ethically and contribute to economic development and, to work with employees, their families, local community and society to improve their quality of life.
- CSR encompasses activities or support by large business that contribute that include the financial, social and environmental impacts of organizational activities.
- Good corporate governance and CSR can add considerable value to a firm's bottom line, as they enhance reputation, contributing to retention and loyalty of customers and employees.



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The Future of SHRM

- Organisational goals/objectives drive HRM strategies, plans, policies and processes.
- Requires constant and comprehensive evaluation to ensure ongoing congruence with organisational goals and objectives.
- Current organisational emphasis - quality, productivity, ethical practice, innovation and efficiency, will continue as industry becomes more competitive.
- Lean and mean organisations - due to increasing automation of repetitive tasks in all industries, continuing outsourcing, contracting out or offshoring non-core functions.
- New and more highly skilled positions will be required, creating increased 'war' for talent.
- Growth in services industry to accommodate new consumer needs.

Towards the Future

- HR professionals - significant responsibilities in the future.
- SHRM is a shared responsibility of all organisational managers.
- Integration between HRM processes and strategies.
- Future developments in HR practice are likely to involve a concentration on the cultural elements of employee relationship, team-oriented work system, knowledge management and multi-skilling.

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Example: Banking on Development

- Australian bank decided to invest in an retention strategy.
- Program objectives: assist manager without tertiary qualifications to develop skills and to encourage completion of tertiary qualifications.
- Program was subject to an internal evaluation.
- This evaluation was based on 360-degree of concerning criteria for each manager.
- Research was completed in consultation with the primary stakeholders.
- Evaluation produced results supportive of the program in regards to obtaining outcomes aligned with formal goals.

Types of Program Evaluation

- All types of evaluation are linked together.



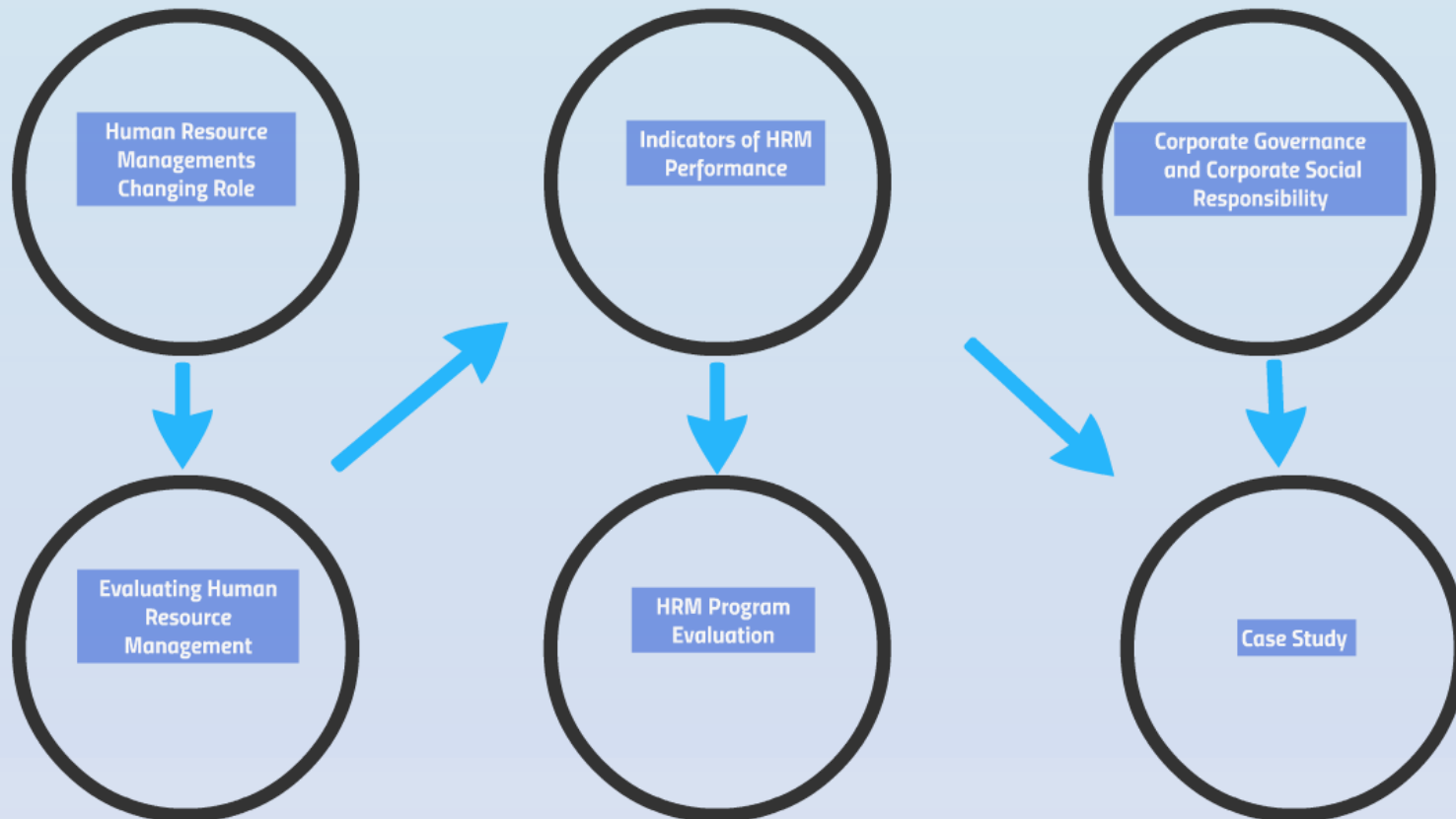
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Evaluating HRM



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Practices:

- **Recruitment**
- **Training and development**
- **Performance management**
- **Performance appraisal**
- Skills management
- Personnel administration
- Compensation in wage or salaries
- Time management
- Payroll
- Employee's benefits administration
- Personnel cost planning

Discussion Question

Discuss the challenges and opportunities provided by HRM professionals by effective program evaluation techniques

HRM Evaluation

Theory:

- Based on the assumption of different goals and needs
- Meets the strategic goals of employees effectively
- Ensures there is a "fit" between employees and overall strategy

HRM Cost - Benefit Analysis

- Aid overall HR planning and control
- Highlight the nature and value of people to the organisation
- Provide effective and reliable methods of reporting cost and value
- Support senior and line managers to measure their individual performance.

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development plans.

Value and support Leaders demonstrate that learning is valued.

HRM Costing

Original cost – measures the accumulated costs associated with recruiting, selecting, inducting and training employees.

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Opportunity cost - estimates the maximum value of the employees in an alternative use.

Economic value – attempts to predict the value of employees in terms of future earnings

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Discussion Question

How can HRM professionals fully account for the costs and benefits of their activities? Is it a mission impossible?

- Quantitative aspects of HR
- A form of benefit contribution
- Are HR metrics effectiveness evaluation system
- Pitfalls of HR

analysis

people to the organisation
of reporting cost and
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