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SETTING UP AND EXPANDING HR DEPARTMENT



WHAT YOU NEED TO KNOW TO ADMINISTRATIVELY MANAGE YOUR ENTERPRISE'S EMPLOYEES

This brochure is brought to you by the Development of Financial System in Rural Areas in Serbia (SRFP) program, which is being implemented by the German Development Bank (KfW) in partnership with Business and Finance Consulting (BFC) and the Serbian Ministry of Agriculture, Forestry, and Water Management.

Introduction

The course an enterprise takes when starting up a human resources department varies depending on whether the enterprise is new in business or if the enterprise has been functional for a period of time and has realized they need a human resources department. Moreover, the problems and concerns of starting up a human resources department are influenced by the present scope and predicted growth of the enterprise, the level of backing and structure developed, the type of industry, and the enterprise's future plans and beliefs. This brochure introduces the broad outline of points

and issues an enterprise owner should think about when developing a human resources department from scratch, which includes the following:

- Employee files,
- Hiring procedures,
- Job descriptions,
- Human resource recruitment plan,
- Staffing manual,
- Remuneration structure,
- Tax duties,
- Human resources budget,
- Benefits schedules,
- Staff evaluation procedures,
- External recruitment,
- Health and safety processes,
- Payroll administration,
- Enterprise staffing plan.



For enterprises already working, the stages of setting up a human resources department might be similar with creating the activities from scratch, with an eye to conformity issues, current human resources policies and the background to why the enterprise is setting up an official human resources department. The first stage in setting up a human resources department in an already working enterprise is an evaluation of the present situation

of the human resources overall activities. This evaluation assists in determining the right priorities and engagement plan.

See conducting human resource audits:
<https://bit.ly/3EUF0Uf>

How to set up a human resources department in a functioning enterprise is presented later in this brochure.

Setting up a Human Resources Department in a Newly Formed Enterprise

Most small-scale enterprises begin with the owner or other non-human resources staff tackling staffing matters. One of the enterprise's staff are obligated to handle administrative responsibilities and procedures regarding payments and benefits, administration of taxes, unemployment claims and staff compensation.

The approach of distributing human resource's responsibilities by the enterprises managers and departments, or engaging human resource's staff on a part-time basis, might be sufficient in the short-term. The problem arises when federal rules and regulations start applying, at approximately the level of 15 employees, the need to take into account the wide-array of employment laws, while expanding the enterprise, in the end will prove trying. Before this happens, having a dedicated human resources employee engaged may prove more effective to handling issues counting as employing, releasing, time-off, training, compliance, policy development and benefits. By this stage, a small enterprise may consider starting up a dedicated human resources department.

Human resources specialists wear many hats within an enterprise: staff relations advisor, compliance manager, benefits administration, talent hiring, among many others. How to begin is where the enterprise is in its trajectory. A 'one size fits all' approach to setting up a human resources department doesn't exist, but developing a plan which encompasses the enterprise's objectives while observing legal frameworks is essential.

HUMAN RESOURCES EMPLOYEE PLANNING

Engaging competent and capable human resources staff is not a simple undertaking for a young enterprise; in this case some may consider hiring an outside recruiter, human resources advisor or external human resources consultants to assist the human resources staff. For the most part, younger enterprises have only one human resources manager carrying out all general activities in the department. An enterprise needs to take into account the following elements:

- Familiarity of employment laws and other conformity matters.
- Education attained in an appropriate subject and related certifications.
- Adeptness to carryout research, ability to concentrate on managing various projects, manipulate resources, ability to adjust the needs of a growing enterprise, and deal with the needs of top management.
- Background employment with younger enterprises or enterprises of related industry or size.
- Total years of human resource experience and the amount of responsibility in those years.



Hiring human resources staff additional info:

<https://bit.ly/39vQpv4>

HUMAN RESOURCES BUDGET

The human resources department is responsible for matching the department's budget with the enterprise's objectives while adhering to the enterprise's policies and internal rules. The budget process takes into account the assembling of information so that the financial reserves required to meet the enterprises intentions can be planned. As for young enterprises which have no historical budget for reference, planning and calculating is required for the first human resources budget. A human resources department will require the following information to set up a new budget:

- Total employees expected for the following year.
- Capacity building or new hiring training needs.
- Expenses paid out in the present year.
- Expected employee replacements for the upcoming year.
- Employee benefits outlays expected.
- Expected new benefits or packages.
- Expected legal issue costs.
- Any other enterprise plans, legal issues or regulations which will add extra financial resources.



What is involved with setting up a human resources budget?

<https://bit.ly/3u5EJZs>

TAX ISSUES

New enterprises must be registered with the country's tax administrative department. The human resources department must be cognizant that the enterprise has an issued tax identification code (PIB code in Serbia) and is registered with the state tax administration agency for paying tax obligations. Taking into account the size of the enterprise, this activity may be handled by the finance department.



For more information on your state tax obligations:

<https://bit.ly/3hVImME>

SALARIES PAYMENT AND ADMINISTRATION SYSTEM

An enterprise's payroll administration is the primary function of the organization. Some human resources departments may outsource this activity to an outside vendor to cut down on administration and to remain within legal compliance. Subcontracting to a sub-contractor for payroll and associated tax obligations assists enterprises to meet deadlines.

When the employee payroll system is set up, it must be managed on a regular basis. The enterprise must determine which department will carryout the payroll function – finance or human resources? Whoever carries out the payroll function must understand salary and working time hour laws, overtime pay, meal and break-time laws and how to calculate hours worked.

JOB DESCRIPTIONS

Every enterprise needs job descriptions for each position in the company which describes the tasks, duties and functions of a position. Job descriptions are developed for a number of reasons, counting as determining salary levels, leading work reviews, providing titles and a basis for recruiting. Job descriptions provide the enterprise with a concise and summarized source to lead an annual review. Job descriptions can also be a useful tool to measure if staff are meeting the outlined terms of the job.

DEVELOPING A BENEFIT PLAN

An enterprise must ascertain which benefits are compulsory and what benefits are optional. Will the enterprise pay holidays, time off for vacation, illness, personal days, etc.?

Other benefits of mention – health insurance, disability insurance, life insurance, pension and retirement programs.

Mandatory benefits include workers' compensation insurance and unemployment insurance under state law.

Young enterprises may begin with offering a few benefits, a wider-array of benefits as time goes on. To attract employees, young enterprises may offer a comprehensive benefits package.

**NAGRAĐIVANJE I
MOTIVISANJE
ZAPOSLENIH**

More information on setting up a staff benefit's plan:

<https://bit.ly/2W3axS2>

DEVELOPING SALARY LEVELS

An enterprise develops salary levels for attracting and keeping employees and to develop fairness in the system. To develop a pay scale from the start encompasses a number of steps:

- Collecting market information required for the project to move forward.
- Examining the sources of the collected market information and setting up this data.
- Analyzing market information.
- Calculating salary levels.
- Executing and assessing the new pay grades.

STAFF MANUAL

Persons working in the human resources field acknowledge the staff manual as necessary instrument for developing organizational culture, benefits and staffing policy information. A staff manual normally defines information regarding the employer's hiring procedures, benefits, attendance rules, salary payments, time-off practices, health and safety, employee relations and guidelines for misbehaviour.



How to develop an employee handbook:


 <https://bit.ly/3ud02II>

EMPLOYMENT PROCESSES

The employment process covers numerous stages and a variety of procedures, which includes the use of application forms, interviews and pre-hiring testing. At this stage, the employer will use a developed employment contract and the terms of employment offering will be presented. The last step, the human resources department will manage the procedure of new hires into the enterprise.

New hires of an enterprise must complete the necessary forms proving eligibility to work in Serbia and usual state tax reporting forms.



Managing the new employee engagement and orientation process:
 <https://bit.ly/3CF5C9D>



EMPLOYEE FILES

Files held on employees are the source of private, administrative and legally held information regarding the enterprise's staff and their affiliation with their employer. Unfortunately, legal issues can develop from incorrectly maintained files.



What can and cannot be included in an employee's file?

 <https://bit.ly/3o5zQid>

EMPLOYEE EVALUATION PROCEDURES

The employee's evaluation procedure combines daily unofficial feedback and regular, normally annual, scheduled feedback. The enterprise's human resource department is normally the initiator of an effective and efficient management of the employee evaluation procedures. A well developed and seasoned human resource department that is highly organized to assist the enterprise's managers in the evaluation process and to aid them when there are problems or questions is essential to a effectively running process.

Managing employee performance:

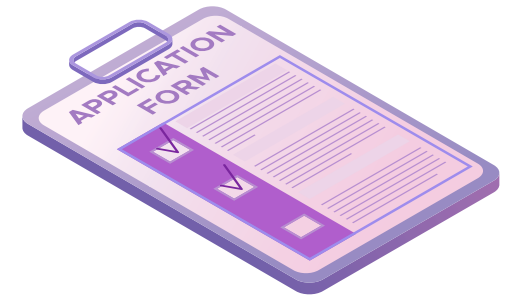
 <https://bit.ly/39xTiLK>

Setting Up a Human Resources Department in an Existing Enterprise

Taking on the task of setting up a human resources department in an already functioning enterprise can be a daunting exercise. Many times, human resource experts are confused where to begin. To overcome this problem, as with most tasks, is by watching, studying and talking with the enterprise. It is essential to learn what the expectations are for the new position and the reason for setting up the human resources department. Human resource experts can begin by asking basic questions:

- Human resource function was carried out in the past by whom in the enterprise?
- Who in the enterprise decided to open the new position and who within the enterprise understands the internal functioning of the enterprise while familiar with top management?
- What was the reason for setting up the new human resources department?
- What is the ethos and values of the enterprise?

The best manner to address these points is by holding a needs assessment by interviewing key employees and management, also combined with the human resource manager's own evaluation of the human resource policies already developed. This manner of evaluation, or human resources appraisal, assists in developing an activity plan for human resource activities and employment.



HUMAN RESOURCE EVALUATION OR APPRAISAL

If an enterprise does not even have an official human resources department, usually the enterprise has developed some basic human resource policies to keep the enterprise functioning on an employment level. Therefore, in this case the enterprise does not have to start from beginning, the human resource experts can review what the human resource department has already developed and assess them. Human resource reviews can assist in assessing the efficiency and execution of human resource activities and services and identify opportunities to improve, adjust and eliminate activities and procedures. Before carrying out a review, human resource managers need to decide at which point to begin. Taking the entire human resource well-being of the enterprise into consideration through assessment, followed by a rigorous review of each operational function, taking into account each activity and service provide, so that the human resource manager can ensure the enterprise in in conformance, is managed effectively and cost efficient,

and is addressing the needs of the staff and management demands.

A number of areas human resources might leave an enterprise susceptible to fines or other legal actions. A significant number of legal actions can be attributed to issues connected to hiring, employment performance, discipline or firing. Other risk areas to review involve monitoring of misidentification of tax exempt and non-exempt positions, human resource files lacking information, erroneous timesheets, and general lack of documentation. Following are example topics to initiate a human resources evaluation. As referred to previously, a more detailed assessment may be required in determined areas.

HIRING. How will the recruitment process be carried out? Where does the enterprise locate acceptable candidates? Does the enterprise have current job descriptions for each position in the enterprise?

STAFF RELATIONS. Does the enterprise have any unsettled complaints or outstanding investigations? What is the occurrences of these investigations and is there a identified trail to these problems?

SALARY LEVELS. Has a formal salary level been established for positions? Is it being updated? Are the staff satisfied with the present salary levels?

ENTERPRISE STRATEGY. What is the enterprise's goals and long-term intentions? What are the present strategic plans of the enterprise?

CAPACITY BUILDING. Has the enterprise carried out management or employee capacity building training?

PAYROLL. Is the human resource department developed enough to pay out salaries? How are hours worked being recorded?

EMPLOYEE FILES. Are files on employees kept up-to-date and private? Are medical records and other confidential information filed separately?

BENEFITS. What benefits does the enterprise offer to the employees? Are the benefits appropriate to the needs of the enterprise?

EMPLOYEE PERFORMANCE REVIEWS. Are employee reviews being carried out on a regular basis? At what intervals? Is there an formal review process? Is this review process satisfying to the management and staff?

POLICIES. Does the human resources department have a manual of developed policies? Are they kept up-to-date?

HEALTH AND SAFETY. Does the enterprise have a health and safety plan? Where is it kept? Is there a team that meets to discuss safety?

DECIDING YOUR ENTERPRISE'S HUMAN RESOURCE STRUCTURE

A 'one size fits all' solution to a human resources department is not possible. One must remember that the size of an enterprise will affect the number of staff in the human resources department. Other aspects to take into account include the future expansion of the enterprise, ethos and values, enterprise structure, approach, enterprise industry and customer expectations.

At the point that an enterprise decides to expand the human resources department beyond one staff member, it must determine how to structure this new department. Quite a number of enterprises have a two persons in their human resources department, one senior human resources manager carrying out generalist activities and a second human resources member tasked with generalist or human resources administration activities.

The administration position can be useful for enterprises that are overburdened with administrative activities (counting as keeping records, tracking benefits and payment of salaries). Other enterprises may go with employing a human resource's generalist to tasked with hiring and general employee and benefits activities, allowing the human resources manager to deal with complicated staffing problems and implementing human resources plans and business matters. While the enterprise's needs expand and the human resources department grows, top management may decide to move from engaging human resource generalists to engaging specialists for hiring, administering benefits, compensation and other duties to offer greater support to multitude of human resource activities responsible for. Enterprises additionally may research whether to subcontract one or more human resource activities to reduce overhead expenses.

BusinessAcademy
Skola za poslovne muškarce i žene

Staffing the human resources department:
<https://bit.ly/2ZqTSJC>

DEVELOPING A WORK PLAN

Human resource department staff needs to develop a work plan and communicate this document to top management to receive their feedback and to gain their approval. The next stage is to gather all feedback and rank all actions based on the evaluation findings, with an eye on the cost for each activity.

The human resources department needs to categorize these activities and plans on a high-low priority scale, with attention to legal conformity and value to the enterprise. Second, the department should develop a schedule of activities on the most important actions that can be completed in the following six months; included would be calculation of costs, description of activity to be carried out and the expected final results. At the time of presenting this plan to top management, the human resources department needs to be organized, succinct and to the point, while expecting what questions might arise. It should also be communicated how these activities might affect the budget, showing how the human resources department assists in the enterprise's healthy profit, efficiency, expanded output, decreased liability and employee approval.



Setting up a human resources benchmarking metrics:
<https://bit.ly/3Aw6xZk>