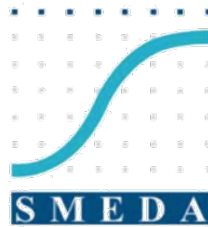


# HIRING AND MANAGEMENT OF EMPLOYEES



## Small and Medium Enterprises Development Authority

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### 1 INTRODUCTION OF SMEDA

The Small and Medium Enterprise Development Authority (SMEDA) was established with the objective to provide fresh impetus to the economy through the launch of an aggressive SME development strategy. Since its inception in October 1998, SMEDA had adopted a sectoral SME development approach. A few priority sectors were selected on the criterion of SME presence. In depth research was conducted and comprehensive development plans were formulated after identification of impediments and retardants. The all-encompassing sectoral development strategy involved overhauling of the regulatory environment by taking into consideration other important aspects including finance, marketing, technology and human resource development.

After successfully qualifying in the first phase of sector development SMEDA reorganized its operations in January 2001 with the task of SME development at a broader scale and enhanced outreach in terms of SMEDA's areas of operation. Currently, SMEDA along with sectoral focus offers a range of services to SMEs including over the counter support systems, exclusive business development facilities, training and development and information dissemination through a wide range of publications. SMEDA's activities can now be classified into the three following broad areas:

1. Creating a Conducive Environment; includes collaboration with policy makers to devise facilitating mechanisms for SMEs by removing regulatory impediments across numerous policy areas.
2. Cluster/Sector Development; comprises formulation and implementation of projects for SME clusters/sectors in collaboration with industry/trade associations and chambers
3. Enhancing Access to Business Development Services; development and provision of services to meet the business management, strategic and operational requirements of SMEs.

SMEDA has so far successfully formulated strategies for sectors, including fruits and vegetables, marble and granite, gems and jewelry, marine fisheries, leather and footwear, textiles, surgical instruments, transport and dairy. Whereas the task of SME development at a broader scale still requires more coverage and enhanced reach in terms of SMEDA's areas of operation.



### 2 DISCLAIMER

Form of this document and the contents therein are provided only for general information purpose and on an "as is" basis without any warranties of any kind. Use of this document is at the user's sole risk. SMEDA assumes no responsibility for the accuracy or completeness of this document, its form and any of the information provided therein and shall not be liable for any damages arising from its use.

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### **3 HIRING AND MANAGEMENT OF EMPLOYEES**

As easy as it may sound, hiring of employees, setting them to work and retaining them is a very important element of being a successful entrepreneur. However, it requires a lot of looking into and good decision making.

To make the workplace environment effective and productive it is important to know the considerations for hiring and managing the employees and the legal rights and responsibilities of employees and employers.

Hiring of suitable personnel is very crucial for business development of an enterprise as failure to do so could result in wastage of time, money and profitability. Some factors that may result in loss of time and money in relation to employees hiring and management process are:

1. Recruiting unsuitable employees
2. Inadequate training opportunities
3. Low morale and motivation
4. Ineffective management and supervision
5. Too frequent dismissals on petty issues
6. Lack of trust

### **4 IMPORTANT FACTORS TO CONSIDER WHILE HIRING EMPLOYEES**

Attracting and selecting the right personnel is a crucial task. There are many factors to consider when deciding to employ staff; these include:

#### **4.1 Recruitment**

It is improper to discriminate based on gender, age, marital status, religion, race, impairment, pregnancy, family status etc. Some basic steps for ensuring right recruitment of staff are:

1. Creating a job description and selection criteria
2. Job specification
3. Determining how people will apply and be assessed against the selection criteria
4. Pay package
5. Advertising the vacancy
6. Short listing and interviewing applicants
7. Background check / references
8. Appointing the right person

#### **4.2 Understanding the Job Requirements**

Basic requirements of the job for which you need to hire an employee need to be clearly understood before taking any step for recruitment of an employee. Think about what kind of work that each employee would be doing and not doing when given employment by you e.g.



managing a mechanical process, marketing, accounting, administration, etc. Defining the Job Description

When you understand the job requirements it would be important to write down these requirements. A job description, specifying job title, name and designation of the person to whom an employee would report combined with the roles and responsibilities of the position, working conditions, would provide the candidates with clearly defined parameters within which they would be required to function, and an understanding of the organization's standards that need to be met in order to effectively execute their tasks. Involvement of the hiring managers in writing job requirements may be of great help to ensure that only a candidate who matches the position's requirements and manager's expectations is hired.

However, you may also scroll through certain websites such as **resources.workable.com**, **businessballs.com/job-description.htm**, and **blog.proven.com/job-descriptions**, to find some templates of standardized job descriptions that you can tailor for your own requirements.

### 4.3 Job Specification

A job specification expresses the minimum qualities that an applicant must possess for getting selected for a job vacancy. It entails some components that need to be clearly mentioned in the job vacancy advertisement such as:

1. Age
2. Educational qualification
3. Work experience
4. Skills and knowledge
5. Personality characteristics

Job specification provides a guideline to the organization on the basis of which it makes the process of screening of resumes and short-listing the candidates easier and less time consuming. A detailed job specification helps the organization to evaluate the employees and provide them required trainings. It also helps organizations during the performance appraisals and promotions.

### 4.4 Pay Package

Keeping in view the financial setup of the organization and the employee requirement a pay package needs to be finalized before the hiring process initiates.

A pay package generally includes perks in addition to the basic monetary salary that the employee will be receiving from the organization. Some of the perks are

1. Insurance
2. Health benefits
3. Allowances; Vehicle, Petrol, Mobile
4. Bonuses
5. Special incentives
6. House rent
7. Other utilities



Arrangements for deductions from the salary for the following need to be defined in the pay package as per the organization's policies:

1. Gratuity
2. Provident fund
3. Tax and tax return
4. Leave without pay

### 4.5 Hiring Process

There are a number of ways an organization can hire new employees. Some advertise the positions and manage the recruitment process in-house. At the same time the option of engaging a recruiting / employment agency or headhunters for this process is also available such as [www.rozee.pk](http://www.rozee.pk), [www.mustakbil.com](http://www.mustakbil.com), [www.jobz.pk](http://www.jobz.pk), [www.roziroti.pk](http://www.roziroti.pk), [www.jobee.pk](http://www.jobee.pk), etc.

#### A. Recruitment / Employment Agency

A recruitment agency matches up people wanting to work with employers with vacancies. Recruitment agency do not employ these workers. The employer pays the workers directly and pays the agency a fee for finding the employee. They act as sort of a middle man for employers and their potential new employees. Some are privately owned while others are sponsored by the government.

#### B. Head Hunters

Headhunters often work only on a contingency basis, meaning they only get paid if they are able to find an acceptable employee for a company or an organization. Headhunters may have a pool of candidates for specific positions as they often work on commission; they often have a greater incentive to find jobs for their clients than recruiters do.

### 4.6 Knowing The Law

As an employer there are legal requirements you must comply with when hiring staff in particular the workers if you are setting up an industrial establishment. It is important to have knowledge about the legal rights of employee as well as employer in order to avoid any workplace problems and for being up to date with the organization's policies and practices.

### 4.7 Paying The Right Wage

There are a number of ways you can employ staff and it is important that you understand and fix the correct wage and leave entitlements for each arrangement. Ideally the wages should not be below the minimum wage rate to avoid employee turnover. Under the law, minimum wage for unskilled workers is prescribed by the respective provincial governments on a yearly basis that is necessary to follow. Conditions that may cause pay deduction should be informed to the employees at the time of hiring.

## **4.8 Employment Contract**

Define employee rights to holidays, pay, time off, etc. and any other relevant details in a written document to be signed by both employee and the employer. People can be hired on fixed term or on contract basis for a mutually agreed time period. Short-term employment can be done to perform a specific task, to work on a particular project or to replace an employee on leave, for example. Any negotiations regarding the length of employment before the employee starts working should be included in their contract. Whichever the case is, all the details need to be in a written agreement document.

SMEDA has also developed templates for employment contracts along with some other relevant documents which can be downloaded from SMEDA's website at [www.smeda.org.pk](http://www.smeda.org.pk).

# **5 IMPORTANT FACTORS TO MANAGE & RETAIN EMPLOYEES**

## **5.1 Introduction**

New employees will certainly benefit from an induction program. Orientation is a great opportunity to introduce employees to the company, its products, its business processes, its culture and policies and even to the competition. Showing new workers how to perform their jobs safely and efficiently reduces staff turnover and increases productivity as employees will know what is expected of them.

## **5.2 Training**

Organizations may arrange interactive training sessions or workshops for the skill enhancement of their employees. Effective training of new employees results in employees who:

1. Know what they're doing
2. Save time by contributing more effectively to organizational objectives
3. Have a good feeling about the company
4. Get off to a good start.

The importance of training your employees cannot be overemphasized and it does not end with new workers. Manager training and development is equally important to workplace safety, productivity, and satisfaction. Among the most useful skills that can be addressed are manager communication, employee motivation, and employee recognition.

## **5.3 Human Resource Department**

Hiring a human-resource professional with a proper designated team to oversee and streamline the employee structure and processes can be very helpful. Putting a human resource team in charge of employee benefits, perks, performance reviews, etc., makes sure employees are managed as per the policies. HR managers are also more up to date on employment laws and trends. They can set up various programs and perks you may not have known to exist.





### A. Maintaining Work Ethics and Performance

Every organization should have policies for maintaining discipline and avoiding grievances at the work place in order to maintain a prosperous work place.

Organizations should have annual targets set for individual employees based on which performance reviews of the employees can be carried out. Performance review is important for the career development of employees as well as for the growth of an organization. It also helps identify the top performing employees from those who might need some counselling or guidance. It can help you check if your employees have the right skills and attitude, or identify areas for further training and development. Appraisals should include review of work performance and also the employee's behavioral conduct.

Managing staff performance on a regular basis helps in getting the most out of them. For a positive and healthy workforce environment, guidance should be provided to underperforming employees. There are a number of ways this can be done:

1. Provide them with a letter that highlights the performance issue and how you expect it to be rectified.
2. Provide them with sufficient time to improve their performance or conduct.
3. Offer further training or an opportunity to improve their skills.
4. Advise them of possible consequences if they do not reach the required performance level.

### B. Attendance & Leave Policies

Policies for time off, late coming, annual leaves, sick leaves, parental leaves, etc., to be clearly defined and shared with the staff at the time of hiring to avoid future problems.

## 5.4 Ending Employment

It is advised that policy for ending of employment be shared with the employee at the time of hiring and factors leading to it be mentioned in the contract. Some common reasons for ending employment is resignation, redundancy and termination. Employee / employer must give or be given a notice when ending employment, whichever the case may be. The length of notice and employee entitlements when ending the employment will depend on the agreement done at the time of hiring or as per the organization rules and regulations policies.

## 5.5 Employee Retention

The first step to creating a solid workforce is hiring of the right personnel. It is equally important to take measures to retain them as employee turnover results in business loss not just in terms of time but also productivity while creating a bad influence on other employees and on the organization's reputation. The organization should make sure employees know what is expected of them and how they can grow within your company. Every organization needs to make policies and strategies to evade employee turnover, in order to do so following practices may be helpful:



### **A. Perks, Incentives, Benefits and Financial Rewards**

Consider offering a competitive benefits package, including health and life insurance and a retirement plan. For low paid employees / workers health and retirement plans can be availed by registering your organization with Social Security and EOBI departments which only require payment of small contributions from employers and also a deduction from employee salaries for extending these facilities to their employees. Provide employees with financial incentives such as annual raises and bonuses. Flexible timings and the option of working from home in desirable situations show employees that they are much needed and the organization is willing to help accommodate any unnatural situation if it arises. Work related contests among employees ensuring incentives can keep employees stay focused and maintain excitement in their jobs.

Consider offering financial or other awards for employees who exceed performance goals. Create a bonus structure where employees can earn an annual bonus if they meet their pre-specified performance goals in addition to an annual raise in wages.

### **B. Employee Viewpoint**

Employees need to feel that their opinions matter in the growth of the organization. Surveys or interviews with the employees may be carried out to know why they think some employees consider to leave or have stayed with the organization for a long tenure, what change or improvement would they want to bring if given a chance, what issues they consider nonnegotiable, etc. Any or all information collected can be utilized to strengthen employee-retention polices / strategies. Feeling connected to the organization is one way to keep employees mentally and emotionally tied to your company.

### **C. Promotions**

As a best practice, employees from within the organization should be promoted whenever possible. If they see no growth for themselves they may get frustrated which will bring down their performance and they may decide to look for better opportunities elsewhere. Develop a policy document on the basis of which an employee will get promotions. The policy document must be circulated to all employees.

### **D. Open Communication Between Employees And Management**

Every organization is legally obliged to ensure a safe workplace and look after the health and safety of its employees and customers. Formal as well as informal sessions / meetings may be held regularly among the employees and the management where they can offer ideas and ask questions. Managers should spend time coaching employees, helping good performers move to new positions and minimizing poor performance. An open-door policy encourages employees to speak truthfully with their management regarding any issues or suggestions without fear of repercussions.