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Small business more worried about Hiring than Firing

Small businesses are more worried about their ability to attract the right staff, and less worried about firing staff, according to research on human resource management (HRM) commissioned by Australia's largest accounting body CPA Australia.

The research found that the key employment concerns for small business are finding the right staff (69.4 per cent); finding skilled staff (50.3 per cent); and the ability to retain good staff (44.7 per cent). The ability to dismiss staff was a concern for 36.4 per cent of small business surveyed, however impending industrial relations changes are likely to reduce these concerns.

CPA Australia's Business Policy Adviser Judy Hartcher said, 'Under the industrial relations reforms, small business will be exempt from unfair dismissal and, with these changes, many small business employers could resort to firing staff as a first response to employee problems.

'But, they should not be too quick to dismiss staff. In the current climate of skills shortages and the difficulty small businesses have in finding the right staff, they may not easily replace the staff they have let go. So, rather than taking what might seem the easiest solution, they could benefit by improving their HR practices to maximise the investment in their most important asset – their staff. Good policies and procedures will help increase productivity and grow the business.'

According to the report, many small business employers recruit using unimaginative, informal and ad hoc methods such as word of mouth or newspaper advertisements. These methods are easy to use and convenient but not always effective in reaching a larger pool of suitable recruits and finding the right employee. Interviewing candidates without using a written list of skills and qualifications in the selection process may also lead to accusations of indirect discrimination if the best person for the job isn't selected.

The research report, *Getting and Keeping Good Staff*, conducted for CPA Australia by Monash University's Family and Small Business Research Unit (FSBRU), aims to understand the HRM practices used by small businesses. More than 400 small businesses in Victoria with less than 20 employees participated in the research. The survey was confined to Victoria in order to minimise jurisdictional issues pertaining to employment and workplace relations.

The research also revealed that small businesses with more formal human resource management (HRM) practices were more likely to have increased sales growth and employment over the previous 12 months. Ms Hartcher said, 'Despite this, very few small businesses take a systematic approach to recruiting, training or developing staff. They are also less likely to align their HRM practices with their overall business strategy. Unless they formalise their HRM practices and include them as part of their business plan, they are less likely to reap the benefits of growth.'

According to the report, 65 per cent of small business have little structure or formality in employment practices. While more than half (54.3 per cent) used a formal business plan, less than a quarter (21.4 per cent) had a staffing plan with a budget.

Other findings from the research show that:

- small business is informal in its HRM practices. Almost two-thirds (65.8 per cent) of small businesses use informal training methods; almost two thirds (66 per cent) communicate with staff through management's daily walk around; the majority (41.2 per cent) prefers to communicate policies to staff verbally; one third (32.3 per cent) turned to friends, family or trusted others for advice.
- small business predominantly used advertising to recruit staff (42.2 per cent). More than 70 per cent said they used a written list of skills and qualifications to recruit but only 52.2 per cent had a written job description for all staff.
- staff wages were predominantly set using the award rate (38.6 per cent), followed by market rate (35 per cent), individual contracts (34.6 per cent) and federal award (34.1 per cent). The research results suggest the award rate was used in individual contracts.
- the majority of small firms (91.6 per cent) neither encourage nor discourage their employees to join a union, suggesting that small businesses are not hostile to trade unions.
- less than 20 percent of firms used their accountant for advice about HRM issues. While the proportion seeking advice from their accountant was low, far fewer sought advice from government sources.

Monash University's FSBRU Director Associate Professor Rowena Barrett said, 'The evidence suggests that small business does not take a proactive approach to managing staff and therefore changes to the industrial relations laws will force many to reconsider what they do. Those that do not, may fall behind and become unattractive places to work.'

'Under the new legislation, small business which has traditionally relied on the industrial award system for employment terms and conditions, may benefit by developing employment agreements to help their business grow.'

The research was conducted by Associate Professor Rowena Barrett, Director of the FSBRU at Monash University, Gippsland Campus, and Susan Mayson, Research Associate in the FBSRU and Lecturer in the Department of Management, Monash University, Peninsula Campus.

Source: CPA Australia (www.cpaaustralia.com.au)