

HR FAQ

Q: What are some changes for 2006 that I need to be aware of?

A: Here is a breakdown of some changes that will affect you in 2006. Please visit www.irs.gov for more information.

- New Social Security Wage Base: \$94,200
- Maximum social security tax: \$5840.40
- Mileage rate (per mile): \$0.445
- Maximum catch-up contribution for 401k: \$5000
- Donning and doffing (the act of putting on and taking off) uniforms is compensable time, by Supreme Court ruling.
- Minimum wage has risen in several states, but has remained the same in Oklahoma and Texas

NEW YEAR'S RESOLUTIONS FOR BUSINESS SUCCESS

- Learn how to delegate
- Promote your business regularly and consistently.
- Make business planning a weekly event.
- Learn something new.
- Join a new business organization or networking group.
- Give something back to your community.
- Put time for you on your calendar.
- Set realistic goals.
- Don't make do with shoddy office equipment; get a new one.
- Drop what's not working for you and move on.

(Source: www.about.com)

WE WANT TO HEAR FROM YOU!

What New Year's Resolution will you make to improve your business? Please respond by January 15, 2006 at hr1@nextep.com. The winning response will win a \$50 gift certificate and be featured in our next HR newsletter.

PERFORMANCE EVALUATIONS

The beginning of the year is often a time for business owners and managers to evaluate employees' performance. Evaluations are a beneficial tool in examining strengths and weaknesses and looking to the future, but can be complicated and have legal ramifications if not done correctly. This introduction to performance reviews will help you get started with new evaluation methods while polishing up old ones.

Types of Performance Reviews

There are several types of performance reviews, each with their own advantages and drawbacks. Here are some common ones.

Category Rating

The appraiser rates the employee on a number of categories. There is often also a sections under each category for comments. *Advantages:* Easily quantified, easy methods to use.

Disadvantages: Categories and certain job functions may be left out or grouped together.

Comparative Methods

Employees' performance is compared to others. Ranking employees from best to worst is common with this method.

Advantages: Can help determine who to let go in mandatory layoffs.

Disadvantages: Many things can sway the ranking, including appraiser bias and job functions. Difficult to use if all employees are excellent.

Narrative Methods

Written essay-style description of employee's job performance. Or, appraiser keeps written reports of all good and bad behavior during the appraisal period.

Advantages: Records are thorough, appraiser is able to document more.

Disadvantages: Very time-consuming and too subjective. Also, appraiser may not actually record every single good and bad employee incident.

Peer Reviews

Employees anonymously appraise each other, answering prescribed questions about job performance. Answers are filtered through the manager.

Advantages: Allows a view of employee attributes and drawbacks the manager may have missed, gives employees more specific feedback.

Disadvantages: Personal bias and issues can easily get involved, time consuming for managers.

Management by Objectives (MBO)

Employees help managers set personal goals for what they hope to achieve within a specific time period.

Advantages: Better job performance and commitment from employees since they set their own goals. Objectives are clearly defined.

Disadvantages: Goals may be too easy or too difficult to reach, goals may not add to the company's bottom line.

(Source: Society For Human Resource Development)

Common Errors

Although performance reviews seem simple and straightforward, it is easy to make mistakes that can keep you employees from getting full recognition for their work or areas that need improvement, or worse, can hurt your company later with unemployment or wrongful termination claims. Here are some tips to keep you compliant when performing reviews.

- Hold reviews in a private office and keep each employee's records confidential.
- Be careful not to let an employee's stellar performance in one area blind you to other areas that need improvement.
- Also be careful not to let poor performance in one area lead to an overall low rating.
- Be sure to look at performance during the entire appraisal period; not just recent work.
- Put aside personal bias, especially any that may be discriminatory.
- Avoid vague statement such as "bad attitude" or "satisfactory." Be as specific as possible in describing an employee's performance and behavior.
- Be honest. If you write that an employee is satisfactory when s/he is not, it can be used against you in a wrongful termination lawsuit later.
- The appraiser must have personal knowledge and work experience with the employee being reviewed.
- The appraiser's supervisor should also review and sign the appraisals.
- If an employee is not meeting performance standards, give him or her specific ways to improve and a specific time frame to do it in. Write on the review that if the employee does not improve within the time frame, s/he may be disciplined, up to and including termination.
- Be consistent in your documentation and treat employees equally.
- Give the employee a chance to respond and make notes of it on the appraisal.
- Document! Have employees sign the performance review. If s/he refuses to sign it, make a note of it on the review. Make a copy for the employee and be sure to keep one in your records.

If you have questions, need sample appraisals, run into problems, or just need help getting started, please contact your HR Specialist at Nextep at 888-811-5150 or at hr1@nextep.com.

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