



**In David Letterman Fashion – The Top Ten HR Challenges
Credit Unions Face without Their Own HR Department**
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No. 10. Maintaining legal HR files. Credit unions need to ensure that HR files include all the information required by state and federal regulations, as well as ensuring that inappropriate information is purged from HR files. HR files are confidential and must have restricted access. *(If HR files are subpoenaed, all information in those files must be turned over – in other words, a credit union may not cull through the file to remove inappropriate documents after the fact.)*

No. 9. Classifying employees properly. In a law that dates back to the depression-era, the Fair Labor Standards Act requires credit unions to ensure that they have classified employees properly (exempt or non-exempt). Once classified correctly, the credit union must insure that it does not breach these regulations in a way that negates exempt status. These requirements are regulated by the Department of Labor with potential penalties going back two years for back wages, interest, and penalties; three years for willful misconduct.

No. 8. Maintaining an up-to-date and well-crafted employee handbook. An employee handbook is your first line of defense in communicating your expectations and requirements to employees. It is a communication tool that outlines good management practice, and needs to include explicit language that the handbook does not constitute a contract or promises of any kind.

No. 7. Recruiting effectively. Finding the time to do this well—ensuring that your job description is up-to-date, classification is correct, writing effective ad copy, and evaluating ad responses—remains a challenge to credit unions without an HR professional. Yet, not carving out the time to do this well is even more time-consuming and expensive if you hire the wrong person who doesn't get the job done, who creates morale problems, whom you need to manage out, and then you start the process over again!

No. 6. Recruiting legally. A credit union needs to ensure that all involved in the hiring process understand the pitfalls of illegal questions. Discriminatory interview questions, even when asked in innocence, expose the credit union to risk. Be sure everyone in the process knows what can and cannot be asked during an interview. This includes any questions about age, race, children, daycare arrangements, marital status/plans, sexual orientation, ethnicity, disability, veteran status, religion, etc.

No. 5. Checking references. A credit union has a responsibility to conduct reference checks of all potential employees to guard against negligent hiring. This is a requirement of the hiring process. Finding the time to do this well and appropriately is a challenge but a necessity. Be sure your hiring policies reflect your practices and then be sure you follow your practices. Start with an up-to-date employment application that is signed and provides authorization for reference checks.



No. 4. Ensuring that your performance evaluation process is defensible, fair, and ties pay to performance. This starts with up-to-date job descriptions, a consistent format that provides the employee the opportunity to reply, and a form that provides for signatures by both the supervisor and the employee to document the performance evaluation was indeed communicated. This is a minimum. A good performance management system is one that consistently provides feedback and ensures that pay is tied to performance!

No. 3. Reviewing your compensation practices for external and internal equity. A credit union's compensation philosophy and practices need to do two things: (1) Ensure that your compensation package is solid enough to attract the right talent to your organization; and then (2) ensure that this package retains your best employees. This is accomplished through a review and analysis of salary and benefit surveys against your package and philosophy.

No. 2. Good management practices. Since many managers are promoted into their management roles, a credit union needs to provide a program of training and coaching managers and supervisors on how to manage well, fairly, and in compliance with policies. A good manager who positively motivates and mentors employees is one of your most important assets. *(Conversely, a poor manager is your biggest liability.)*

No. 1. Communication. *Consistently, the No. 1 challenge for credit unions!* Across the board, in all sizes, within all departments, employees want better communications. Employees want knowledge, information, and feedback. They want to know what they are doing well, how they can do it better, and be acknowledged for a job well-done. They want to know you are talking and listening to them.

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