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I. Definition: What is an Employee Handbook?

An employee handbook is a manual that contains an employer's work rules and policies. It can also contain other information that is useful to the employee, such as the company history, goals, and commitments to customers or community.

II. Why Have an Employee Handbook?¹

The company employee handbook is one of the most important communication tools between your company and your employees. Not only does it set forth your expectations for your employees, but it also describes what employees can expect from the company.

Having work rules and policies means nothing unless employees know that the rules exist and understand them clearly. Communicating your policies or standards is important not only because it helps employees understand the rules, but documented communication of those rules makes it easier to enforce them, if necessary. So what is the best way to make sure that employees get the message about standards of conduct in your workplace? Here are some issues you need to consider:

- When to communicate work rules: you will need to make sure employees are aware of the rules before they have the chance to break them, and you'll want to give periodic reminders as well.
- Oral communication of work rules: communicating orally allows for discussions between you and the employees. However, it is hard to document a conversation and be sure that you have come away from it with both parties in agreement. Oral communication is usually best for very small businesses, where the employer and employees need a lot of flexibility in dealing with each other.
- Written communication of work rules: giving employees your policies, rules, and expectations in writing has several advantages — it allows you to document that the employee was informed about the rules and, if you have written them correctly, it is clear what you expect. However, remember that if the rule is in writing, it will be very difficult to change.

Are You a Small Business Owner?

- Your employee handbook does not have to be a long, elaborate document. You can make do with something simpler – even a one- or two-page fact sheet produced on your computer.
- You can save on legal fees by writing the handbook yourself, rather than having an attorney do it. Make sure to have the attorney review the handbook to ensure that your policies are in accordance with applicable local and national laws.

The company's employee handbook and related personnel policies are usually the first formal communication that you will have with an employee after they are hired. The best companies work to make sure the first impression is a good one and use the handbook as an opportunity to communicate their corporate culture. Similarly, in the event of a dispute or poor performance review, this will be the first place that the employee turns. Be sure the information is clear and informative about what will happen next.

III. **Generic Handbook Outline**

Employee handbooks can take various forms. We have included here a generic list of components to consider.

Key Components to Writing an Employee handbook²

Keep in mind when developing your handbook not to include unnecessary information; shorter is almost always better. Experts consider the following subjects to be the most essential ones to cover:

A. Company Overview

Introduce your company with a few paragraphs about its history, growth, goals, ethics and management philosophy.

B. Nondiscrimination Statement

If your company has a non-discrimination policy around hiring and promotion policies, it is good to write that policy down so that employees are aware of the company's approach to non-discrimination. Many companies have policies that state that an employee's race, color, sex, religion, political opinion, national extraction or social origin will have nothing to do with hiring, promotion, pay or benefits. This policy is consistent with the International Labor Organization (ILO) Core Labor Principles.

For more information on the ILO non-discrimination policy, go to:

<http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/equality-of-opportunity-and-treatment/lang--en/index.htm>.

While the ILO non-discrimination policy is considered an international best practice, many countries have their own non-discrimination standards; you can apply a national standard in your handbook as well.

C. Work Hours

Define the work week and time allotted for lunch and breaks. Check with national work hour standards. The ILO has a list of many national work hour standards, which can be found at:

<http://www.ilo.org/dyn/travail/travmain.byCountry2>

D. Pay and performance issues

Because pay issues are sensitive, it is wise not to include specific numbers or targets. General

statements about how paychecks will arrive and how often wages and salaries are paid, how promotions and wage increases are handled, classification of employees (part-time, full-time, temporary) and policies on pay advances, leaves without pay, overtime and other pay irregularities are sufficient. Check with national standards regarding minimum wage and overtime pay. These are available on the ILO website:

<http://www.ilo.org/dyn/travail/travmain.byCountry2>

Also it is important to include your company's policy on performance review so employees will know in exactly what areas they will be evaluated and how often (i.e., on the anniversary of employment or during a set annual or semi-annual period). You may also want to state that written evaluations can be made at any time to advise workers of unsatisfactory performance.

E. Benefits & Leave

Outline policies on vacation and all types of leave, including sick, military, funeral, personal, family, medical, maternity/paternity and civic duty. Check with national standards. List any paid holidays. The ILO has a list of national standards for maternity leave listed here:

<http://www.ilo.org/dyn/travail/travmain.byCountry2>.

Explain what standards benefits are provided to all workers, what (if any) probationary period exists before a worker can qualify for benefits. If applicable, describe insurance benefits such as health, dental, disability, and life, as well as private pension or retirement plans and financial services that the company provides. Describe supplementary services and on-site services offered to workers.

F. Pension or profit-sharing plans

If the company has a private pension or profit-sharing plan, discuss when and how employees become eligible, whether an employee contribution is permitted or required, and when employees become vested.

G. Standards of Conduct/Code of Ethics

One of the most important reasons to have the employee handbook is to ensure that staff members understand what you expect of them. Toward this end, detail desired behavior (such as dress and timeliness) as well as your policies on sexual harassment, racial and sexual discrimination, use of alcohol, and drugs and tobacco in the workplace (including pre-employment screening and post-accident testing). This section should include information on how employees address breaches that they see as well as detailing disciplinary actions that employees should expect when the code has been breached. (For more information, see the GIIRS EM Resource Guide: Creating a Code of Ethics.)

H. Worker Termination

The decision to dismiss an employee, for whatever reason, can frequently be a difficult and uncomfortable one and may involve risks. It is therefore useful to develop guidelines for your company to act appropriately and show the departing employee the business reasons behind the decision and that your company acted in good faith during the termination process.

GIIRS EM Resource Guide: *Creating an Employee Handbook*

For a small business, protecting your intellectual property is a key concern. Maintaining professionalism and conducting the termination according to company policy/handbook with dignity and grace can go a long way in mitigating any potential risks from the termination.

The SME toolkit created by the IFC provides samples of: (a) termination release (b) non-disclosure agreement and (c) employee reference release:

<http://www.smetoolkit.org/smetoolkit/en/category/938/Termination>

IV. Sample Templates and Resources

If you want to learn more about creating an Employee Handbook, below are a few resources:

The SME Toolkit was created by the International Finance Committee, a member of the World Bank Group. It has useful information for small businesses for creating and implementing an employee handbook. It has country specific information for many countries, including Kenya, India, and Mexico. <http://www.smetoolkit.org>

About.com's Sample Human Resources Policies, Checklists, Forms, and Procedures website is an excellent list of specific paragraphs and language to choose from when writing your handbook:

http://www.humanresources.about.com/od/policysamples/a/policy_samples.htm

¹ http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P05_5810

² Adapted for this resource from U.S. Small Business Administration <http://www.sba.gov/content/employee-handbooks>