

HOW TO USE THIS MANUAL

A community bank is a small, for-profit business that is people-intensive. That is, it takes lots of people to staff a community bank. A new community bank will have about seven people on staff, and as the bank grows, the staff will grow also. In the early stages a bank will have one person on staff for each \$1 million in assets until the bank gets to about \$12 million in assets and 12 people. Community banks that have been around for a number of years generally have more than \$2 million in total assets for each employee. That is, a \$100 million community bank will have less than 50 people on staff.

When a bank is small, there is usually no human resources (HR) manager and little attention is paid to HR. As the bank grows and thrives, one of the bank's officers assumes the additional duty of being the bank's HR manager. Rarely is this person trained in HR. More often than not, the HR manager is a banker everyone likes and respects (usually someone with a bank operations background).

Not one community bank in 50 has a professional HR manager on staff. Yet this is a specialty that needs to be professionally managed; hence the need for this book. This manual was written for the officer in charge of HR and an administrative assistant, no matter what their titles. The *Community Bank Human Resources Management* manual is divided into five distinct parts that are separated by tabs.

PART 1: MODEL COMMUNITY BANK HUMAN RESOURCES POLICY MANUAL

This model policy manual is presented first because it contains material that will help you get your HR management program up and running quickly. It also contains HR model forms that you can customize. This model human resources policy manual was field-tested for about three years, without difficulty, in a \$180 million community bank. In this bank, the cashier, using policies established by an HR policy committee, managed the bank's human resources as an additional duty. The HR committee consisted of the president, the executive vice president, and the cashier.

The HR department consisted of a junior officer that reported to the cashier. This person's title was HR manager. This officer was also an assistant to the cashier and performed other duties as required to help the cashier keep the bank operating efficiently. This officer had no formal training in HR and had been with the bank for six years, serving in several customer contact positions before being promoted to officer status and assuming HR and assistant cashier duties. A clerk in the accounting department handled the payroll on a part-time basis. The HR manager shared a secretary/administrative assistant with the cashier and one other officer. This was the staffing of the bank's HR department.

This bank had excellent morale, and the president told us he was pleased with the way human resources were being managed at his bank. However, the bank had not received an EEOC audit, nor had it been the subject of any type of legal action based on its HR policies or procedures. In other words, its system had not been tested by fire. This lack of validation might be a cause for concern.

We recommend that you use our model as the point of departure for preparing an HR manual for your bank. This is by far the easiest and best way to get an HR policy manual in place in your bank.

Note, however, that over-reliance on our material could cause problems. First, our model has not been validated by legal action, so it is not a guarantee against future problems. But more worrisome is this: a bank HR policy manual is a contract! Once adopted as the bank's manual, it must be followed, for it becomes a binding contract between the bank and its employees. You must be sure you have this contract

right before you put it in the hands of your employees. An employee manual that contains provisions that are not followed by the bank is an open invitation to serious legal problems. So use our manual as your point of departure, but be sure you have changed it so that it fits your bank before publishing it as your bank's HR policy manual.

PART 2: HUMAN RESOURCES MANAGEMENT

Part 2 is the desk reference portion of the manual and discusses how an HR manager goes about organizing and managing an HR department in a community bank. Part 2 consists of eight chapters, the first one built around a model job description for an HR manager, and the second chapter in part 2 discusses how to manage the bank's corporate culture. This is followed by Chapter 7 on how to recruit and select the very best people to work at the bank. Employee motivation is covered in Chapter 8. This chapter contains instructions on how to motivate new hires (as well as long-time employees).

Chapter 9 covers salary administration. It gives instructions on how to develop job descriptions, how to classify jobs for salary administration purposes, how to establish salary ranges, and how to change salaries annually. Chapter 10 contains instructions on how to handle problem employees, and Chapter 11 is devoted to employee appraisal systems. The last chapter of this section contains instructions on how to develop accurate job descriptions. To help you in this, Chapter 12 contains about 60 model bank job descriptions.

PART 3: EMPLOYEE BENEFITS MANAGEMENT

Any efficient employee benefits program will be developed around Social Security, Medicare, and workers' compensation. To do otherwise is to duplicate legally required benefits at considerable cost to the bank. For this reason, Part 3 begins with a chapter on Social Security, Medicare, and workers' compensation. After this background has been established, Chapter 14 discusses issues involved in designing an employee pension program, and Chapter 15 does the same thing for medical and health care benefit programs. Chapter 16 covers several other benefits the bank may wish to include in its employee benefits package.

PART 4: HUMAN RESOURCES COMPLIANCE MANAGEMENT

Part 4 consists of two chapters, one on compliance issues; the second discusses other HR management legal requirements.

PART 5: TRAINING AND DEVELOPMENT

Chapters 18 through 29 consist of training materials for supervisors. They were written from the perspective of a supervisor of a bank department. They instruct the supervisor on how to maximize the performance of the people assigned to the department, how to delegate responsibilities to subordinates, how to empower bank employees, and how to effectively set goals for the bank, its departments, and its employees; Chapter 22 in particular is one of the most important chapters in the manual.

Chapter 23 is a model customer relations handbook, and Chapter 24 is a model bank products and services manual. After you have revised these two chapters to fit your bank, you should use them as training manuals and then give each employee a copy for permanent use and retention. Similarly, Chapter 25 is a teller training manual. It should prove to be extremely useful.

Choosing among applicants for job openings is treated in Chapter 26, which should be a high-priority training topic for supervisors. Chapter 27 is a service quality management chapter and Chapter 28 can be used to train employees on the requirements of the Bank Secrecy Act. Chapter 29 discusses how to cope with an Avian Flu pandemic. Chapter 30 explains how to protect the bank and its customers from fraudulent cashier's checks.

TWO STEPS THAT WILL HELP YOU WITH YOUR HR DUTIES

The goal of our manual is to help you with your HR duties. In this regard, we will do our part, but there are two things you must do. You must stay current with what is going on in HR, and you must use our manual only as a guide. We need to expand on these two points.

1. *Stay Current.* You and others involved in HR need to establish techniques to stay up-to-date on various changes in federal and state regulations affecting employment practices. We will send you a newsletter and white papers, as well as changes to your manual that are based on federal laws and regulations, but we have no sources regarding changes to state law. Our newsletter and white papers will be very helpful, but staying current is a serious responsibility that you and your people must fulfill directly. This responsibility cannot be delegated to us or to anyone else. State banking associations monitor state developments closely and the bank's law firm needs to be on the alert for changes in state law that might impact the bank in the area of HR management.
2. *Use Our Manual as a Guide.* *Community Bank Human Resources Management* is a guidebook. Think of it as a point of departure for developing your bank's HR policies and procedures. Nothing in the desk reference can be placed into service as is. The manual is a reference book. In particular, the following points should be considered as you use our manual to develop HR policies and procedures for your bank:
 - *Insurance.* The insurance eligibility and coverage for your bank depends on your bank's specific insurance policies. The material in this manual must be rewritten to agree with your bank's insurance coverage.
 - *Hiring and Termination.* If you publish our model materials as your policies, they must be followed to the letter. If you publish these materials and then do not follow them, you open the door to serious discrimination problems and complaints. Also, your state's laws concerning termination of employment may dictate changes that must be made. For your protection, disciplinary or termination procedures you devise should be documented and kept in the bank's permanent records. They may need the approval of the bank's law firm.
 - *Compensation Policy.* The *Community Bank Human Resources Management* manual assumes the existence of a formal salary administration system. If your bank does not have such a system, we suggest you use the material in Chapter 9 to develop one. Significant portions of our model HR manual cannot be implemented without a compensation system in place.
 - *State Law.* Applicable state laws may contradict our model. Before putting your HR policy manual into effect, your bank's legal counsel should review it and compare it to applicable state law.