

Assessment 1: Reflective Issues Report (Individual)

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Executive summary

The human resource management issues in BHP have recently been covered by the Australian media. The underpayment of the employees has caused a financial penalty of around \$280 million appealed by the Australian Fair Work Ombudsman. The briefing of the situation, its public sector impact, recruitment issues, payroll issues and superannuation entitlements have been discussed in the first section. The second section has covered external, internal issues, discussion on the main theme along resolution perspectives. Moreover, the implication of the incident impacting the brand reputation and image has also been discussed in detail.

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Part A

BHP is one of the largest mining companies in the world headquartered in Australia. The company has more than 80,000 employees across the world with a ravaging revenue of \$102.5 billion and an annual turnover of \$20.4 million in 2022 (Liang, 2023).

Recent public sector disputes and strikes

The number of public sector strikes in Australia has increased massively, especially after the \$1.3 million underpaid case in the hospitality industry in Australia. Around 20,000 mining workers joined the strike on 15th August for more than 24 hours (Liang, 2023). This has created a massive rush in the corporate governance capability of the mining companies and questioned the standards of BHP. In 2021 there were around 23 strikes all over the year among which around 12 were in the manufacturing and mining sector in Australia (GlobalData, 2022). The number however increased to 30 of total strikes in 2022 and 13 strikes from the mining sector.

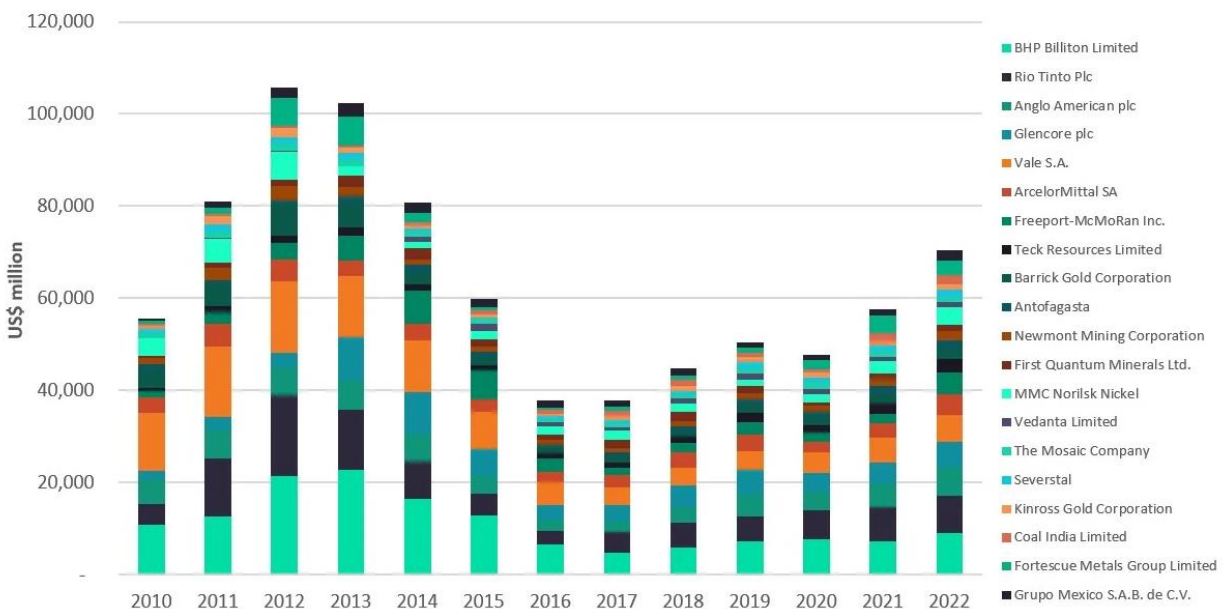


Figure 1: Capital expenditure on recruitment for 20 leading mining companies

(Source: GlobalData, 2022)

Difficulties faced by BHP in recruiting staff

The recognition of the underpayment problem has resulted in a 15% decrease in BHP's reputation according to a report from RepTrak. A recent employee survey reveals that only 55% of BHP employees had confidence in the company's management. The turnover rate for BHP's workforce is 18% after the underpayment problem became well known (GlobalData, 2022). This incident has negatively impacted BHP's reputation as a fair and ethical employer. Potential employees had become reluctant to join BHP which has a track record of paying its employees inadequate wages. This makes newer recruitment difficult for BHP as the incident has eroded the level of confidence between BHP and its employees.

Demands for wage increases

According to Birch and Preston (2020), the outcomes of a recent survey of BHP employees show that a significant proportion of 80%, express their support for a general increase in wages around 10%. The BHP employees are also represented by the Australian Workers Union, which has publicly advocated recommending a 15% increase in wages to all BHP employees (Liang, 2023). The persistent underpayment will more likely result in employees feeling angry and dissatisfied. The management of BHP needs to be ready to negotiate wage hikes as a result of the demands for an increase in wages by the employees. BHP needs to agree with this significant wage increase given the growing pressure it is experiencing from its staff, labour unions, and the government. According to Birch and Preston (2020), taking this course of action will result in BHP winning back the trust of its employees and attracting more qualified candidates.

Changes to superannuation entitlements

BHP employees have suffered an average deficit of about \$2,000 in superannuation allocations each year over the 13 years of underpayment. All BHP employee's aggregate unpaid

superannuation entitlements are expected to total between \$200 million and \$280 million (Liang, 2023). Strengthening and implementation of the superannuation laws by the government will result in the reduction of the number of employers failing to meet their workers' superannuation contributions. BHP has declared its willingness to cooperate with the Australian Tax Office to develop a plan for distributing the unpaid so-called missed contribution. According to Birch and Preston (2020), the mechanism used to calculate superannuation entitlements has raised concerns as a result of underpayments. The underpayment event nevertheless demonstrated that this particular procedure failed to function as intended.

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Part B

a) Introduction

The underpayment issue in BHP has recently been put to the attention of the government by the Australian Fair Work Ombudsman. The sustainment of employee satisfaction in BHP has thereby required to be handled critically. The medical, paid leave and holiday allowance of the employees are to be looked upon by the HR director, and executives in the company. The human resource department is in need of a detailed investigation into the matter. The following assessment will discuss the main theme and issues on the situation. The internal and external influence on the ethical sustainment in the company will also be discussed. Moreover, the implication of the incident in the company along with resolving aspects will be discussed elaborately.

b) Major themes and issues

Being the biggest mining company, BHP has a lot of corporate responsibilities adhered to by its employees. Despite its market position, the company was charged and accused of underpaying its employees around 28,500 in number. Around \$280 million cost of the authoritative underpay error has been charged by the employees. This has affected the brand reputation and image of the company extensively in front of the media. A total of 80,000 employees work in the company and around 28,500 of them work in the Australian region. According to De Cieri and Sanders (2023), the employees charged the accused with lack of paid leave and less holiday from the company. Around 400 workers were charged with the compliance of not getting an allowance due to some error. This summed up the cost of a \$280 million lawsuit against the company. The poor payroll management and annulment system of the company has been questioned by its employees. The major perspective of loss is sided to the employees in BHP.

The employees are reported to have an average of \$1,000 underpay each based on the charge report. The critical aspect is that it created a massive performance reduction in the company. According to Sheldon and Thornthwaite (2020), the performance index rating has been repeatedly reported to be reducing with an average of 0.7 points each year since 2017. This has reduced the retention rate from 77% in November 2017 to 48.21% measured last December 2022. The employer perspective is required to consider the monetary penalties BHP has to answer with the lawsuit and strike of the employees. The legal consequences can damage the reputation of the company and raise questions about the authoritative potency of BHP.

c) External and internal influences: Managing people ethically

External influence

Government regulations: The Australian Fair Work Ombudsman charged around \$280 million to the organisation for mandating penalties for this issue. The government involvement was officiated after the strike in August by the employees of BHP. According to Westcott *et al.* (2020), the minimum salary standards were also disrupted in the case which was revealed to the government investigation. This is required to be handled with the HRM department in terms of verifying all the accusations otherwise might lead to unrecoverable reputation damage for BHP.

Public security: According to Westcott *et al.* (2020), public scrutiny might get involved in the scenario as the public strike of the mining employees is being prioritised in the case. Therefore, the administration is required to handle the situation based on corporate government scrutiny by the HRM department. It is crucial to validate that the underpaying charge is only provided with legitimacy. The validation confirmation of any other proof might lead to an unrepairable retention criticality.

Trade unions: The lack of support from trade unions creates difficulties for the employees of BHP to get their basic human rights. Trade unions did not focus on the case of underpaid former and existing employees throughout the country for 13 years (Liang, 2023). Trade unions of BHP faced challenges to maintain its fairness and transparency in employee treatment. The members of trade unions need to conduct one survey weekly to understand the employees' issues deeply and resolve them quickly (Thorntwaite and Sheldon, 2021).

Internal influence

Corporate culture: Around 400 employees of BHP complained that they did not get the additional allowances for having disparities in employment entities (Liang, 2023). The minimum wage standards, overtime payment, inadequate holidays, and \$280 million penalties raise questions about the corporate culture standard of BHP (Liang, 2023). BHP requires focusing on implementing the Australian workplace policy or standard to manage labour relationships.

Lack of transparency in HR policy: The case study of BHP clearly expresses that the company has a lack of transparency in HR policy which created challenges for the management to capture an authentic working index. BHP illegally deducted the salaries of the employees on public holidays in Australia which is out of the standard HR policy (Liang, 2023). BHP requires implementing a standard HR policy and conducting at least 1 HR audit per month to re-evaluate the HR policy within the company (Thorntwaite and Sheldon, 2021).

Corporate Governance: BHP violates corporate governance by avoiding the underpaid issues of the employees for 13 years (Rivaldo and Nabella, 2023). The public striking of BHP, improper employment plan, workforce development plan, underpaid employment, and \$280 million penalties of BHP drive the violation of corporate governance (Liang, 2023). BHP needs to develop corporate governance by strengthening the employment rights and workforce plan.

d) Implications for the organisation

Underpaid employment issue: BHP failed to attract candidates from the wider talent pool due to not having a proper employment plan and employment rights implications. BHP needs to develop the workforce plan properly to compensate the underpaid employees which will help the company to develop its brand reputation (Rivaldo and Nabella, 2023). As a mining company, BHP requires developing the worker's safety in the workplace to reduce the accident rate.

Penalties of £225 million: The amount of penalties of £225 million created challenges for BHP to maintain its reputation and brand name (Liang, 2023). The management of BHP was unaware of the employment rights and failed to implement the Australian Labour Law in BHP. It led to lower employee retention and unauthentic work culture within the company (Dawson *et al.*, 2023). BHP requires focusing on developing the employment terms and conditions for the employees to capture brand reputation.

Poor working index: The lack of employment support, scarcity of knowledge of HR policy implementation, and poor HR management led to the violation of the standard HR policy to hold labour rights. It carried the evidence of the negligence of corporate governance affecting the entire staffing of the company (Dawson *et al.*, 2023). The staffing issues in BHP lead to poor corporate culture which reduces the performance levels of the employees.

e) Discussing how the HR Manager assists the organisation in resolving the issue

Conducting training: As an HR manager, it is the most important duty to focus on conducting training for the key executives of the company. It is important to conduct 6 months of training for the managers of BHP to treat the employees concisely. It will assist the company to increase employee retention and remove staffing issues (Laß and Wooden, 2020).

Analysing the dynamic needs of employees: It is important to focus on the dynamic needs of the employees of BHP to develop employee-manager bonding. As an HR manager, it is significant to maintain the Australian Labour Law to treat the employees equally and develop employee treatment (Campbell, 2019).

Preparing a new report of HRM: The HRM of BHP requires preparing a new HRM report to express that they provide value to the employees by providing them with a minimum wage standard with incentives and bonuses (Laß and Wooden, 2020). The HRM needs to publicise the new HR regulation implicated in the new HRM report to attract new candidates.

Developing Trade Union Index: The HRM of BHP requires focusing on the trade union index to mention the activities of the members of a trade union. The HRM will develop the agreement negotiation of the trade union with the employees on salary, bonuses, incentives, number of holidays, and public holiday payment (Borland and Charlton, 2020). It is important to discuss the major workplace changes of BHP and accompany the members of the trade union in disciplinary meetings.

f) Conclusion

Based on the above assessment, it is stated that BHP faced challenges in managing its employees and developing the employment index. The assessment has focused on the major themes and issues faced by BHP due to having underpayment issues affecting the entire HRM context of the company. The internal and external influences of managing people ethically have been expressed in this assessment. The implications of the issues on the brand and reputation of BHP have been explained with the HRM strategies to resolve the employment issue of BHP. Training conducting, dynamic employee needs, new HRM report preparation, and trade union index

development are the HRM strategies for BHP to resolve the underpaid employment issue faced by the company.

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