


The Top Six HR Compliance Issues

Facing Small and Mid-Sized Businesses

From the AxcetHR Team



Small and medium-sized business owners don't, of course, set out to break the law. But there's a lot on their plates. They may be overseeing the work of anywhere from 25 to 250 employees while trying to manage cash flow and budgets, develop new business, create and sell products, provide customer service and watch over quality control. HR compliance issues, among the most difficult of challenges because they have the potential to disrupt business and exact enormous costs, often get relegated to a quiet corner – until a lawsuit gets filed or an oversight agency comes knocking.



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To protect their companies from compliance risks, small and mid-sized business owners first need to know where they face exposure. These Top 6 compliance issues are those most likely to be lurking in the corner:

1. Not knowing employees' rights as well as employees do

If the position exists at all, the human resource professional in a smaller company may be a one-person department. That individual may be tasked with hiring, training, compensation and benefits, payroll, workers compensation and labor relations – and that's just for starters. While compliance issues also may fall into the job description, an HR generalist may not understand employment law or have broad compliance knowledge. Employees, on the other hand, often understand their rights quite well.

So, when an employee asks for an accommodation under the Americans with Disabilities Act or claims he is experiencing discrimination in opposition to the Age Discrimination in Employment Act, and the already-spread-thin HR staff member makes the wrong decision about how to handle the situation, the company may find itself facing an EEOC investigation or even litigation.

2. Failing to train managers and supervisors

In small and medium-sized businesses, good employees often get promoted to supervisory positions without being prepared to manage the HR issues they will encounter. Smaller companies may not understand they are liable for the ways their managers and supervisors interact with employees.

Charges of employer retaliation, racial bias and disability discrimination are the most common reasons employees file claims against their employers, according to the EEOC. Thousands of these cases come before state agencies and the EEOC every year.

Yet, a 2016 Manta poll on small business sexual-harassment protocols showed that only 67 percent of small employers have anti-harassment rules or training in place. By failing to consistently train their teams to address harassment or other discriminatory behaviors, smaller business owners leave their companies vulnerable to low morale and productivity, high turnover and higher costs of hiring, as well as discrimination or wrongful termination lawsuits.

3. Letting poor performance go

People are a company's most important asset and investment. Businesses spend a minimum of 30 percent of an employee's salary in hiring and training. According to a SHRM survey, when an employee leaves, employers will spend the equivalent of six to nine months of the employee's salary to find and train a replacement, so it's in the company's best interest to help the employee be successful.

An employer's goal should be to work with a struggling employee to help him or her do better.



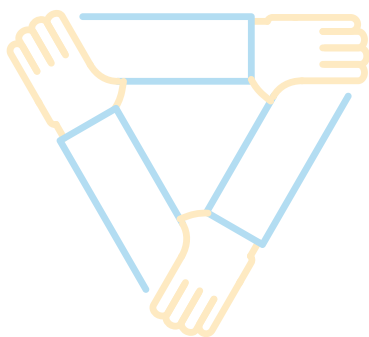
Small and medium-sized employers commonly conduct employee evaluations annually. An employee whose poor performance hasn't been addressed prior to the annual review and who feels he or she has been unfairly evaluated may seek costly legal action. If the company hasn't documented the employee's poor work habits, it has little protection. From a legal standpoint, it's as if the poor performance never happened.

An employer's goal should be to work with a struggling employee to help him or her do better. Besides making the business a good place to work, the practice helps protect the company against costly legal action and the steep financial impact of replacing the worker.

4. Misclassifying workers

The appeal of classifying workers as independent contractors is apparent. It doesn't require the company to pay overtime or payroll taxes, provide breaks or withhold unemployment taxes. Wage and hour laws mandate correct classification, however, and failing to properly classify workers can put the company at risk for fines, back wages, back taxes and a host of other penalties.

Misclassification is very much on state and federal agencies' radar screens in recent years, and closer monitoring has become the norm. The Internal Revenue Service, the U.S. Department of Labor and state and federal courts all use multiple factors to determine whether someone is an employee or an independent contractor. It isn't always easy for smaller businesses to decipher the nuances of the various tests, however; and, as many small businesses have learned the hard way, guessing wrong can be costly.



5. Not having a hiring process

The hiring process is complex, and words and actions that might seem benign can be used against the company in a lawsuit. Laws prohibit discrimination on the basis of race, gender, age, religion and other characteristics, and even the perception of bias in the hiring process could lead to legal repercussions. The wrong questions in an interview carry a price.

Every small and mid-sized business should have a well-thought-out hiring process, consistently applied from interviewer to interviewer. This helps the company avoid the fallout from a hiring manager who inadvertently asks questions a job applicant could construe as inappropriate or discriminatory, or who requires drug tests or background checks inconsistently among competing candidates.

6. Having an inconsistent onboarding program

When smaller business owners are focused 24/7 on running their companies, it's hard to think about anything but keeping all the plates spinning. Onboarding employees often falls to the wayside.

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A study published in the Academy of Management Journal found that the first 90 days on the job are critical. When new hires received support and onboarding, they tended to work harder and have more positive attitudes about their jobs. Employees who didn't receive clear direction and support, on the other hand, became dissatisfied, unproductive employees who moved on in about four months. That's not good news for smaller companies that have invested time in hiring the best candidate, only to be faced with the cost – up to three times the person's salary – of losing that employee in the first year.

As millennials increasingly move into the workforce, onboarding needs are expanding. Members of this generation won't commit to a job unless they understand a company's values and relevance. In the first few weeks, they need to feel engaged in something that is making a difference. These and other factors require smaller businesses to think beyond onboarding that typically covers processes, equipment, technology and workplace expectations.

Staying on the Right Side of Compliance Concerns

Small and medium-sized business owners shouldn't have to lose sleep worrying about compliance and legal risks. Axcet HR Solutions specializes in employment issues, including understanding the law and best practices that keep companies compliant.

As a business partner, Axcet provides smaller companies with qualified and reliable guidance in labor law, hiring and onboarding strategies, wage and hour issues and training, allowing owners to return their attention to growing successful companies.

About Axcet HR Solutions

Axcet HR Solutions is an IRS-certified PEO serving the Greater Kansas City Metro area since 1988. We provide professional Human Resources, benefits, payroll, safety, and workers' compensation services to small- to medium-sized business. Our mission is to empower small business owners with the time, confidence, and security to focus on their core business, and relieve them of the burdensome and time-consuming HR tasks.

For more on Axcet HR Solutions visit **www.axcethr.com**



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