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How to Maintain HR Compliance



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Follow these six steps to help your business stay HR compliant.

- HR compliance is the implementation of human resources policies and procedures that comply with laws and regulations.
- Businesses must maintain HR compliance to avoid penalties, fees, or legal action.
- HR compliance can involve a variety of HR functions, like employee recruitment and onboarding, payroll and benefits, training and development, and risk management and safety.
- **This article is for small business owners and HR professionals who want to learn how to keep their company compliant with HR regulations.**

A human resources manager or department has many responsibilities. They recruit, hire, onboard, and [terminate employees](#); perform administrative tasks; [manage payroll](#) and employee benefits; help with employee training and development; [foster company culture](#); manage risk and safety measures, and, perhaps most importantly, help their company maintain

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What is HR compliance?

HR compliance is the process of creating and enforcing internal HR policies that follow labor and employment laws and regulations. Besides being a legal requirement, HR compliance can help you prevent employment disputes and litigation.

Regardless of how big or small your organization is, HR compliance can be a big undertaking and should be managed by an experienced professional, either internally or externally.

"You need an expert, someone who stays on top of the changes and interpretations of the different laws," Jilian Dimitt, HR director at [Optima Office](#), told Business News Daily. "If your organization cannot afford a strong HR manager, director, or internal HR team, then utilize the service of a strong HR consultant that you can call upon when [needed]."

Key takeaway: HR compliance is the process of enforcing HR policies that follow legal rules and regulations.

What HR compliance tasks should businesses know about?

Whoever handles your business's human resources functions should know about every HR compliance task. These tasks cover a multitude of categories, such as [employee recruitment](#) and termination, hiring and onboarding, payroll and benefits, employee relations, and risk and safety. There are essentially too many HR compliance tasks to count; however, after speaking with Dimitt, we were able to narrow it down to a few key tasks that many businesses forget about.

Here are five of the top HR compliance tasks that Dimitt said small businesses must follow (but often don't):

1. Acquire the mandatory federal and state posters.

Federal and state laws require businesses to acquire and hang up posters that list certain labor laws for their whole staff to see. These should be frequently updated as the laws and regulations change. Dimitt said businesses can purchase federal and state ["all-in-one" posters](#) to maintain compliance.

"Up-to-date posters are one of the first things I check for when asked to do an HR audit for a client," she said.

2. Correctly classify your workers.

Members of your team can be classified in many different ways. Are they [hourly or salaried](#)? [Exempt or nonexempt](#)? [Contractors or employees](#)? Misclassifying workers, no matter how

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disputes. Also, an employee handbook is a living document that you should update as laws and policies change.

"I met with a client recently who was so proud of their 50-page handbook, but it was 10 years old and they were continuing to follow outdated and now-illegal policies, all because they just did not know that the laws had changed," Dimitt said.

4. Give all new hires their required documents.

This might seem like a no-brainer, but an essential part of HR compliance is providing [new employees](#) with key documents as soon as they start at the company. Some paperwork is legally necessary to provide, while other documents can simply help avoid disputes later down the road. This same policy applies when employees depart the company.

5. Follow "final paycheck" laws.

According to Dimitt, many employers don't know that an employee who gives their resignation notice or is terminated needs to be paid on their last day. Paying employees on their last day is a simple way to maintain HR compliance.

Key takeaway: Employers should keep up-to-date compliance posters and employee handbooks, classify workers correctly, and provide the appropriate documentation and payment to employees in accordance with the laws.

What challenges do small businesses face in compliance?

Simply knowing and understanding all the current laws and regulations that apply to your business can be a major challenge. That is why it's a good idea to [hire someone experienced to handle your HR responsibilities](#).

In addition to creating compliant policies and procedures, managing human capital can be a challenge. For example, employee behavior can present small businesses with various HR compliance issues, and external factors can impact compliance as well.

Margo Wolf O'Donnell, co-chair and partner at [Benesch](#), said harassment, discrimination, and disability claims have been top of mind for companies lately.

"How to handle claims of harassment and discrimination and, in particular, disability claims relating to COVID-19 and issues relating to claims of sexual harassment are the top compliance issues facing small business right now," she said.

Key takeaway: Businesses face compliance challenges like keeping up with changing laws and regulations, and handling workplace harassment and discrimination.



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1. Hire the right HR people.

Having the right people in place to manage human resources is essential for small businesses. Every business is unique and should have HR support tailored to fit. You have several options, depending on your business size, HR needs, and budget. For example, you can hire an internal HR manager or in-house HR department, or you could [outsource your HR functions to a professional employer organization](#) (PEO) or HR consultant.

If you want to keep your HR functions in-house but can't afford an entire HR team, Dimitt suggests hiring an HR generalist.

"If you are small, perhaps hire a strong HR generalist who has five to eight years of overall experience but, most importantly, one who 'knows what they don't know' and who will research or reach out to experts if they find themselves in a situation they can't handle on their own," she said.

Even if you have an internal HR manager, it can still be helpful to confer with an experienced HR consultant as needed.

2. Create clear policies and procedures.

Every organization should establish a clear set of policies and procedures for their employees to follow. These should be written in accordance with federal, state, and local guidelines and also accommodate your business's specific needs. When writing your policies, be explicit about what is expected and what will not be tolerated. It is also important to list clear steps for employees to report policy violations.

"Make sure that all safety policies, attendance requirements, and benefits are clearly stated and in compliance with federal, state, and local guidance and orders," O'Donnell said. "Make sure anti-harassment and anti-discrimination policies have understandable procedures in place for employees to report their complaints."

Again, it is a good idea to create an employee handbook and keep it current with your policies and procedures. Don't forget to update your company guidelines as laws and regulations change.

3. Train your employees on HR compliance.

Simply creating a solid set of compliance policies and procedures is not enough. To ensure your team is compliant, you must facilitate open communication with your employees and train them on your policies.

[Employee training](#) can be conducted online or in person, and it can be facilitated by your internal HR team or an external party. The type of training you offer will depend on your team and the topic. For example, O'Donnell suggests having an external party conduct anti-harassment and anti-discrimination training.

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4. Thoroughly investigate employee complaints.

Part of maintaining a compliant organization is listening to your employees. When an employee makes a complaint, it is important for you to investigate it. According to O'Donnell, businesses should investigate all complaints relating to safety issues, harassment, and [discrimination](#), whether written or oral, and even those that are anonymous (via blogs, tweets, or hotlines).

The best way to ensure compliance here is to create a standard procedure for investigating complaints.

"I find that an investigation works best if it starts with an interview of the complainant," O'Donnell said. "After the complainant is interviewed, proceed next with interviews of any other individuals who might have knowledge. Investigations should usually end with an interview of the accused."

In your investigation, multiple individuals (e.g., a manager and an HR professional) should be present at your interviews to avoid any disputes on what is discussed. When the investigation is complete, encourage the complainant to follow up with management if any other issues arise.

"Touch base with the complainant on a set timeframe – 15, 30, and 60 days after the complaint is probably sufficient, unless the complainant demands more and these requests are made in good faith," O'Donnell said.

5. Enforce disciplinary actions fairly across the board.

Once an investigation is complete and you've determined that an employee has violated one of your policies, take the appropriate remedial action as outlined in your employee handbook.

"Such actions could include separating the complainant and the accused in the workplace (staggering their hours, moving their offices), disciplining the accused, or terminating the accused," O'Donnell said. "If terminating the accused is deemed the appropriate response, think about what claims, if any, the accused might have against the company, and consider getting a release in return for a payment."

Fair and equal treatment of all employees is an essential element of HR compliance. No employee should get special treatment or be "let off the hook" due to their position or favoritism. This is key to ensuring your company doesn't face litigation.

6. Always keep proper documentation.

When you are performing an investigation, keep comprehensive documentation of the situation. This could come in handy later, especially in the unfortunate circumstance that the case goes to litigation. Proper HR compliance documentation will also be helpful if your company is hit with an HR audit.



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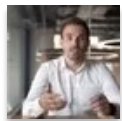
Skye Schooley is an Arizona native, based in New York City. She received a business communication degree from Arizona State University and spent a few years traveling internationally, before finally settling down in the greater New York City area. She currently writes for business.com and Business News Daily, primarily contributing articles about business technology and the workplace, and reviewing categories such as remote PC access software, collection agencies, background check services, web hosting, reputation management services, cloud storage, and website design software and services.

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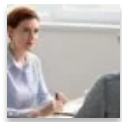
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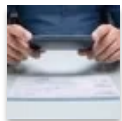
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