



Big Help for Small Business

An HR Guide for a Business with 50 or Fewer Employees

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Introduction

You own a small family business with less than 50 employees. You have enjoyed many years of success. Your financials are in good order and your employees are relatively happy. Then one day, when you least expect it, you get a call from Wage and Hour telling you they want to come in and conduct a wage audit. Are your records in order? Do you have clear policies and procedures that explain how you pay people? Do you follow these policies? Have you even heard of “Wage and Hour”?

Being faced with human resources issues in a small business with limited resources can be both a challenge and a dilemma. Employers may value human resources, but may not know what kinds of records to keep or what kinds of policies should be put in place. Employers may be aware of various laws and regulations that must be followed but haven’t the slightest idea how to comply with them. Here are some simple step-by-step instructions that can help answer these complex questions and get you started in establishing an HR function for your business.

Step1: Personnel Files

Employers should begin with a review of their personnel files. What should be kept in those files? Here is the general rule of thumb: only keep information that can legally be the basis for an employment-related decision in the file. Employment decisions include hiring, firing, promotion, demotion, layoff, training opportunities, and all other actions taken regarding employees. Employment decisions may NOT be made on the basis of sex, race, national origin, color, religion, or veteran's status, so keep all equal employment opportunity records separate.

Making decisions based on a person's disability status is illegal, so keep all medical information separate (there are privacy issues here as well). Garnishment orders cannot be used as a basis for employment decisions, so all paperwork having to do with garnishment must be kept separately. I-9 forms must be made available on demand to Department of Labor inspectors, and it is best to keep them in a separate place for convenience.

Step 2: Employee Handbook

Does the employer have an employee handbook? When was the last time it was updated? Handbooks should typically contain the following sections: Introduction, Employment, Employment Status and Records, Employee Benefit Programs, Timekeeping/Payroll, Work Conditions and Hours, Leaves of Absence, and Employee Conduct and Work Rules.

Once a handbook has been drafted, employers should always have an attorney, preferably someone with employment law experience, conduct a cursory review before finalizing. Employee handbooks should be reviewed every two years to insure that the policies are up to date and comply with all laws and regulations.

Step 3: Benefits

Employers need to review employee benefits offerings each year with a qualified broker who can help choose plans that best fit the needs of your workforce without breaking the bank. Benefit billing should be monitored monthly to make sure that the bills from the carriers reflect the changes in coverage, such as new hires, terminations, and status changes.

And don't forget – if an employee leaves, the employer must provide notice of COBRA eligibility and meet all COBRA requirements if the employer has 20 or more employees, and must give employees information on state continuation if the employer has less than 20 employees.

Step 4: Compensation

Does the employer have a clearly stated policy as to how people are paid in the organization? This is crucial to the success of a compensation program regardless of the size of the business. Employers need to regularly review their compensation records to make sure that employees are paid equitably and competitively and that compensation reflects and supports the business climate and culture. Also, employers need to make sure that employees are properly classified as “exempt” or “non-exempt” according to the guidelines of the Fair Labor Standards Act.

Step 5: Recruiting and Hiring

Finding the best and the brightest employees in this tight job market can be a difficult task for employers, especially small businesses. Employers need to make sure to develop written guidelines for the recruitment, interviewing and selection process and make sure that all involved are properly trained in interviewing skills to avoid legal liability.

Employers may want to consider the use of assessments and other forms of background checks to assist in making sure the candidate is a good fit for the company. Once the employee is on board, an effective employee orientation program will ensure that they get off to the right start and a new hire checklist with help make sure all forms and policies are presented and completed.

Step 6: Employee Discipline and Performance Management

Employers need to make sure that job descriptions are developed for each position outlining clear and specific performance expectations. Policies and procedures for effective performance management and employee discipline need to be in place and performance appraisals should be conducted each year to insure expectations are being met. Discipline and performance issues should be well documented and placed in the proper personnel file.

Step 7: Safety and Health


One of the biggest challenges facing employers is maintaining a safe and healthy workplace. OSHA requirements are numerous and compliance with these regulations is paramount to insuring a safe workplace. Safety and Health training should be conducted on a regular basis. Employers should maintain a good working relationship with their Worker's Compensation carrier and use their expertise.

Step 8: Communication and Training

Keeping employees and managers informed goes hand in hand with successful performance. Employers should provide training on a regular basis to employees and managers and create a communications plan to help keep everyone informed of issues affecting the company.

Training can take many forms such as formal classes, meetings, brown bag information sessions, offsite classes, online classes, or written materials. Communication can be in the form of a newsletter or weekly all-employee meetings.

Following the above eight steps is just the tip of the iceberg when it comes to setting up an HR function for a small business. Whether you decide to tackle the job yourself, or hire an experienced [Human Resources Consultant](#) to help you along the way, if you focus on these critical areas you will be well on your way to avoiding liability and creating solid business practices that will serve you well for years to come.



The Certified Human Resource Consultants at Integrity HR can help your business with anything listed above. We welcome you to [give us a call](#) with the contact information listed in the header if you need assistance setting up these HR functions within your business.



About Integrity HR

IntegrityHR provides leading edge HR Consulting Services, professional products and support, and Outsourced HR Services to small and medium sized businesses. We work with you at your location to perform services such as assessment of personnel needs, recruiting and retention, formulation and implementation of policies, training of your company leaders, implementation of performance management strategies, along with a myriad of other services.

Our goal is to help you overcome the business challenges that are keeping you awake at night and overall design an HR strategy for your company to improve its organizational performance and productivity.

For more information please visit www.integrityhr.com