

# Compliance Calendar Quiz



## QUESTION

Why is it the best practice to outsource HR functions even for smaller companies with limited budgets?

## ANSWER

HR outsourcing can help to save costs and alleviate administrative burdens and result in more resources dictated to the core of the business without additional overhead. The other aspect particularly applicable to smaller business organizations is that failure to comply with applicable employment laws can lead to penalties, loss of business license, or lawsuits.

## PREAMBLE

It's in every business's best interest to have an HR compliance checklist. Compliance is a top area of focus and concern for both human resources departments and company executives. Before drawing up your checklist, it's a good idea to understand the nature of compliance and how it should be handled throughout the company.

## WHY IS IT RIGHT

### HR compliance

HR compliance is a process of defining policies and procedures to ensure your employment and work practices demonstrate a thorough understanding of applicable laws and regulations, while also being aware of the company's larger human capital resources objectives.

Companies of all sizes face increasing HR complexities as the number of employment laws and regulations are on the rise, and the risk of penalties for non-compliance has perhaps never been greater. **When developing HR policies and procedures, business owners should know, for example, that:**

- An employer must follow employment laws, including applicable federal, state, and local regulations.
- A business may be subject to an audit from an enforcing agency that may levy fines and penalties for non-compliance.
- Not knowing or understanding your compliance obligations is not an acceptable legal defense.

- A lawsuit settlement can bankrupt a company.

Regardless of a business's size or scale, timely and proactive compliance with federal, provincial, and local employment regulations is critical. With the frequency and scope of audits by government agencies increasing, organizations must comply with ever-changing regulatory mandates – or deal with the adverse consequences that may result from non-compliance.

## **HR's role in compliance**

What can HR leaders do to help ensure that they meet a firm's larger human resources goals, while also staying in compliance with applicable regulations?

One of the key roles of HR departments is bridging the gap between the company's growth trajectory and objectives – and compliance practices that influence activities such as hiring, employee development, and retention. Striking the balance between strategy and compliance may start with a clearly defined set of goals.

Understanding the company's strategic priorities lays the foundation for a better understanding of different scenarios and how compliance concerns may impact decisions. HR goals should be designed to support company strategy, yet they must also consider different scenarios and the compliance implications.

## **EXAMPLES OF HR COMPLIANCE ISSUES**

HR-related compliance centers around employee-related matters, including when and how to pay overtime, employee documentation that must be maintained, administering benefits, hiring procedures, and separation policies. Examples:

### **1. Recruiting strategies**

If your goal is to [increase diversity within your organization](#), what compliance factors come into play when reaching out to potential candidates? Alternatively, how does managing costs for benefits and compensation amid the federal, state, and local laws that regulate these areas impact what path your company will follow?

### **2. Benefits compliance**

Understand what your responsibilities are when it comes to offering retirement plans, health insurance, and other types of employee benefits. Generally, the more employee benefits an employer decides to offer, the more complex compliance management can become.

[New regulations](#) shouldn't necessarily require HR leaders to advocate for a change in strategy. Rather, every major decision should be balanced by looking at the potential pros and cons of each path, including compliance considerations, to determine the best way forward.

### **3. Compliance challenges that businesses face**

Business owners face demands on their time from every direction and may need to wear many hats – including that of the compliance officer. Most business owners want to be compliant, but they feel overwhelmed and aren't sure of what should be done to meet requirements. Too often, business owners aren't aware of the need to comply with human resource-related regulations until an enforcement agency contacts them, and by then it's often too late. Government agency auditors aren't likely to give a casual reminder.

## **EFFECTIVE WAYS TO KEEP UP WITH COMPLIANCE ISSUES**

**Ensuring compliance in HR is a tall order, but here are three pointers to get you started:**

1. Conduct an internal human resource audit of strengths and weaknesses of existing compliance levels. If unsure about where to begin, seek a subject matter expert's advice or research requirements on the enforcing government agency's website.
2. Ensure that anyone accountable for compliance in the organization is properly trained. Remember, supervisors and managers represent the business in day-to-day employment decisions.
3. Finally, install a monitoring mechanism to ensure that internal processes for compliance are up to date and consistently followed.

### **An HR compliance checklist for businesses**

Ultimately, it is critical that today's HR leaders balance HR strategy and compliance. By instilling an overarching strategy that lays out your company's goals and objectives – and ties that to compliance planning – firms can make more informed decisions that may minimize risk and keep compliance as an achievable goal.

Many organizations find it useful to develop a checklist that functions as a compass for areas that they must keep in mind at all times.

When a sensitive area is part of the decision-making process, it's immediately highlighted and they can take a deeper dive into how different outcomes could impact business performance.

### **The compliance outsourcing option**

Many businesses choose to outsource certain HR functions to help mitigate these potentially costly HR pitfalls. Doing so can mean having access to experienced professionals who serve as HR compliance resources and can provide in-depth, up-to-date knowledge of federal, state, and local laws and regulations.

Some businesses, however, may be hesitant to go this route, and assume that having a limited budget won't make human resources outsourcing feasible. There may also be the perception that outsourcing is designed to help only larger operations streamline their business functions and cut down on costs. But there's an increasing need for businesses to consider the financial and other potential practical benefits of outsourcing HR functions to a trusted provider.

## **BENEFITS OF GETTING HR COMPLIANCE HELP**

### **Potential cost savings**

- In many cases, HR outsourcing helps save costs and alleviates administrative burdens. Outsourcing may also help in-house staff focus their efforts on core business functions without additional overhead.
- On-hand HR expertise
- The greatest challenge is that failure to comply with applicable employment laws can lead to penalties, loss of business license, or lawsuits from employees or former employees. Outsourcing HR functions to a trusted provider can help business owners better understand the laws and regulations that apply to them.

## Access to the latest technology

HR outsourcing can allow companies that may have minimal resources to use cutting-edge technology that could otherwise be costly to maintain on their own. With an outside expert running some of the functions, businesses may enjoy better and more innovative technological systems without necessarily having to own them.

If HR teams are looking to focus their efforts on areas of the business that have a direct impact on the bottom line, outsourcing HR functions may be a worthwhile consideration. Without the compliance knowledge, depth of expertise, and technological advancements that a [professional HR outsourcing service](#) can provide, businesses could be at an increased risk for non-compliance, costly employee lawsuits, and other HR pitfalls.

## WHY IS EVERYTHING ELSE WRONG

### PURPOSE OF HUMAN RESOURCES

The human resources (HR) function is at the center of most employers' efforts to identify, hire and retain the people the organization needs to execute its strategy and achieve its goals. But the HR function is a key player within the organization's compliance structure as well.

There are numerous laws and regulations governing the employment relationship that HR professionals must understand and navigate in order to help ensure their organizations avoid costly fines and other penalties, including the potential harm to the organization's reputation.

Common examples of the types of laws regulating the employer-employee relationship include the minimum wage and rights to overtime pay for certain workers; federal and provincial laws, which prohibit employers from considering race, gender, age, or other protected status when making hiring and firing decisions or otherwise setting the terms and conditions of employment.

### Creating and Executing HR Compliance

Clearly, human resources (HR) compliance is essential for any organization to be successful in today's legal environment. But achieving and maintaining compliance can be elusive goals for organizations that do not recognize the challenges and develop an effective strategy to meet them.

HR compliance should be treated as a process of defining both individual and group behaviors to ensure the organization's applicable laws and policies are followed. The HR function must hire and retain individuals that are knowledgeable about HR specific laws and can create policies and procedures in relation to these laws. Just writing policies and procedures and placing them in a repository is not enough. Once established, they must be [effectively communicated](#) throughout the organization.

This is most likely to happen in cases where HR compliance has been integrated with the organization's overall business strategy, and the organization's leadership has taken steps to ensure all employees understand the importance of HR compliance. **Here are five basic principles organizations should follow to help achieve these goals:**

1. **Hiring the Right Talent**– Hiring the right talent within the HR function's area of responsibilities (compensation, employee benefits, legal requirements, talent management) is one of the most important issues for organizations today. The HR function must have the knowledge, skills and experience, or be able to access it through third-party relationships.

2. **Proper Education and Training**– The talent in the HR function must be well versed in employment law and the regulatory/legal requirements that can affect an organization at anytime. These laws and requirements are changing all the time and its imperative for the HR function to stay apprised of the latest information available.
3. **Create an [Employee Handbook](#) and Update it Regularly** – An organization’s Employee Handbook is one of its most important documents. The Employee Handbook is a communications tool that should clearly articulate the organization’s policies and procedures and how business should be conducted. It is a best practice to have legal counsel review the handbook and any new policies and procedures before distribution.
4. **Conducting Scheduled HR Compliance Audits** – Many HR functions are typically understaffed and overworked. As noted, non-compliance can be the basis for financial and [reputational risks](#) for organizations. Conducting scheduled HR [compliance audits](#) should be a part of an organization’s overall strategy to avoid any legal liabilities.
5. **Communicate, Communicate and Communicate**– The HR function is a critical component of an organization. Whether there are [compliance issues](#) or not, it is critical for the HR function leaders (CHRO, VP of HR, etc) to keep other executives up to speed on potential HR compliance risks and recommended remediation.

### **What is HR compliance?**

HR commitment of your business to follow the working standards prescribed by law which affects your policies, procedures and documentation, as well as day-to-day responsibilities.

It also means your employees must receive all entitlements due to them as set out in their employment contract.

One of the biggest challenges when taking on legal compliance in HR is remaining compliant.

Why? [Employment law is constantly changing and updating](#). Some of these changes occur annually and are easy to prepare for, such as national minimum wage increases.

Others might occur due to a tribunal ruling or other external factors.

### **What is statutory compliance in HR?**

There are three different types of compliance:

1. Statutory compliance refers to the legal obligation for an organization to be compliant.

So, if new legislation passes saying that you must tint all windows in an office so as to reduce employees’ exposure to natural light—that would be a statutory obligation.

2. Regulatory compliance refers to a legal obligation a regulating body issue.

Like a statutory obligation, you could face criminal charges if you fail to adhere to it.

3. Contractual compliance refers to an obligation made between yourself and the employee via an [employment contract](#) (or any other contract made between you and the

other party).

As a contract is a legally binding document, any commitment made within a contract that you fail to meet could result in criminal charges.

### **HR compliance training**

Keeping up to date with employment law updates and updating and amending appropriate document, policies, and contracts within the business is a daunting task.

That is why it's a good idea to provide HR compliance training.

### **HR compliance audit checklist**

A good place to start is by drafting a **checklist** of all of the different areas you want to ensure remain compliant.

You can be as specific with this as you like, narrowing the list down to each and every document, policy and procedure you want to audit.

A list of the areas you should review in any good HR compliance checklist on employment law:

- [Current employee handbook](#).
- Stand-alone policies.
- Company guidelines.
- Training of supervisors.
- Practices relating to:
  - Annual leave.
  - Complaint procedure.
  - Internal investigations.
  - End of contract.

It's also worth checking that all policies are consistent, comprehensible, and accessible. Ensure they reflect any and all relevant, legal developments.

**Make sure your employees acknowledge the receipt of policies with signed forms. You should keep them on file should you need to refer to them at a later date.**