

# Human Resources for Business Growth

A guide to managing HR in a growing company, by number of employees



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When you first start a company, there's a lot to think about. It's exciting, and you're juggling competing priorities. HR strategy might get lost in the shuffle, but it shouldn't, because your **HR will play a vital role in how your company grows.**

While you can probably get away with a less-than-defined HR strategy as a startup, these policies and procedures can determine your fate as your business grows. For every size company, there's certain laws and regulations you must comply with or risk penalties. As your employee count increases, many of the things that were simply nice to have in the beginning become necessities.

For every size business, there are certain laws and regulations you must adhere to or risk financial or legal penalty. There are also policies and practices that should be written and formalized on day one. Others are nonessentials early on that, if time, money and bandwidth permits, should be implemented. As your employee count increases, many of these nonessentials become necessities.

**This guide will show you how to manage HR in a growing company, broken down for every size business.**

# 2 to 19 employees

Your company has a low headcount. You're probably a new business, and you're trying to get your bearings. Or, perhaps you've been around for a while, but your goals have shifted to growth.

What are the essential HR functions, what laws must you abide and what are the nonessentials that will help you grow best?

## Essentials

- Process new employee paperwork, including I-9s
- Maintain employee files
- Prepare employee payroll
- Process employee termination paperwork
- Ensure requisite compliance posters are posted and OSHA logs maintained

## Nonessentials

These areas are not required, but will become increasingly important as your company grows.

- A defined organizational chart
- Retirement, medical and other benefits
- Employee handbook
- Job descriptions
- Defined HR processes and procedures
- Employment application
- Pre-employment screening process
- Liability management training courses or resources
- Paid time off policies

For companies without a dedicated HR person, it's common for the Controller or Chief Financial Officer to maintain employee files and the onboarding/offboarding paperwork. Hiring and firing then often falls to the hiring manager. Compensation should be a discussion between the hiring manager and your management team.

Depending on the industry, you may be required to implement a safety program with regular safety training.

Consider hiring a company that specializes in payroll processing to ensure that requisite payroll taxes and deductions are withheld. If the company is interested in offering benefits, they may want to consider working with a benefits broker to identify the most cost-effective benefits plans.

## **Insurance to consider includes:**

- Workers' compensation insurance
- Professional Insurance
- Directors and officers Insurance
- Employment practices liability insurance



# Applicable employment laws

1. Consumer Credit Protection Act
2. Employee Polygraph Protection Act
3. Employee Retirement Income Security Act
4. Equal Pay Act
5. Fair Labor Standards Act (FLSA)
6. Health Insurance Portability and Accountability Act
7. Immigration Reform and Control Act
8. National Labor Relations Act
9. Occupational Safety and Health Act (OSHA)
10. Uniform Services Employment and Re-Employment Rights Act
11. VETS 4212
12. Age Discrimination in Employment Act (ADEA) – applies to companies with 15 or more employees
13. Americans with Disabilities Act (ADA) and its Amendment Act (ADAAA) – applies to companies with 15 or more employees
14. Genetic Information Non-Discrimination Act (GINA) – applies to companies with 15 or more employees
15. Pregnancy Discrimination Act (PDA) – applies to companies with 15 or more employees
16. Title VII of the Civil Rights Act – applies to companies with 15 or more employees

*There may be more, depending on state and local regulations.*

# 20 to 49 employees

Once a company hits the 20 to 49 employee range, experienced full-time HR help is essential. Companies sometimes choose to outsource payroll processing and some or all of these duties.

## Essential HR functions

As the company expands, the list of required duties accumulates. Essential HR functions are the same as a company with fewer than 20 employees, plus:

- Overseeing leave requests and workers compensation claims
- Administering drug testing and pre-employment screening
- Coordinating recruiting and hiring process
- Managing employment-related and company-wide employee communications and announcements
- Delivering employee training on discrimination and harassment prevention (and other employment-related liability topics)
- Assisting managers with employee relations to ensure proper communication of expectations and documentation of performance and behavior problems or safety violations, as needed.

### At this stage, your company should have:

- A comprehensive employee handbook
- Defined company mission, vision and values that underlie your culture
- An established employee onboarding, training and development programs
- An organizational chart
- Clearly defined job descriptions for each position
- Leave policies
- Paid time off policies



## Applicable employment laws

When small companies reach at least 20 employees, they must also comply with:

- **Consolidated Omnibus Budget Reconciliation Act (COBRA)**

If the company offers group insurance plans, then it must offer benefits continuation coverage to eligible employees and dependents. This begins when the existing coverage ends due to qualifying events such as separation, termination, divorce or death. The notice of COBRA coverage must be provided to the employee within 90 days of health plan coverage. Once hired, an employer has 90 days to give the notice to the employee. Once the employee has a qualifying event, the employer has 14 days to notify them of their rights under COBRA.

- **The Older Workers Benefit Protection Act**

If you employ someone age 40 or older and you're providing them a separation release agreement, then you must give them 21 to 45 days to consider it. Upon signing the agreement, there is a seven-day window to revoke their decision.

## Nonessentials

At this size range, a hierarchy is beginning to form within your company. However, your growth may still be organic and not highly planned and manicured. Therefore, your nonessentials are:

- Retirement, medical and other benefits
- Employee wellness programs
- Defined career paths for each position within the company

# 50 to 99 employees

Once that 50th employee is hired, more regulations, particularly at the federal level, kick in.



At a minimum, a company at this size must have a seasoned, full-time HR generalist who can handle tactical and strategic work such as employee relations, recruiting and retention, and training and development. Ideally it would be someone who has experience with the tracking and reporting requirements related to the Affordable Care Act (ACA), as well as requirements for complying with the Family and Medical Leave Act (FMLA).

This is also the point where it may make sense to add an HR specialist capable of handling things like recruiting or payroll.





# Essential HR functions

At this stage in your company's life, it's vital to formalize and codify processes and procedures. There are too many moving parts and potential pitfalls that would otherwise put your company at undue risk. Your HR duties now include:

- Ensuring your company is compliant with applicable federal, state and local employment laws, postings and reporting requirements
- Collaborating with the management team on recruiting, performance management and employee relations
- Working with the leadership team to ensure HR initiatives are in alignment with company goals
- Updating and maintaining HR policies and procedures, as needed
- Developing and maintaining job descriptions for each position within the company
- Facilitating liability management for compliance with employment laws and HR best practices; implementing soft skills training to address gaps

## Your company should have:

- Comprehensive training and development programs
- A compensation philosophy
- A medical and dental benefits plan
- Programs that support recruitment, retention and recognition, including:
  - Forecast models
  - An employee referral incentives, rewards and recognition program
  - Education assistance
  - An employee assistance program (EAP)
  - A health and wellness strategy
- Performance management process

# Applicable employment laws

In addition to the previously mentioned laws, three new laws come into play at this level:

- **Affordable Care Act (ACA)**

Employers must offer coverage to at least 95 percent of their full-time employees and dependents. Failure to comply may subject the employer financial penalties.

- **Family and Medical Leave Act (FMLA)**

Employers of this size are likely required to offer employees FMLA leave, if the employee and employer meet certain requirements. [Get FMLA resources here](#)

- **Affirmative Action Plans (AAP)**

If your company has \$50,000 in government contracts, then your HR representative must prepare and maintain Affirmative Action Plans (AAP) in accordance with the Office of Federal Contract Compliance Programs (OFCCP). The AAP documents the steps related to ensuring that employment decisions such as recruiting, hiring, advancement, compensation and more are based on merit and experience regardless of race, color, religion, sex, national origin, age, disability, veteran's status or other protected factors. The plan tracks and analyzes the company's demographic makeup and pay of its workforce.

- **Worker Adjustment and Retraining Notification (WARN) Act**

The WARN Act is applicable should you have a layoff or plant closure. This requires employers to provide notice of at least 60 days of plant closing or mass layoffs. WARN defines a mass layoff as a reduction in force that is (1) the result of a plant closing, and (2) results in an employment loss at the employment site of 500 or more employees during a 30-day period; or employment loss for 50-499 employees if they make up at least 33% of the employer's active workforce at a single worksite. Employees with less than six months service or who work less than 20 hours per week are not included in the count.

# Nonessentials

At this stage, the more formalized your processes, the better. The following aspects reflect that desire for more structure:

- A well-defined compensation structure with salary grades
- Defined career paths for each position within the company
- Succession plans
- Processes for identifying high-potential and high-performing employees and development plans for each
- Formal processes for eliciting feedback from employees, including
  - Pulse surveys
  - Climate surveys
  - Exit interviews
  - Stay surveys
- Automated HR processes, including:
  - Applicant tracking
  - Performance reviews
  - Time and attendance
  - Employee onboarding and offboarding
- Retirement plan



# 100 or more employees

As your company grows, more federal laws come into play in addition to the added duties of processing the paperwork and payroll for the additional employees. **At this employee count, you need a seasoned HR presence with a mastery of compensation and benefits and a company budget mindset.**

## Essential HR functions

With a higher headcount, your HR department can no longer merely be process oriented and tactical. While these functions are certainly important with less employees, it's crucial for HR departments of larger companies to be analytical and strategic. This includes:

- Conducting analysis on turnover, recruiting and training to identify trends and assess the effectiveness and engagement of your strategies
- Reviewing benefits and health and wellness plans to ensure they are cost-effective and meet company and employee needs
- Overseeing your performance management program to ensure its consistently followed; Facilitate discussions to recalibrate and align performance ratings to employee performance
- Maintain and review compensation structures to ensure alignment to the company's compensation philosophy and place in the market; Conduct salary surveys to assess market competitiveness

# Applicable employment laws

A final layer of federal laws take effect with companies of this size:

- **EEO-1 report**

At 100 employees, companies are required to file an EEO-1 report detailing employment data categorized by race, ethnicity, gender, job category, wages and hours.

You must submit this each year to the Equal Employment Opportunity Commission.

- **Uniform Guidelines of Employee Selection Procedures**

These are designed to provide a framework when conducting pre-employment testing or any kind of selection procedure to ensure they are fair.

## Nonessentials

Once your company reaches a certain size, the list of nonessentials dwindles. This is because you are now in a constant battle to attract and retain employees. One key to addressing this issue is to offer competitive and enticing benefits, which means nonessentials are now near-necessities.

Some nonessentials include:

- Formal employee mentoring program
- Predictive analytics
- Defined career paths
- Succession plans

HR is complex and grows increasingly so as your business expands and hires more employees. It takes a dedicated HR expert to navigate ever-changing regulations to help you grow your business in accordance with employment laws and HR best practices. A professional employer organization (PEO) can take on these responsibilities, help ensure you're compliant with applicable laws, and build a people strategy that aligns with your business goals.

**For more information on how  
outsourcing your HR needs  
through a PEO might be able to  
help your business, please  
reach out to our team.**



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