

Posted in HR (<https://gusto.com/framework/hr/>) | by: Matt Faustman

The 6 Biggest HR Blunders Small Businesses Make



Who said starting a small business was easy? In this day and age, there are so many p's and q's, dotting the i's and lower-case j's and crossing the t's, that could make your mind explode. Small business operations is no exception and one particular headache facing business owners is human resources.

Without a doubt, you're looking at a massive undertaking to ensure the human resources for your business are properly managed. Think about it. If your employees aren't regularly getting their paychecks, or your benefits aren't received correctly, or your employees don't have the proper training to do their job, your company isn't going to last very long.

The key to successfully managing HR (<https://gusto.com/product/hr/>) is to keep in mind these common mistakes — and to avoid them completely.

1. Your employee handbook isn't complete

Most companies have one in some form or another, but employee handbooks (<https://gusto.com/framework/hr/employee-handbooks-dont-have-to-suck/>) are infamous for being incomplete and dated. This one book can be considered a corporate bible. And, if all of the chapters aren't written faithfully, you'll have a lot of your workers wandering the desert aimlessly.

You want your employees to follow certain rules, but if they're not in the handbook in plain English, you won't have much legal recourse if an employee falls out of line. Written information is power. Legal power. Be sure it's all written down.

2. Screwing up your tax obligations

Who doesn't wipe their brow of stress over dealing with taxes? There's a reason Benjamin Franklin labeled it next to death. The IRS is absolutely notorious for sheer accuracy and methodology.

So as a small business owner, you have to make sure you classify your employees correctly (<https://gusto.com/framework/business-basics/is-your-worker-an-employee-or-contractor-infographic/>). Improperly registering your employees with the IRS could result in financial disaster for you and your worker. In addition, make sure to keep a copy of every employee's W-4 and I-9 form with updated social security numbers, names and addresses with you records. It will ensure smooth sailing and reduce the time spend wading around old documents in the event of an audit.

(<https://go.gusto.com/OfferingEquitytoYourEmployees.html>)

3. I fought the law... and the law won

Honestly, this concept makes taxes look like a cakewalk. It's no surprise that small businesses out there can flub the issue of ensuring their business is operating legally – municipally, statewide and federally.

You might have a particular business where you can hire individuals below the age of 18. Be sure you don't schedule those kids during school sessions, because federal law prohibits that. That's just one example of how you need to monitor the laws and ensure that you adhere to them. Specifically, there are three aspects of labor laws you need to keep watch over:

- Child Labor Laws (<http://www.dol.gov/dol/topic/youthlabor/>)
- Non-Resident Labor Regulations (<http://www.sba.gov/community/blogs/community-blogs/business-law-advisor/labor-laws-employers-hiring-refugees-visa-holde>)
- Equal Rights Legislation (http://en.wikipedia.org/wiki/Civil_Rights_Act_of_1964)

Treat these three concepts like the Holy Trinity. Make a sign on your chest if you have to. These three aspects of legal issues for your business can make or break your company.

4. Overtime can be plenty confusing

Even large corporations can have trouble this. Why? Because even employees may end up not paying attention to just how many hours they work per week. It requires a lot of math. Who here hated math back in school? (Raises hand)

Here's an example of how overtime can be utterly painful. California, specifically, requires time and a half payments for hours worked over 40 as well as hours worked over an 8-hour shift per day. Additionally, double time is allowed for employees working over 12 hours in one day. So let's say you have an employee who worked 46.5 hours in one week, working one shift of 10.5 hours, and another on another day for 13 hours.

You do the math.

And to make it more of a headache, this labor law of overtime not only applies to hourly employees — but to salaried employees, non-exempt employees and even independent contractors. Imagine doing the math for someone receiving a yearly salary. Again, do the math.

5. Paperwork, paperwork... not documenting your employees correctly

I mentioned that the IRS are sticklers for accuracy. So is the United States government. Just as you should observe the labor laws as well as document that handbook to a tee, you need to ensure that documentation of every single employee is completed successfully, succinctly and correctly. You'd be dealing with any or all of these at the same time to ensure everything about your employees is correct:

- Department of Labor Officials
- IRS Agents
- Immigration and Naturalization Services Investigators

Moreover, you've got to be dead-on accurate in documenting these pieces of information:

- Residency Status
- Job Classification
- Social Security Information
- Mailing Address
- Taxes

Double check, triple check, infinity check. Make sure it's all correct. The worst of it is this: if they're not correct, you could be penalized financially, possibly even facing legal action.

6. "This was not in my job description"

It is, of course, a given that an employer would naturally assume that the job should be done correctly. But how can your employees do their job correctly if they don't know what their jobs are? Vague job descriptions are a death sentence for business operations. You have everyone stepping on everyone else's feet, criss-crossing, looking confused. And in the midst of that chaos, nothing in your company is getting done, and before you know it, you fold completely.

Before you get those new job postings up, sit down with your HR team and write succinct, clear and defined roles. Make sure your potential candidates know exactly what it is they'll be doing in your office so that there's no confusion whatsoever.

Common details include:

- Hours of Availability
- Skills/Certifications Required
- The Chain of Command Listing (Who Does the Employee Report to?)
- Physical Requirements (Heavy Lifting, Bending, Sitting, Standing, etc. etc.)

Don't let these HR mistakes hit and run all over you

They're simple; and that's what makes them so deadly. Every small business, at one point or another, has either made one or more of these, or is faced the sudden prospect of making one or more of these. Don't be that small business facing the danger. Consult with HR professionals if you need to. Talk to a qualified business lawyer if you have to. More importantly, just make sure you dot that 'i'.

About Matt Faustman

Matt Faustman is the co-Founder and CEO at UpCounsel (<http://www.upcounsel.com>), the fastest growing legal solution for businesses.

Read previous

Employee Handbooks Don't Have to Suck

Read more

(<https://gusto.com/framework/hr/employee-handbooks-dont-have-to-suck/>)

Up next

5 Tips to Make Incentives Meaningful and Retain Employees

Read more

(<https://gusto.com/framework/culture/5-tips-to-make-incentives-meaningful-and-retain-employees/>)

Related Articles

Hiring 101

How Do I Write a Job Offer Letter?

Read more

~~(/framework/hr/how-do-i-write-a-job-offer-letter/)~~

Understanding Exempt vs. Nonexempt Employees

Read more

(/framework/hr/understanding-exempt-vs-nonexempt-employee-definitions/)

How Do I Create an Independent Contractor Agreement?

Read more

(/framework/hr/how-do-i-create-an-independent-contractor-agreement/)

Do I Need to Use an Employment Contract?

Read more

(/framework/hr/do-i-need-to-use-an-employment-contract/)

Onboarding essentials

What Should I Do Before My New Hire Starts?

Read more

(/framework/hr/what-should-i-do-before-my-new-hire-starts/)

What Do I Need for My New Hire's First Day?

Read more

(/framework/hr/what-do-i-need-for-my-new-hires-first-day/)

How Do I Create an Employee Handbook?

Read more

(/framework/hr/how-do-i-create-an-employee-handbook/)

What New Hire Forms Do I Need to Know About?

Read more

(/framework/hr/what-new-hire-forms-do-i-need-to-know-about/)

Building a great place to work

How Can I Increase Employee Engagement and Retention?

Read more

(/framework/hr/how-can-i-increase-employee-engagement-and-retention/)

What Are My FMLA Requirements?

Read more

(/framework/hr/what-are-my-family-and-medical-leave-act-fmla-requirements/)
How Do I Set Up a PTO Policy?
Read more

(/framework/hr/how-do-i-set-up-a-pto-policy/)
What Are My OSHA Requirements?
Read more

(/framework/hr/what-are-my-occupational-safety-and-health-administration-osa-requirements/)

Product

- Payroll (<https://gusto.com/product/payroll>)
- Benefits (<https://gusto.com/product/benefits>)
- HR (<https://gusto.com/product/hr>)
- Pricing (<https://gusto.com/product/pricing>)
- Integrations (<https://gusto.com/product/integrations>)

About Gusto

- About the Company (<https://gusto.com/about>)
- Careers **We're Hiring!** (<https://gusto.com/about/careers>)
- Contact (<https://gusto.com/about/contact>)
- Press (<https://gusto.com/about/press>)

About Gusto

Resources

- Help Center (<https://support.gusto.com/>)
- FAQs (<https://gusto.com/product/faq>)
- Small business resources (<https://gusto.com>)
- New to payroll (<https://gusto.com/product/payroll/new-payroll>)
- How to switch payroll (<https://gusto.com/product/payroll/change-payroll>)

Contact us

- Talk to sales: **(888) 284-0583** (tel:888-284-0583)
- Talk to support: **Sign in** (<https://manage.gusto.com/help/contact>)

Gusto's mission is to create a world where work empowers a better life. By making the most complicated business tasks simple and personal, Gusto is reimagining payroll, benefits and HR for modern companies. Gusto serves over 60,000 companies nationwide and has offices in San Francisco and Denver.

Gusto © 2018 Brokers (<https://gusto.com/product/benefits/brokers>) Privacy (<https://gusto.com/about/privacy>)

Terms (<https://gusto.com/about/terms>) Site Map (<https://gusto.com/sitemap>)



(<https://www.facebook.com/GustoHQ>)



(<http://twitter.com/gustohq>)



(<https://www.linkedin.com/company/gustohq>)



(<https://www.instagram.com/gustohq/>)



(<https://www.youtube.com/gusto>)