HR Hat Doesn’t Fit? Don’t Wear It

Rather than hiring a dedicated HR person or outsourcing the workload, 1.5 million U.S. businesses spend roughly $27 billion a year on ad hoc HR management — pulling employees, managers and even business owners away from their primary responsibilities. And that can be risky business.

Do you or anyone in your organization have the following job titles?

- **HELLO**
  - **my name is**
  - Not-In-My-Job-Description-But-Sure-I-Can-Do-That HR Manager

- **HELLO**
  - **my name is**
  - Business-Owner-By-Day-and-HR-Manager-by-Night

- **HELLO**
  - **my name is**
  - Just-Until-We-Hire-a-Dedicated-HR-Manager-HR Manager

These titles belong to ad hoc HR managers — people who defaulted into the position but aren’t necessarily qualified, capable, or interested in doing it. In addition, they take on additional responsibilities above and beyond their primary role.
Wearing one too many hats
When you ask someone to wear a hat that doesn’t fit right, they’ll grow more and more uncomfortable until they have no choice but to remove it. If it’s you as a business owner, then you already know how time-consuming it is to do work that’s not up your alley, especially when it eats up precious time you could be spending elsewhere.

What about the impact on your employees? Some workers say they definitely notice the absence of an HR person, especially when it comes to common HR responsibilities like mediating employee disputes and resolving pay problems. If one of your workers has an issue or concern, they may not be comfortable burdening the business owner, or worse yet, they consider you the problem. If that’s the case, they likely have three alternatives: gossip about it with coworkers, take their complaint to someone outside the business, or quit.

The survey says
Only 10% of ad hoc HR managers say they enjoy their HR responsibilities, while 65% would drop them in a heartbeat if given the choice. Most stress about the risks involved with employee performance issues and terminations, disputes, and compliance with HR-related laws. That’s because they know one wrong move could result in fines and potentially even legal action.

HR is a specialty that requires ongoing administration, knowledge of laws, and compliance with policies, just for starters. With the potential for health care reform and changes in family leave, pay equity, and other HR regulations, even seasoned professionals can find it hard to keep up. “Whenever you consider eliminating portions of HR, you have to think of the financial risk, the strategic risk,” said Steve Miranda, managing director of Cornell University’s Center for Advanced Human Resource Studies. Without an HR professional partnering with you on the basics, your ability to focus on your core business and seize growth opportunities could be negatively impacted.

There are strict federal laws to consider based on the number of workers you employ. For example, the OSHA law (the Occupational Safety and Health Administration) kicks in when a business employs between one and 14 workers, as does HIPAA, (the Health Insurance Portability and Accountability Act). A certified HR professional is trained and required to keep up with employment laws like these.

What’s the solution?
If you’re an ad hoc HR manager who’s ready to shed that extra hat and minimize your risk exposure, you have a number of alternatives to consider:

Look at technology
Using technology to simplify and automate payroll and HR processes can save you time, improve accuracy, and minimize risk. Specialized HR software and services can include payroll processing, time and attendance systems, and templates for creating and updating items such as your employee handbook.
Hire an HR specialist
Those placed in the position of handling the extra burden of HR see the value in turning to the professionals for help. In fact, access to HR experts is at the top of their wish list.¹

While startups often launch without an HR staffer, SHRM (the Society for Human Resource Management) advises that companies bring on an HR professional once they reach 15 employees, the point at which workforce issues become complex enough to require specialized skills.⁶

An HR professional may serve many roles: benefits administrator, recruiter, compliance advisor, employee relations counselor, and safety coordinator, to name a few. If you go the route of hiring an HR professional, whether full time or part time, here’s a checklist you can use to aid your search:

- Number of years of HR experience and the level of responsibility in those years of experience
- Experience working with startups or organizations of similar industry or size
- Education level and focus. Does the candidate have a bachelor’s or master’s degree in human resources, or a degree in a related field with SHRM- or HR-related certifications?
- Knowledge of employment laws and other compliance issues
- Demonstrated ability to keep up with changing employment requirements and its impact on businesses like yours
- Expected compensation that fits into your budget
- Ability to prioritize and juggle multiple projects, adjust to the fast-changing needs of your business, and communicate directly with upper management
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Outsource your HR business processes
Outsourcing is like having a fully staffed HR department. When you outsource your human resources functions, you gain support to help your most challenging HR processes, such as:
- Benefits administration
- Payroll, time and attendance, and HR technology
- Talent management and acquisition
- HR risk management
- Business insights and HR guidance

When you outsource HR, the services aren’t bundled, so you can choose which HR responsibilities you want. Some of the larger providers can implement technology solutions to automate your workforce data and provide a platform where you and your employees can record, access, and manage information, including employee benefits.

Join a Professional Employer Organization (PEO)
A PEO is a relationship where you select a provider to become your dedicated HR management and benefits administration partner and deliver a range of HR services through a “co-employment” model. That means the PEO becomes the employer of record for tax and insurance purposes. Typically, you’d retain the day-to-day control over how you manage your employees, while your PEO provider would help with HR management and benefits administration, including:
- Fortune 500®-caliber benefits and benefit administration
- Payroll, time and attendance, and HR technology
- Talent management and acquisition
- HR risk management
- Workers’ compensation
- Employment practices liability insurance
- Business insights and HR guidance
- Assistance with HR business strategy and employer compliance

Businesses that use a PEO can gain access to expertise and technology that sets them apart in a competitive marketplace.

Whichever path you decide to take, it’s worth your time to at least weigh the risks of ad hoc HR management against the benefits of turning to human resources professionals. In the long run, you may find that the costs of making the transition are far lower than maintaining the status quo.

Pass the hat
It’s all too common to feel like the only way to get things done is to do it all yourself. Using ADP® HR Outsourcing Solutions you can free you to run your business the way you were meant to. Turn to ADP to learn how we can help you shed that ill-fitting hat.

² The Wall Street Journal, Companies Say No to Having an HR Department.
³ Federal Labor Laws By Number of Employees.
⁴ HR Next, Improving HR Through Technology.
⁵ ADP. 2016 Midsized Business Owner Study.
⁶ Society for Human Resource Management, Starting an HR Department From the Ground Up.