

# **HR Compliance**

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## **What is HR compliance?**

HR compliance refers to the adherence of an organisation to laws, regulations, and best practices governing human resources. It ensures that HR policies, procedures, and actions align with legal requirements and industry standards.

By upholding compliance, organisations strive to mitigate legal liabilities and avoid penalties, and lawsuits, while promoting a culture of fairness, respect, and productivity, thereby contributing to the overall success and sustainability of the business.

## **Why HR compliance is important**

HR compliance is crucial because it ensures that organisations adhere to legal requirements and ethical standards governing employee rights and workplace practices. By maintaining compliance, businesses protect themselves from potential legal risks, such as lawsuits and penalties, while safeguarding the well-being and fairness of their workforce.

Compliance also develops trust, transparency, and positive employee relations, contributing to a harmonious work environment, attracting top talent, and promoting long-term organisational success.

## **Who is responsible for ensuring HR is compliant?**

The HR department generally has the primary responsibility for overseeing HR compliance. Keeping track of the latest developments in the world of employment-based laws, health and safety regulations and rules and regulations is usually one of the core responsibilities of the HR team.

HR professionals are responsible for developing and implementing compliant policies and procedures, conducting training for employees and managers, and addressing compliance issues as they arise.

The other important facet of the HR department includes exercising an unbiased hiring process, equality in the treatment of employees, setting and abiding by the workplace rules and developing and regularly updating employee handbooks or policies.

That being said, HR compliance is also a shared responsibility within an organisation. It is important to note that HR compliance is a collective effort, and all stakeholders must work together to establish and maintain a compliant workplace.

Yes, every employee has a part in applying it, but they are not solely responsible for it.

## **Different types of HR compliance**

Segregating HR compliance can be quite tricky; there is a multitude of compliance requirements based on the size, industry and nature of business. Broadly, it can be divided into 3 parts –

### **1. Statutory compliance**

Every government has a set of laws and legislations in a specific jurisdiction. Statutory compliance is the process of taking the right measures and meeting those legislations as set forth by the government or a local governing body.

## **2. Regulatory compliance**

Almost every industry function under an authority in charge of making sure that the industry is following all the required protocols and conducting the necessary practices. Regulatory Compliance protocols make sure that a business operating in a specific industry is meeting all the legal requirements exclusive to that industry.

## **3. Contractual compliance**

Contractual compliance refers to the fulfilment of obligations, terms, and conditions as outlined in a legally binding contract between parties. It involves ensuring that both parties involved in the contract adhere to the agreed-upon terms, meet specified deadlines, and fulfill their respective responsibilities. Failure to comply with contractual obligations may result in legal disputes, financial penalties, or reputational damage. The best example would be the employment contract between an employee and an organisation that covers start date, details of the work, pay, hours of work, holiday entitlement, sick pay, notice period, pension and collective agreements, disciplinary and grievance policies.

### **The benefits of maintaining HR compliance**

Maintaining HR compliance offers several benefits to any organisation.

Firstly, it helps mitigate legal risks by ensuring adherence to employment laws and regulations, minimising the likelihood of lawsuits, fines, and reputational damage.

Secondly, compliance promotes a fair and inclusive work environment, enhancing employee relations, trust, and morale.

Thirdly, it helps attract and retain top talent, as job seekers value organisations that prioritise compliance and ethical practices.

Furthermore, compliance enhances operational efficiency by streamlining processes, improving data security, and reducing the chances of workplace incidents.

Ultimately, HR compliance contributes to the long-term success and sustainability of organisations by mitigating risks, and supporting talent management.

### **HR compliance risks**

Here are some common HR compliance risks along with strategies to minimise or address them:

#### **Non-compliant employment practices:**

- Risk: Failure to comply with employment laws, such as misclassification of employees and independent contractors, improper record-keeping, or non-compliant hiring practices.
- Minimisation strategies: Stay informed about employment laws, conduct regular internal audits to identify compliance gaps, provide training to HR personnel and

managers on relevant regulations, and maintain accurate and up-to-date employee records.

#### **Discrimination and harassment:**

- Risk: Failure to prevent discrimination or harassment based on protected characteristics, leading to legal liabilities and damaged employee morale.
- Minimisation strategies: Develop comprehensive anti-discrimination and anti-harassment policies, provide regular training to employees and managers, promptly investigate and address complaints, and establish reporting mechanisms.

#### **Wage and hour violations:**

- Risk: Inaccurate wage calculations, unpaid overtime, failure to provide required breaks, leading to legal disputes and financial consequences.
- Minimisation strategies: Understand wage and hour laws, properly classify employees as exempt or non-exempt, maintain accurate time and attendance records, implement a system to track hours worked, conduct periodic payroll audits, and ensure compliance with minimum wage and overtime regulations.

#### **Inadequate workplace safety:**

- Risk: Failure to comply with workplace safety regulations, leading to accidents, injuries, and potential legal liabilities.
- Minimisation strategies: Implement and enforce comprehensive safety policies and procedures, conduct regular risk assessments, provide appropriate safety training to employees, maintain safety records, perform safety inspections, and address hazards promptly.

#### **Data privacy and security:**

- Risk: Incorrect or incomplete implementation of The General Data Protection Regulation (GDPR), leading to breaches of privacy laws, loss of sensitive information, and reputational damage.
- Minimisation strategies: Establish and enforce data privacy policies, obtain necessary consents, implement secure data storage measures, train employees on data protection practices, conduct regular data security audits, and comply with applicable data protection regulations.

#### **Non-compliant employee benefits:**

- Risk: Failure to provide legally required benefits, workplace pensions, or non-compliance with leave policies, resulting in legal consequences and employee dissatisfaction.
- Minimisation strategies: Stay updated on relevant benefit regulations, maintain accurate records, communicate benefits clearly to employees, ensure compliance with eligibility and notification requirements, conduct regular audits of benefit programs, and consult legal and benefits experts for guidance.

By being proactive, staying informed, implementing robust policies and procedures, conducting regular audits, providing training, and embracing a culture of compliance, organisations can minimise the risks associated with HR compliance and ensure a fair, legally compliant, and productive work environment.

### **Best practices for keeping your HR compliant**

To keep your HR practices compliant, here are some best practices to consider:

#### **1. Stay informed:**

Stay updated on relevant employment laws, regulations, and industry standards. Regularly review and monitor changes in local and international laws that impact HR practices.

#### **2. Develop and communicate policies:**

Establish clear and comprehensive HR policies and procedures that align with legal requirements and best practices.

#### **3. Conduct regular audits:**

Internal audits help assess HR practices and ensure compliance. Review areas such as employee classification, record-keeping, wage and hour practices, benefits administration, and safety protocols.

#### **4. Provide training:**

Offer regular training sessions to employees, managers, and HR staff on HR compliance topics.

#### **5. Maintain accurate documentation:**

Maintain accurate and up-to-date records related to employment, payroll, benefits, safety, and training. Proper documentation demonstrates compliance and can serve as evidence in case of an audit or legal dispute.

By following such practices, organisations can establish a strong foundation of HR compliance, mitigate risks, promote fair and lawful work culture, and foster a positive environment. Regular evaluation and continuous improvement will help ensure ongoing compliance in an ever-evolving regulatory landscape.

### **The tools needed for maintaining HR compliance**

Following all the required protocols for smooth operations and maintaining compliance is crucial for any organisation. There is a vast array of solutions available in the market that address and solve compliance issues faced by an organisation. Here are a few ways in which you can maintain compliance across an organisation seamlessly -

#### **1. Document management:**

HR compliance involves proper documentation and record-keeping. HR software allows for efficient document management by providing centralised storage for employee records, contracts, policies, and compliance-related documents.

#### **2. Compliance tracking:**

HR software helps track and monitor compliance-related tasks, deadlines, and certifications. It can generate alerts and reminders for actions such as training renewals, performance evaluations, background checks, or license expirations.

### **3. Policy and procedure management resources:**

HR compliance often entails maintaining up-to-date policies, procedures, and employee handbooks. HR software facilitates policy management by providing a platform to create, store, distribute, and track policy documents.

### **4. Reporting and analytics:**

HR software provides robust reporting and analytics capabilities that assist in HR compliance. It can generate custom reports, audit trails, and compliance-related metrics to demonstrate adherence to legal requirements. Analytics tools help identify compliance gaps, monitor trends, and make data-driven decisions to enhance compliance practices.

### **5. Data security and confidentiality:**

Protecting employee data is a critical aspect of HR compliance. HR software ensures data security by implementing features such as role-based access controls, encryption, data backup, and compliance with data protection regulations.

### **6. Payroll and timekeeping:**

Compliance with wage and hour regulations requires accurate timekeeping and payroll processes. HR software can fit easily alongside a payroll and timekeeping system to enable proper calculation of wages, overtime, and compliance with legal requirements.

### **HR compliance checklist**

It's clear then, that compliance should be at the top of your list of priorities, not just from a HR perspective but also as an element to inform key decision making and the formulation of policy.

We do also appreciate that HR compliance can seem like a bit of a minefield at times, which is why we've put together a quick checklist to help you understand the key areas to focus on when it comes to ensuring full compliance within your organisation.

### **Diversity and inclusion**

A driving factor in modern workplace culture. Diversity and Inclusion have been issues thrust into the spotlight in recent years. For businesses, it also represents a danger whereby failure to reflect public opinion and changing values, can have a lasting negative impact on your brand perception. From an internal perspective, ensuring a widely diverse workforce should be a priority for organisations, especially as they look to drive forward their post-pandemic recovery - Recent research by McKinsey has found that D&I initiatives lead to a more motivated workforce, with increasing incidences of employees feeling more contented within workplaces which reflect the diverse nature of modern life.

Furthermore, organisations with a diverse makeup of talent find themselves time and time again, able to make more well informed, confident business decisions, being able to draw upon a wide range of backgrounds and experiences.

## **Workplace harassment**

An element which is deeply entwined with the traditional HR process- protecting employees from bullying or harassment from colleagues or higher-ups forms one of the core tenets of HR. Incidences of toxic working cultures are damaging not only from an internal perspective- compromising the wellbeing of employees- it also represents another area in which public perception is particularly keen.

The Government announced earlier this year, new sweeping legislation which clearly sets out employer expectations to protect their people from sexual harassment in the workplace. This is understandably a particularly sensitive issue and one in which businesses need to ensure full compliance in order to safeguard their employees and to demonstrate that same commitment to the wider public.

## **Benefits compliance**

Benefits packages aren't simply nice to haves within organisations- for many people they form a core component of their engagement and overall wellbeing at an organisation. It is important therefore that businesses have full understanding of their responsibilities when it comes to offering benefits. From pension schemes to health insurance or company travel packages, each rewards scheme brings with its own complexities and challenges which HR leaders absolutely need to be on top of.

This is a particular area where an understanding from the wider business will be a boon in assisting people teams remaining compliant as the communication of benefits to employees is one of the most vital elements in ensuring compliance.

## **Wages**

Understandably, failure to ensure accurate and regular pay represents one of the most significant areas of risk for organisations when it comes to compliance. Failure to remain compliant in this area can lead to severe financial and legal penalties for organisations as well as an erosion of trust of their employees within the organisation. Any changes to pay scales or laws around wages represents another area where businesses must keep a keen eye as the legal and financial implications of non-compliance are severe.

## **Health and safety**

It goes without saying that safeguarding the wellbeing of your people should be at the forefront of any businesses' priorities. From a compliance standpoint, health and safety represents a minefield of legislation that absolutely has to be adhered to in order to avoid unwanted legal attention. Depending on the specific industry, businesses can find themselves dealing with rafts of regulations and legislation which in many instances can dictate the manner in which you work.

Furthermore, health and safety initiatives extend into additional training and certification for staff such as fire warden training and health and safety initiatives, all of which must be kept current and up to date in order to remain compliant.