

# Leveling the playing field for small businesses

How small businesses can effectively use automation to solve their talent, payroll and compliance challenges — just like their larger competitors.



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**Until relatively recently, small and medium-sized businesses (SMBs) faced an extremely tough road when keeping up with their larger competitors.** Without the same level of resources, trying to stay with and outperform those big-spending companies represented an almost impossible goal.

Well, the good news is that thanks primarily to advances in workplace technology and computing power, the playing field has been leveled in ways no one could have imagined looking back even just a few years.

Suddenly, Small Businesses (SMBs) have realistic, affordable options and choices in critical areas including recruiting, hiring, payroll automation and compliance – all among the top processes wherein SMBs have caught up to larger, more well-funded competitors.

In this eBook, ADP offers its experts to explore winning strategies SMBs can now utilize to attract talent, hire talent, deliver a world-class payroll outcome and, finally, ensure that complex — and potentially costly — compliance challenges are not left to chance. Add it all up and SMBs will find they now are in a new world, one that offers them the same technology-fueled advantages previously enjoyed by their larger competitors.



# Struggling to attract top talent?

## Try these 4 strategies



As noted, recruiting and retaining top talent can be challenging for small and mid-sized businesses. This opening section offers a primer on how to attract — and keep — the best candidates in your industry on your team.

For starters, simply sourcing and hiring qualified candidates is likely one of your most formidable challenges. The Bureau of Labor Statistics reports that in the U.S. the number of job openings — 7.1 million as of February 2019 — far exceeds the number of hires (5.7 million).

Next, even if you manage to recruit and hire your ideal employees, you might struggle to keep them happy, engaged and in the fold.

Given these circumstances, SMBs must work to improve their recruiting strategies, candidate experience and onboarding processes to encourage job seekers to choose — and stick with — their company over the competition, large or small.

**"With record low unemployment, turnover is higher than it has been in decades, and employees [can] choose where they work,"**

**Lenny Yanovskiy**

Senior director of strategic solutions, ADP Recruitment Process Outsourcing

### Why exactly do SMBs struggle to attract and retain talent?

Up front, it's easy to blame recruiting woes on the current labor market, but that's just one piece of the puzzle. Budgetary and resource constraints often hinder a small company's ability to keep up with the HR expertise, technology solutions and data analytics that larger organizations have at their disposal.

ADP's Yanovskiy cites some specific challenge areas for SMBs:

- **Compensation.** Even if SMBs offer benefits, training and growth opportunities, they may not be able to compete with large corporations on base salary.
- **Technology and tools.** SMBs may not have access to tools like applicant tracking systems, chatbots, candidate relationship management systems, etc.
- **Subject matter expertise.** Most SMBs can't afford in-house diversity experts, data scientists, compensation analysts and other specialized talent acquisition roles.
- **Visibility and branding.** Lack of brand awareness can make it hard to get candidates to even consider applying to SMBs.
- **Compliance.** SMBs must keep up with complex regulations around candidate management, anti-discrimination, pay equity and more, which can be difficult and time-consuming (more on that later in this eBook).



# Tips for SMBs looking to recruit top talent



According to Yanovskiy, there are several actions SMB employers can take to boost their chances of finding and keeping the best candidates in their field:



## Evaluate your current candidate experience

SMBs should evaluate their candidate experience, including how easy is it to find and apply to jobs, how visible your brand is and whether your career site is mobile-optimized.

"Consider role-playing what a typical candidate has to go through... to get hired with the company," Yanovskiy says. "The easier you make it for them to apply and get hired, the better your chances are of filling key positions."



## Build your employer brand

"Employer branding is another critical element in attracting talent. Companies must consider how they are perceived by candidates and actively work to create a public-facing image that is authentic, convincing and visible," Yanovskiy explains.

Along those lines, offer candidates an accurate, authentic picture of what your company culture is and what it's like to work there. You can share employee testimonials, create videos of employees at work and promote employee stories on social media, for example.

Your brand messaging should also be convincing and clearly communicate why employees want to work there. Yanovskiy advises conducting a survey of your existing employees to understand what attracted them to the company.

Finally, make your employer brand visible to your target audience with an up-to-date career page on your company's website and relevant social media messaging. You should also monitor and respond to employer reviews on sites like Glassdoor.





## Study the ROI of your talent sourcing channels

Many SMBs advertise their job openings on several different platforms. Yanovskiy says it's smart to consider the cost of these channels and how productive and effective each one is.

"Companies [should target] channels that yield more qualified candidates," Yanovskiy says. "If a career fair or a particular job board yields low results, re-allocate the focus to other sources for candidates."

"Don't overlook your current employees as a source of talent, either," he adds. "An internal referral program can encourage your staff to serve as brand ambassadors and drive candidates to your business."



## Get outside help, if you need it

"If you lack the budget for an in-house HR manager or recruiter, a consultant or third-party outsourcing service can help fill in your human resources gaps," Yanovskiy notes. "Recruitment process outsourcing providers, for example, often offer options for clients of different sizes, so you're likely to find a solution that suits your needs and budget."

"Recognize your limitations and be willing to work with external partners where you need help," according to Yanovskiy. "While outsourcing options may seem costly at first glance, they often provide an excellent return on your investment in terms of productivity savings, filling open positions fast and with quality candidates, and ensuring compliance in the recruitment process."



# Tips for hiring and onboarding your first employee



Attracting and retaining talent go hand-in-hand, but let's step back to look at a related – and very important - happening in every SMB's history, that first hire (or first few hires). One of the most exciting — and, no doubt nerve-wracking — milestones for a small business is the moment it decides to hire its first employee. Hiring someone is a big deal, and if you want your company to continue growing, it's important to get this process right from the start.

Tara Wolckenhauer, EVP of human resources at ADP, reveals some of the biggest challenges small businesses face in hiring and onboarding their first few employees. Wolckenhauer also offers proven advice on finding the right talent and making them feel welcome and successful from day one.



## Common first hire challenges

When a small business is ready to hire its first employee, it's usually because the owner is stretched too thin and needs someone with specific skills to accomplish certain tasks. As tempting as it may be in this situation to hire the first qualified candidate you find, it's important not to rush the hiring process. Wolckenhauer explains it's best to find the right person for your business overall and strive for a mix of skill and cultural fit.

"Wait for a person who has the potential to grow your business because they have skills that align with your culture and mission," she says. "Be diverse in your selection. Cast the net wide. Don't just pick someone you know or someone else knows. Get out there and look. Take your time."

Another major challenge for smaller companies is covering the "basics" of being an employer. A great culture and mission do matter to job candidates, Wolckenhauer says, but competitive pay, benefits packages and total compensation packages also play into their employment decisions.

"The complicating factor is that small businesses are not [typically] built on a large amount of cash resources," she says.



To that end, small business owners should address several important HR-related considerations before that first hire:

- Do we know how to properly price our jobs beyond minimum wage, and do we have the money to support that?
- What do we need to offer for benefits and paid time off?
- What labor laws and compliance requirements will we need to meet?
- Developing your onboarding strategy
- Once you've found your ideal first employee, you'll need a plan for onboarding them, so you can set them up for success.

Wolckenhauer says the most important aspect of onboarding a new employee, especially your first, is ensuring they understand your business's purpose and how they fit in.

"Sit with your new hire, talk to them about the business and what you're trying to accomplish, and where they play a role in that," she says. "[Discuss] the importance of job and how that impacts future success of [the business]."

Next, Wolckenhauer says you'll need to get your new hire acquainted with their day-to-day schedule — the who, what, when, why and how they will do their job. This includes not only their tasks, but the administrative aspects of working for your company, such as their break schedule, how to log their time and where to input PTO requests.

"Make sure a new hire has knowledge of how to be successful in all aspects of their work," she says.

Finally, be sure to set aside an appropriate amount of time to devote to your new employee. If you have other owners, managers or contractors working with your company, Wolckenhauer recommends introducing your new hire to them so they can network with and learn from those individuals.



## Tips for adjusting and improving your hiring process

For larger, established companies, hiring and onboarding processes don't often change. However, in a small business — especially one that's just begun to grow and hire — things can be drastically different from one hire to the next.

That's why Wolckenhauer recommends evaluating and adjusting your hiring process every time you bring on a new employee. She advised putting your hiring and onboarding processes down on paper to ensure you're documenting everything and learning as you go.

"Assess how their onboarding went, where you're at in the business, etc.," Wolckenhauer notes.

Most importantly, check in with your new hire frequently to ask how things are going, what you can be doing better and other general feedback questions.

"That concern doesn't cost money," Wolckenhauer concludes. "It's just common decency to let someone know, 'You exist, and I notice you.'"

**"If you are hiring somebody, you owe it to them to spend time being present with them"**

**Tara Wolckenhauer**

EVP of human resources, ADP



# Are you ready for payroll automation?

## Some considerations



Along with talent management issues already discussed, payroll automation can help you stay organized, pay employees on time and help with payroll tax compliance.

Payroll, of course, is an essential administrative task for all businesses. Whether you employ W-2 employees, contractors or both, you need to not only decide how to pay your workers, but also how to track their income and report it to the IRS.

While you can file [payroll taxes](#) on your own, there's always the risk of errors — and, with it, the potential for hefty IRS non-compliance fines. When you automate payroll processes through a third-party vendor, you mitigate that risk and reduce your own administrative burden.

If you are not familiar with payroll automation, or unsure if your business is ready to invest in a solution, Kyle Boettke, DVP of Small Business Services Strategy and Operations at ADP, has some sound advice.



### What is payroll automation and how does it work?

Basically, payroll automation is as simple as it sounds: You provide your business and employee information to a payroll service provider and they handle the payroll and tax-filing responsibilities.

Your payroll company will [request the following information](#) to set up your service:

- Your Employer Identification Number (EIN)
- Your state/local tax ID number (if applicable)
- Your state unemployment ID number
- I-9 and W-4 forms for all employees
- Your state withholding allowance certificate
- Your Department of Labor records
- You will also need to define your pay periods (e.g., weekly, biweekly, twice monthly or monthly) before you can run your first payroll







## When and why to consider payroll automation

So how do you know if you're ready to invest in a payroll automation solution? According to Boettke, the best time is when you're hiring your first employee.

"It's a big moment, writing your first payroll check," he says. "[You want to] make sure you're doing it the right way."

Of course, not every business can afford a payroll service right from the get-go. In this case, Boettke advises looking into payroll automation as soon as your business starts growing enough for you to outsource the task.

There are a few key benefits of automating your payroll processes, and the most important one is that it decreases your responsibilities as a business owner. Instead of worrying about whether you've accurately calculated your employees' tax withholdings and filed your tax payments on time, you can pass that responsibility off to your payroll company and rest easy knowing that the rest has been taken care of for you, Boettke says.

"Once the payroll company has that information, all you need to do is either update it [as needed] or communicate [any] changes to your payroll," Boettke says. "After that, your payroll company will take care of running the payroll and filing the tax liability with the taxing agencies that you would've had to do on your own."

Boettke notes that responsibility as an employer each payroll period is to make sure the gross pay calculation is correct for each employee and approve the payroll on time. Otherwise, your payroll provider will handle all the back-end operations, including issuing payments, collecting and filing tax payments and preparing employee tax forms at the end of the year.

Most payroll services give you the option of paying employees in a variety of different ways, such as paper check, direct deposit or pay card, Boettke says. Depending on your provider, you may also be able to take advantage of software integrations or ancillary products that tie into payroll deductions, such as retirement plans and health insurance.





## What to look for in a payroll service provider

There are dozens of payroll companies out there, all offering different things. Some are more “DIY,” while others send a company representative to your office to walk you through it. The right solution for you depends on your needs.

Boettke says there are three primary factors to consider when you’re choosing a payroll partner:

**Trust** — First and foremost, it’s essential to fully trust the company you choose to handle your payroll and know that they have enough experience to do the job right. Boettke reminds employers that their employees rely on their paychecks to earn a living and provide for their families.

“If a company does it incorrectly, that impacts your employees,” he adds.

**Service integration** — Next, you should evaluate how payroll can be integrated with other parts of your business to be as efficient as possible.

“Does that payroll provider integrate or automate other things about your business to make life better for you as an owner and for your employees?” Boettke said.

Some possible areas of integration to look for include your general accounting ledger, payroll-related benefits (insurance deductions, 401(k) contributions, etc.) and time clocks.



## Getting maximum value for your investment

Finally, while cost is an important consideration for any business service, Boettke says it’s essential to consider the overall value you’re receiving from your payroll service provider. Consider the level of customer support you’re receiving, as well as any integrations and additional products your vendor provides.

“Not all payroll companies are equal,” Boettke says. “Look at the value versus the cost.”

Most importantly, he concludes, consider the value of the time you’ll get back by automating payroll and taking that burden off your shoulders.





# HR Compliance trends for small businesses in 2019 and beyond



Apart from the logistics of talent and payroll management, small business HR compliance issues represent a complex, often confusing challenge that requires expertise most, if not all, SMBs are lacking. For the current year and into next, legislation driven by trends including #MeToo and legalized cannabis (medical and recreational) translate into a boost in sexual harassment training, managing legal cannabis in the workplace and other hot-button issues.

In the current social landscape sexual harassment and legal cannabis specifically are at top of many people's minds — including our nation's lawmakers. Across the country, new and updated federal, state and local laws are affecting HR compliance responsibilities in these areas for all U.S. employers.

Small businesses in particular should pay attention to these changing laws: If employers do not comply with legal requirements, they can be subject to very costly penalties and fines, says Kristin LaRosa, senior HR counsel for ADP.

"They may also be subject to complaints filed with human rights agencies, lawsuits, wages owed, attorney fees and other damages attached to that particular violation of law," LaRosa adds.

Compliance with employment legislation, however, is about more than avoiding monetary fines. In today's competitive environment, compliant, inclusive HR policies can help you build a reputation and culture that top talent finds appealing — so it's also a recruiting and branding bonus!







**Below are a few of today's most challenging HR compliance trends and how small businesses can keep their policies up-to-date.**



### **Reasonable accommodations: Medical marijuana laws**

Cannabis legalization is one of today's fastest-changing legislative areas. Federally speaking, the Americans with Disabilities Act (ADA) does not protect individuals who use medical marijuana, since marijuana is still an illegal drug under federal law. It's a different story on the state level: At present, 33 states and the District of Columbia allow for the use of medical marijuana, and 10 (plus District of Columbia) permit legal recreational use.

With that, it's imperative to understand the laws in your state and local jurisdiction surrounding cannabis use. Despite this evolving legislation, you do not have to permit the use of workplace marijuana, during work hours or on company premises. However, if your company operates in a jurisdiction where medical marijuana is legal, your employee may have certain protections for off-duty conduct, as long as use does not impair their performance.





## #MeToo: Sexual harassment training and policies

Much like marijuana legislation, requirements around anti-harassment policies and training vary from state-to-state. Many jurisdictions have recently updated laws related to sexual harassment in the wake of the #MeToo movement, and in a number of states employers of a certain size may be required to adopt official sexual harassment policies and follow employee training protocols.

Even if you are certain that you are compliant with your state's laws on anti-harassment initiatives, it's important to ensure that all employees acknowledge and understand your policies, as well as the consequences of violating them. Having a policy in place may not be enough. According to a survey of small businesses done by Aureus Asset Management, of the small businesses surveyed who had a written sexual harassment policy, only one in three had conducted any employee training on the topic.



## The wage gap: Salary-related interview questions

An increasing number of cities and states also have enacted bans on salary history questions during job interviews and screenings. ADP's Gutterman explained that these laws were passed to address pay gaps resulting from discriminatory pay practices. If workers were paid less than they should have been in a prior job and tell a new employer what they earned, it may give the employer an incentive to perpetuate that lower salary, she explains.

"Hiring managers [in jurisdictions with these laws] can't ask what an applicant is making in their current job or what they've made in the past," Gutterman says. "They can't base their pay decisions on an applicant's prior pay history."





## The gig economy: Worker classification

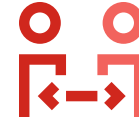
As an increasing number of professionals opt for freelance/contract positions over traditional employment, employers need to pay close attention to how they're managing relationships with any independent contractors used to provide services.

"We've seen cases where workers have filed complaints against employers claiming they were misclassified as independent contractors and should have been classified as employees," ADP's LaRosa says.

"For example, they're bringing claims under the Fair Labor Standards Act for wages owed, such as overtime or minimum wage, etc."

The IRS (among other agencies) has laid out a number of behavioral, financial and relationship factors that determine whether a worker should be rightly classified as an independent contractor. Generally, LaRosa notes, a contractor is defined as being self-employed and free from direct control and supervision by the company, over things like when and how they do their jobs.

"If a worker is not meeting all of the applicable contractor requirements, they can claim that they should be treated as employee [and therefore] entitled all of the benefits they should have gained had they been properly classified," LaRosa explains.



## A culture of inclusion: Expanded protected characteristics

Title VII of the Civil Rights Act of 1964 introduced the federal prohibition of employment discrimination based on "race, color, religion, sex and national origin." Since then, other characteristics, such as disability, age, pregnancy, military service, genetic information and citizenship status, have been added to that initial list. However, many states and local jurisdictions have expanded their protected characteristics even further, particularly around sexual orientation, gender identity and family status.

ADP's Gutterman notes that laws are being passed that require equal restroom access, and expanded protections for pregnancy and related medical conditions, and for breastfeeding mothers, to name a few. She advised reviewing your Equal Employment Opportunity and anti-discrimination policies to ensure that all individuals in your workforce receive the protections to which they are entitled. You can learn about other important HR compliance issues, such as paid family and sick leave, new proposed overtime rules, and minimum wage increases, in [ADP's recent blog post](#).







## How to keep your HR policies timely

At a minimum, ADP recommends reviewing and updating your company's HR policies on an annual basis. However, due to the increasing number of evolving laws and employer requirements, Gutterman said it's a good idea to review every six months, if not more often.

Staying abreast of employment laws, including those that impact your specific industry, can also help you determine whether you need to update your policies and handbooks, according to Gutterman.

Of course, as a small business owner, you may not have the time or resources to track every single changing law that might affect your workforce. That's why it's important to have a resource you can turn to for a broader perspective, so you can ensure your policies are up to date, LaRosa adds. Small business owners can consider joining organizations that are focused on local businesses to keep on top of recent legislative developments. They can also review federal and state department of labor and agency websites for updates or subscribe to receive publications issued by human resources organizations and employment law firms which often track and communicate changes in employment laws.



## Doing more with limited budgets: Turn to technology

In the end, while this ADP eBook didn't try to explore every factor and consideration SMBs face in their quest to compete not only with other SMBs in their industry, but larger companies as well, we hope it gives you some basic, actionable information on critical competitive topics. We believe it's a great start in your quest to take your company to the next level of talent management, payroll and compliance.



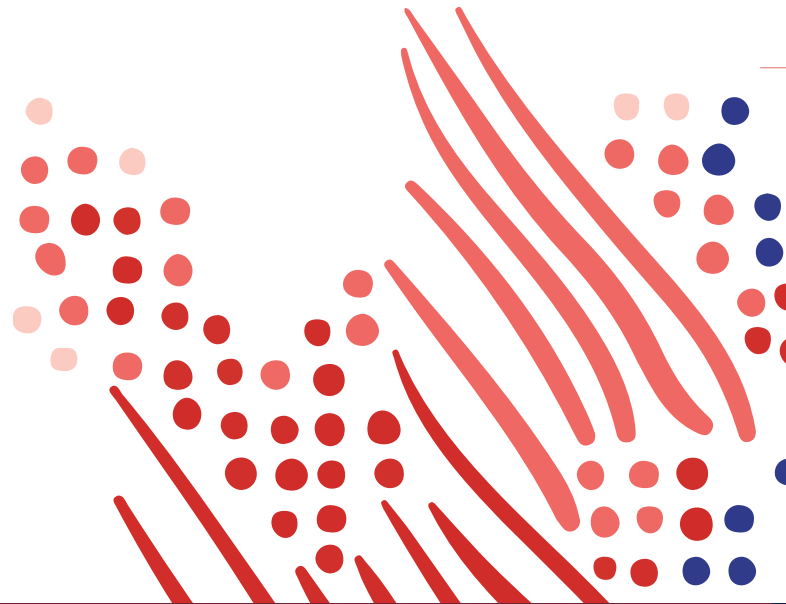
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