

Small Business HR Outsourcing Checklist

TILSON | 6 Ways to Know It's Time to Outsource





Your business has hit a point where payroll, benefits, and Human Resources (HR) need to be taken more seriously. Whether it's taxes and compliance or employee hiring/retention and risk management, doing it on your own is complicated and takes time away from growing the business.

For small businesses, resources are limited – which makes the mantra “**focus on what you do best and outsource the rest**” one that should be taken to heart. Outsourcing non-revenue generating activities like those above are a great way to make your life easier and refocus on the business – while also providing a better experience for your employees.

But how do you know if it's the right move for you and your company to outsource HR?

Consider how (or if) you're handling the areas in our small business HR outsourcing checklist below. If you see some gaps, maybe it's time to look into how outsourcing with Tilson can help.

5 biggest HR challenges for small businesses:

1. Staying compliant with local, state and federal employment regulations
2. Managing the cost of employee benefits
3. Managing payroll workload and taxes
4. Finding, hiring, and retaining the right employees
5. Reducing risk

#1 HR Management

Managing HR functions like payroll, benefits, hiring, and ensuring compliance with employment regulations is nuanced and time consuming. It's even harder when you use multiple vendors or technologies to manage them all.

A study by PricewaterhouseCoopers stated "As a general rule, we have found that organizations tend to underestimate the true expense of processing payroll, administering employee health and welfare benefits, and managing other key HR systems and functions."

Whether you realize it or not, these functions are costly when done in-house. And, as the business grows, their burden grows as well. With outsourcing, these functions are taken off your plate completely.

Questions to ask if your small business is considering outsourcing HR management:

- How many hours a week do you spend on HR tasks? Is it taking you away from focusing on your business?
- How many different vendors and software solutions are you using to handle your back office?
- Are your I-9's compliant with all federal standards?
- Do you have employees in different states? If so, does this add complexity to your payroll and HR?
- Are you able to find (and keep) employees that will help your business succeed?
- Do your competitors offer better benefits?



#2 Business Laws, Regulation, and Compliance

The only thing constant in life is change. And this especially holds true with government laws and regulations. Federal, state, and local laws all impact your business and are being introduced and amended at a rapid pace. How do you stay on top of them? How do you minimize your risk?

Dealing with regulations alone, the average small business owner [spends at least \\$12,000 per year](#).

Even something as (seemingly) simple as how you classify employees can be a challenge. According to the [US Department of Labor](#), more than 30% of audited companies had misclassified employees. Many of these are full-time employees that are classified as contractors. Outsourcing HR services can ensure that you have a trusted partner to manage this for you.

Questions to consider:

- FLSA, ACA, ADA, FMLA – Do you know what they all mean and are they applicable to your business?
- Are you comfortable and familiar with ongoing changes to tax law and calculation?
- Are you an expert in the latest hiring regulations?
- Are you accurately calculating the hours worked for all employees?
- Do you know the difference between an I-9 and e-verify? How about the difference between a W-2 and W-9?

A close-up photograph of a legal summons document. The text is in both English and Spanish. The English text includes "SUMMONS", "RESPONDENT (Name):", "DEMANDADO (Nombre):", and "You are being sued. Lo están demandando." The Spanish text includes "DEMANDADO (Nombre):" and "Lo están demandando." There is a small "CASE" label in the bottom right corner of the document.

50% of all US businesses have been sued just for FLSA violations.³

#3 Payroll

Small Business Trends lists payroll as one of the [first functions you should consider outsourcing](#).

There are 3 main reasons why small businesses benefit from outsourcing payroll:

1. It frees up time and resources to focus on core business functions (because payroll is tedious to handle in-house)
2. It provides access to technology and expertise that makes performing payroll more accurate and effective
3. It reduces costs and risks by avoiding the penalties that come with doing it incorrectly

Questions to consider about outsourcing payroll:

- Are your taxes paid accurately and on time in every jurisdiction?
- Are appropriate controls in place to ensure payroll is accurate?
- Are you paying overtime appropriately?
- Are you confident that you are correctly classifying employees as exempt or non-exempt?
- Do you wish you had someone to reduce the burden payroll puts on you?
- Do your employees have easy, online access to see their pay stub, change direct deposit details, edit tax withholdings, and more?



40% of businesses pay unnecessary fees to IRS for late/incorrect payments.⁴

#4 Benefits

Next to salary, employee benefits are one of the most important factors in employees choosing to join and stay with your company. According to a [study in Harvard Business Review](#), 88% of respondents said better health, dental, and vision insurance would receive either some or heavy consideration when choosing a job.

The difficulty of providing these benefits on your own is cost — **smaller companies typically pay more per employee than larger companies for the same coverage**. Small business HR outsourcing through an HR service provider opens up a host of affordable options that lets you offer benefits on-par with companies much larger in size.

Questions to consider about outsourcing employee benefits:

- Do you offer medical, dental, and vision coverage?
- Do you offer flexible spending accounts?
- Do you offer life insurance?
- Do you offer short- and long-term disability insurance?
- Do you offer a 401k program?
- Does your benefits package allow you to attract and retain top talent?
- Is your deferred compensation plan compliant with federal and state regulatory requirements?
- Are your benefits affordable for your business? For your employees?
- Are your employees happy with your benefits options?
- Can your employees electronically enroll in benefits when they are hired or during open enrollment?



60% of employees say benefit flexibility and customization increases loyalty.⁵

#5 New Employee Onboarding

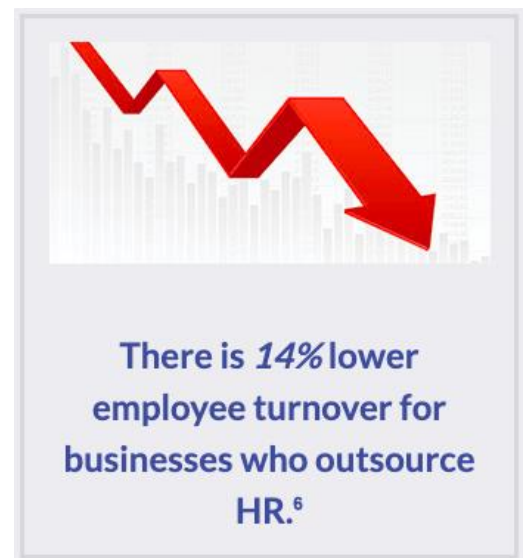
Regardless of how often you hire new employees, improving time-to-productivity is something every small business is interested in.

When up to [20% of staff turnover occurs in the first 45 days](#) and it [costs between \\$3,000 to \\$18,000 to replace an employee](#), setting each new hire up for success is key.

With HR outsourcing, small businesses can take traditional paperwork processes and automate them through technology. This greatly reduces friction for new hires, improves accuracy, and provides more time to focus on training for their new role.

Questions to consider:

- Do you offer electronic onboarding for new hires?
- Can new employees share their personal and tax information electronically when they start? If not, how many vendors or places do you have to share new employee documents?
- Do you have a central place to easily access employee documents electronically?
- Can you confirm that all the necessary documents have been filled in correctly and completely?
- Can your new employees complete the onboarding process via a mobile device?



#6 Employee and Manager Access

Anything you can empower an employee to do on their own reduces the amount of work that you or someone else has to do. Small business HR services combined with HR software can help.

For tasks like viewing payroll stubs, making benefits changes, and PTO requests, utilizing HR self-service through a mobile-friendly web interface increases both employee satisfaction (because it's faster) and yours (because you don't have to do it).

Questions to consider:

- Can your employees easily view their benefit elections?
- Can they view their pay stubs online at any time, and from their mobile device?
- Can your employees get online access to their W2s or 1099s?
- Can they electronically submit PTO? Can you easily track PTO?



73% of workers say they expect employers to provide HR self-service.⁷

¹ Source: PrismHR 2018 HR Outsourcing Trends Report

² Small business association

³ <https://www.businessnewsdaily.com/6738-wage-hour-law-mistakes.html>

⁴ <http://blog.axcethr.com/5-reasons-small-businesses-should-outsource-payroll>

⁵ <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/retention-top-benefits-objective.aspx>

⁶ <https://www.napeo.org/docs/default-source/white-papers/napeo-white-paper-2-sept-2014-final.pdf?sfvrsn=6>

⁷ <https://www.paychex.com/newsroom/news-releases/poll-73-of-us-workers-want-diy-hr-tools-many-small-employers-fall-short>



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Want to see how much time and money you can save by outsourcing HR for your small business?

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Let Tilson get to work
for you *today*.

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