

Human Touch - Human Resource Consultants

QUICK--what's the difference between an exempt and a non-exempt employee? It's a tough question, but getting the answer wrong could cost you big money. "We're often contacted by small businesses who should have called us long before they do and now have to pay much more than they should have, either in court or in dealings with state and federal administrative agencies," says Sandy Henderson, president of Human Resource Specialties Inc., a consulting firm in Lake Oswego, Oregon.

"A small business needs professional human resources help virtually from start-up. The better you set up your systems and paperwork at the front end, the more likely you will be able to avoid unpleasant and expensive situations later," adds Henderson. "Good HR can give you the help you need to not step in a mud puddle."

A case in point: our opening question about exempt vs. nonexempt employees. "So many entrepreneurs get this one wrong," says Ethan Winning, a Walnut Creek, California, HR consultant. The bottom line is pay. Nonexempt employees, by law, must be paid for overtime hours, but exempt employees don't have to be--and that's why it's tempting to rename a secretary, say, an administrative assistant and call the position exempt. But a "job title is not a criterion in determining exempt status, although many entrepreneurs think it is."

Exempt employees must manage a function, supervise two or more subordinates, and use independent judgment and discretion in performing their jobs, according to Winning, who cautions that many gray areas are involved. That said, however, few administrative assistants qualify as exempt.

Why is this a big deal? Misclassify an employee as exempt, and, later, if the employee leaves, he or she may march down to the state wage and hour agency to file a claim for hundreds, even thousands of hours in back overtime pay.

The good news: Such goofs and penalties can be sidestepped with just a tiny amount of professional HR help, says Henderson. "HR often is bewildering to nonexperts," she says. "There are federal laws, state laws, and there are also federal, state and sometimes local regulations regarding workplace issues. And there are so many wrinkles. For instance, most states require a business to display posters pertaining to wage and hour issues in the workplace. But how many small businesses know this--or any of the hundreds of other laws that impact them?"

*** BARGAIN BASICS**

You say you can't afford the help you'd need to put together a sound HR system? HR assistance can be had for much less than you may fear. For starters, some help is available free of charge. "Small Business Development Centers [SBDCs] can help you find out what you need to do," says Bill Fioretti, director of the federally funded SBDC at the University of Cincinnati.

An SBDC may also be able to point you to local gold mines of information. In Cincinnati, for instance, the local chamber of commerce runs a mentoring program where less experienced entrepreneurs can get free consulting from more seasoned members--and "often the mentoring focuses on personnel issues," says Fioretti. He says many other chambers of commerce nationwide offer similar programs: "Look around, and you may find much of the assistance you need without cost."

If your hunt for free advice comes up short, the best step isn't necessarily hiring in-house HR staff. "Don't even think about that until you have more than 50 employees," says Henderson. What to do instead? Hire an HR consultant--and expect surprisingly low costs to get your business up to par.

More help will be required as you grow--at around 10 employees, for instance, it's usually time to hand out an employee manual drafted by an HR pro--but, says Henderson, "a few HR consulting hours are enough to get a business off on safe footing."

* SEARCHING FOR SOURCES

Where to find qualified HR help? Increasing numbers of experienced HR people have set up shop as consultants, with many--like Henderson and Winning--specializing in small business. Yellow Pages listings usually show several under "Management Consultants," and SBDCs can typically point you to more.

But be cautious in making your decision. "Not all HR consultants understand a small business' special dynamics," warns Henderson. "Make sure your consultant has appropriate experience, and check references, too."

Beyond that, a good HR consultant should be able to point you to the many specialized companies that have emerged to solve the particular HR problems faced by small businesses. In many instances, these niche companies not only perform HR chores better than an entrepreneur is likely to, but they also do it at a far lower cost.

Consider payroll administration. For the entrepreneur, this can be a nightmare of federal, state and local tax forms. But outsourcing this chore for a business with 10 employees costs about \$23 total per pay period, says Gene Polisseni, vice president of marketing at Rochester, New York-based Paychex Inc., a leading payroll administration company. "With tax laws constantly changing, I frankly don't think a small business can afford not to outsource payroll," says Polisseni. "Stop and think what it would cost you to do this in-house, and you'll find it's probably lots more than the fees we or our competitors charge."

Still other outsourcing companies have emerged to handle background checks on job applicants, to counsel employees with personal problems (from simple discontent with their jobs to drug abuse), and to help entrepreneurs recruit quality employees. Experts expect the numbers of these businesses will multiply in the coming years because the number of small businesses that need help is growing, too.

The bottom line? "It isn't hard, not today, for a small business to get the HR help it needs before it gets into trouble," says Henderson. "For almost every small business, buying needed HR assistance now is more effective and far cheaper than waiting." So what's stopping you?

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