



# TOP 5 EMPLOYMENT LAW MISTAKES

Small Businesses Make and How to Avoid Them



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# 1. *Misclassifying Employees and Independent Contractors*

**Mistake:** Many small businesses mistakenly classify workers as independent contractors to save on taxes and benefits, or to get around headcount restrictions, thinking it will reduce costs. Many times it doesn't and it opens your business to serious legal risks.

## *How to Avoid:*

Assess the nature of your working relationship with each worker carefully. Both the DOL and IRS have tests to determine the classification based on factors like control, independence, and the nature of the work. If in doubt, consult with a legal professional.







## ***2. Failing to Maintain Proper Employee Records***

**Mistake:** Neglecting to keep accurate employee records can lead to legal complications and disputes over wages, hours, and employment status.

### ***How to Avoid:***

Implement a record-keeping system that includes employee information, time worked, pay rates, and performance reviews. Many states also require employers to provide clear statements to employees about their rate of pay and other key information. Remember, as an employer, the burden of maintaining proper records rests with you. Regularly audit your records for accuracy and completeness.

### ***3. Ignoring Anti-Discrimination and Harassment Policies***

**Mistake:** Small businesses may overlook the importance of having clear anti-discrimination and harassment policies, thinking they won't face such issues. But sometimes what seems like a straightforward interpersonal issue can quickly morph into serious conflict. Without the proper guardrails in place, your organization will suffer.



#### ***How to Avoid:***

Develop comprehensive policies that clearly prohibit discrimination and harassment. Train your employees regularly on these policies, and ensure that there is a clear procedure for reporting and addressing complaints. Even after the matter is addressed, make sure you have a system for follow up that helps the organization avoid claims of retaliation which can often times present a bigger risk than the original claim of discrimination. .



## 4. Not Providing Adequate Employee Handbooks

**Mistake:** In the hopes of maintaining an informal or “family” like work environment, many small businesses operate without an employee handbook, leading to unclear policies and possible legal issues.

### *How to Avoid:*

Create an effective employee handbook that outlines company policies, employee rights and expectations. Include areas such as attendance, dress code, social media policy, and leave policies. Ensure that employees read and acknowledge the handbook.







## ***5. Overlooking Wage and Hour Laws***

**Mistake:** Small businesses often miscalculate employee hours, wages, and overtime pay, leading to violations of the Fair Labor Standards Act (FLSA).

### ***How to Avoid:***

Familiarize yourself with wage and hour laws relevant to your industry. Implement a reliable timekeeping system and conduct regular payroll audits to ensure compliance. Don't allow your employees to engage in "off the clock work." Seek legal guidance if uncertain about wage calculations and employee classifications.



# Conclusion:

Avoiding these common employment law mistakes can save your small business from potential legal issues and create a better workplace environment. For personalized guidance and support in navigating employment law, consider consulting with a small business attorney. Protect your business today to ensure a successful tomorrow!

# Get Your Free Consultation!

If you're ready to safeguard your business and ensure compliance, contact us today to schedule your free consultation. Let's work together to create a legal foundation that allows your business to thrive!

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