



## **Seven+ Reasons Why Every Business Should Have an Employee Handbook**

Compliance **HR**  
Simplifying the Complexity of Employment Law

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# Seven+ Reasons Why Every Business Should Have an Employee Handbook

Every business with more than one employee should have an employee handbook. A well-crafted and up-to-date employee handbook is the foundation for building a great employee experience, and it can become the core element of an effective, and compliant, HR strategy as you build your team.

## What is an Employee Handbook?

An employee handbook provides your employees with a detailed overview of the organization's policies and communicates other key procedures, guidelines and benefits.

At the highest level, it sets clear expectations for your employees while also stating your legal obligations as the employer and defining employee rights. A well-crafted and up-to-date employee handbook can also help to protect your company against employee lawsuits and claims, such as [wrongful termination](#), [harassment and discrimination](#). Finally, the employee handbook can effectively introduce your business for new hires, reinforcing the company culture and expectations, and helping new employees to understand your mission, values, and purpose.

**“It is estimated that only about one in four small businesses have an updated handbook”**

**-EBN<sup>1</sup>**

## Mitigating Risk

Beyond the practical applications of educating managers and employees, perhaps the most important reason to create an employee handbook is to help mitigate risk for the employer.

How? A well-crafted and accessible employee handbook creates a solid legal foundation that defines the relationship between the employee and the company, and also defines the general approach and specific policies the company takes to be compliant with the applicable employment laws.

1. <https://www.benefitnews.com/opinion/6-ways-employee-handbooks-improve-company-compliance>

Employee handbooks are the vehicle to document and communicate the company's employment processes and policies. By ensuring that all managers and employees reference the same guidelines, Human Resources and Legal leaders can help to reduce the significant risk that exists for employers.

The ultimate goal is to create a great employment relationship. By clearly spelling out the rights and obligations of both the employee and the employer, the handbook can help to reduce the likelihood of [employee lawsuits](#).

## Employee Handbook Challenges

A big challenge for employers, especially those with multi-state footprints, is that a handbook needs to show compliance with all applicable federal, state and local employment laws and regulations, which are constantly changing.

Smart employers have a process, and the appropriate resources, in place to keep their employee handbooks up-to-date and compliant.

## ComplianceHR is Your Expert Resource

In this three-part educational series of whitepapers from ComplianceHR, you will learn:

- **Part I** – 7.5 Reasons Why Every Business Should Have an Employee Handbook
- **Part II** – What Should Be Included in Your Employee Handbook
- **Part III** – Employee Handbook Best Practices

We hope you find them beneficial. When you are ready to create or update your employee manual, we invite you to see a demonstration of [PolicySmart](#), our award-winning employee policy manual application that leverages the expertise and best practices of Littler Mendelson, the leading global employment law firm, and our parent company.

-The ComplianceHR team

## 7.5 Reasons Why Every Business Should Have an Employee Handbook

Since March 12, 2020, there have been 4,706 lawsuits (including 504 class actions) filed against employers due to alleged labor and employment violations related to the coronavirus.<sup>2</sup>

The world of work has never been more difficult, or risky, for employers in the United States. Since March 12, 2020, there have been 4,706 lawsuits (including 504 class actions) filed against employers due to alleged labor and employment violations related to the coronavirus, according to Littler. This is a niche type of lawsuit, imagine the total case sum across all potential employment violations.

In addition to unprecedented talent supply chain challenges, there is a never-ending flood of new federal, state, and local employment laws, and evolving regulatory guidelines that employers must absorb and apply in order to be compliant.

A well-designed and up-to-date employee handbook should be a top priority for any organization that wants to attract and retain talent while also mitigating the substantial risks that come with being an employer.

There are many benefits to having an employee handbook. If your organization does not currently have one, or if your handbook is not current, here are the top eight reasons why you should consider creating an employee handbook today:

### 1. Introduce employees to your organization's core ideology

Successfully onboarding new employees is critical their job satisfaction and the impact they will make in the future. Considering the significant recruiting costs associated with finding new workers, most companies do a poor job of introducing their newest team members to the organization and its unique culture.

Your employee handbook can help solve this challenge. Here's how...

It provides a vehicle to communicate your unique culture to new employees during their onboarding, while also reinforcing it to the rest of the team. By sharing your core ideology—the mission, values, and purpose of your organization—you have a great opportunity to build a common foundation and define how employees fit in and how they can contribute. This is a great tool for HR teams and company leaders to build a positive and productive work environment.

The introductory section of the employee handbook begins to build and reinforce your unique culture and sets the standard for the employment relationship. By sharing your organization's core

2. <https://www.littler.com/publication-press/publication/covid-19-labor-employment-litigation-tracker>

ideology you also provide context and meaning for the rest of the policies in the handbook.



## 2. Highlight the benefits you offer

Most organizations choose to offer their employees a benefits package. Your employee handbook is a great vehicle to highlight all the company sponsored benefits you offer.

Your employee handbook is a powerful communication tool to make sure employees know the important details on benefits such as paid vacations, paid parental and sick leave, health insurance plans, retirement plans, etc. It can provide an overview of your benefits, along with the associated eligibility policies and requirements.

By showcasing the benefits your organization offers to employees, an employee handbook can reinforce your unique employer value proposition, while easing the communication burden on your HR and Benefits professionals and helping them educate employees on the options available.

## 3. Set expectations for employees

In addition to highlighting your organization's core ideology and benefits offering, your employee handbook can serve the important function of helping to set proper expectations for your employees while they are at work.

A well-written handbook provides employees with a clear understanding of their rights and responsibilities by providing clear and accessible information on common employee topics like hours of work, pay periods, vacation policy and how to request time off, sick leave, cell phone use, work attire, workplace safety, timekeeping, and more. It should also provide guidance on the proper procedures to follow and advise them on whom they should contact with questions about any of the topics or policies in the handbook.

## 4. Reinforce what to expect from company managers and leaders

Another important benefit of employee handbooks is that they can educate employees about what they can expect from company management and leadership. This also provides a matching benefit of reinforcing your expectations for company managers and leaders, and making sure they apply them equally to all employees!

By setting clear expectations for your company leaders and managers, your employee handbook can help to eliminate confusion

and inconsistencies about their roles and responsibilities. Your handbook becomes the standard employment playbook that all employees and managers follow. This reduces the risk of inconsistent or incorrect application of employment laws and policy enforcement, and substantially lowers your risk. When everyone follows the employee handbook you are assured of consistent interpretation, application, and enforcement of company policies. By following approved processes, you eliminate the common practice of informal policies, which are often applied inconsistently, that can open your organization up to costly and time-consuming employee litigation.

**“The DOL administers and enforces more than 180 federal laws. These mandates and the regulations that implement them cover many workplace activities for about 150 million workers and 10 million workplaces.”<sup>3</sup>**

## 5. Ensure compliance with all applicable laws

In the United States, employees have many legal rights and protections. As a result, employers must be very careful to fulfill their obligations and not create additional legal exposure for the business. An up-to-date employee handbook can help achieve that goal.

No matter what jurisdiction you do business in—or how many employees you have—your organization will be subject to federal, state, and even local employment laws. Your employee handbook not only communicates these entitlements and obligations to employees, but also serves the useful purpose of demonstrating that your organization intends to be compliant with these regulations.

A well-designed and up-to-date employee manual minimizes liability risk due to clearly communicated and regulatory-compliant employment policies. It also contains critical protective language that helps minimize common employment litigation and threats, if they should arise.

Many organizations struggle to keep up with the near-constant stream of new or revised federal, state, and local employment regulations. This is particularly difficult for employers with a multi-state or national business footprint. Fortunately, solutions like [ComplianceHR's PolicySmart](#) are available to provide real-time updates and compliant policy templates.

## 6. Mitigate the risk of employee claims and lawsuits

Most organizations will face a lawsuit or legal challenge from a current or former employee at some point in their history. Employee handbooks can be extremely useful documents to have in place when employers are forced to defend themselves from a wrongful termination, wage and hour, or other common employee claims.

The risk of workplace grievances or lawsuits is significantly reduced with a well-written employee handbook that has been kept up-to-

3. <https://www.dol.gov/general/aboutdol/majorlaws>



date and consistently used. How? Some organizations operate with unspoken and unwritten policies that can often create a situation where employees believe they have been treated unequally or unfairly. Your handbook reduces the risk of employee discrimination and other lawsuits by defining, communicating and helping your managers to apply guidelines that are applicable to all your employees.

A thorough and compliant employee handbook demonstrates that the organization exercised “reasonable care” towards its employees. Furthermore, the employee’s signed acknowledgement page will show that the employee was provided with the handbook and had an opportunity to familiarize themselves with the organization’s policies, a chance to ask questions, and agreed to follow the terms and conditions of employment set forth by the organization.

It is very common for employment law attorneys to ask for a copy of your employee handbook at the onset of any employment related claim. If your organization does not have an employee handbook, it is much more challenging to defend your company because smart opposing counsel will use the absence of a handbook to also prove the absence of any consistent policies or procedures to guide how employees are treated.

## 7. A “force multiplier” for HR and Legal teams

The term “force multiplier” is often used in military strategy. It refers to a factor or a combination of factors that gives personnel or weapons the ability to accomplish greater feats with rather than without it. In a similar fashion, an employee handbook can be a very potent force multiplier for your Human Resources and Legal teams. Here’s why:

Your employee handbook can become a self-service tool to help employees and their managers, educating them on important company policies, along with their rights and duties. Furthermore, your handbook can provide guidelines and procedures for who to contact and how to resolve the inevitable questions or challenges that will surface. These features will extend the reach and effectiveness of your HR and Legal teams, and will help to create a positive work experience for employees.

### 7.5. Ensure company policies are consistently followed

As we have shared throughout this whitepaper, to be effective your employee handbook should accurately communicate your organization’s policies regarding employment, conduct and behavior, compensation and other important policies and procedures.

However, there is one big caveat: **No employee policy will be effective if it is not universally adopted, or consistently followed, across the organization!**

As mentioned in the Employee (Reason #3) and Manager (Reason #4) sections above, a clear and consistently communicated handbook helps ensure that your company policies are followed. To reinforce this good behavior, many organizations ask employees and managers to acknowledge their receipt and understanding of the employee handbook.

By educating employees during onboarding they help ensure that employees use the employee handbook as a self-service tool, and can safely rely on to answer common questions or provide further guidance. By ensuring that managers also refer to the handbook when answering questions or making decisions regarding company policies, company leaders and HR teams help ensure their answers and actions are consistent with company policies and best practices, and that employees are treated equally and fairly.

#### Disclaimer

This whitepaper is intended to serve as a starting point for educating Human Resources and Legal professionals on certain aspects of employment law and is not a comprehensive resource of requirements. It offers practical information concerning the subject matter and is provided with the understanding that ComplianceHR is not rendering legal or tax advice, or other professional services.

## About ComplianceHR

ComplianceHR is a SaaS company creating self-service tools that empower human resources professionals and employment law attorneys to address their critical HR compliance risks in the US.

## Overview of PolicySmart

PolicySmart is an intuitive handbook compliance tool that provides employers with national and state specific templates, a unique compliance timeline, and so much more.

Your company's employee handbook is an invaluable tool that helps shape company culture, communicates operational policies, and minimizes the risk of employment-related legal liability. A well-written and legally compliant handbook is essential to keeping the HR process running smoothly, and most employers would agree that keeping up with federal, state, and local employment laws can seem overwhelming. Fueled by the subject matter expertise of Littler, the world's largest employment law firm and built on Neota's AI-powered platform,

PolicySmart allows users to easily create and maintain legally compliant handbooks that are cost effective, up-to-date, and delivered on-demand.

## Register for a Demo

To learn more about ComplianceHR and PolicySmart, [register for a no obligation consultation](#) with a compliance expert. After you've met with our compliance consultant, you will receive a free, 14-day trial to use all of the Navigator Suite applications.