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HUMAN RESOURCES & PAYROLL

Study Finds 1.5 Million Small Businesses Spend Billions to Manage HR

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Small business owners and their employees wear a lot of hats. One day it's sales maven, the next it's marketing guru or back-office ace. It seems to be the nature of the beast. But that approach – especially for small business owners who already push the boundaries of a 24-hour day with limited resources – has a startling downside and tangible hidden cost, according to a recent ADP® study.

The study indicates that as many as 70 percent of small businesses in the United States – which equates to potentially 1.5 million of them – handle the human resources (HR) function with staff members who manage it on an “ad-hoc” basis in addition to their primary job. The study also shows that these ad-hoc HR managers spend more than 13 hours a week on average on human resources tasks, taking significant time away from their core responsibilities.

Based on this time spent and the average wage of a small business employee, the study calculates that these small businesses are essentially paying \$18,800 a year to have untrained staff manage the HR tasks of the business, which could equate to an annual total cost of \$27 billion across the small business market. Despite this estimated loss of investment in core business functions, 98 percent of survey participants say they don't plan to hire trained HR personnel.

Ad-hoc HR managers, or aHRMs as the study calls them, are small business owners, business leaders, office managers, accountants and finance staff who take on the HR role because there is no trained staff to do it. According to the study, this group says they don't enjoy having HR responsibilities added to their work duties, and would prefer to give them up.

Managing the HR function traditionally has been challenging for small businesses. So it's not surprising that small business owners have had to resort to handing the HR function to an employee who might not have an HR background. That's just the way many small businesses evolve.

We understand these challenges very well. But handling employees' crucial HR information, compliance activities, and benefits enrollment is no place to skimp. Small businesses may benefit from access to a dedicated small-business HR support team that can help them implement rock-solid HR best practices and navigate the effect of changing regulations on their businesses.

We embarked on the research to explore who in small businesses handles HR and human capital management tasks and responsibilities; how small businesses delegate the work for this function; what impact that choice has on small businesses' operations, and to gather a glimpse into the opportunity cost of this phenomenon.

We surveyed a nationally representative sample of U.S. businesses with between five and 49 employees. More than 1,000 business representatives completed the online survey. Of those respondents, 75 percent characterized their firms as "established" or "mature," which indicates that this practice isn't primarily a start-up business phenomenon, as one might expect.

Many aHRMs, it found, are concerned about the risk inherent in non-trained staff managing HR; that their lack of training could put their companies at risk. The top areas of concern are talent management, compliance, HR policy enforcement, and employee safety. Only one in five aHRMs is fully confident in his or her ability to manage HR tasks without making a mistake. And four out of five are concerned about their ability to keep up with future changes in HR regulations.

Other findings from the study revealed that:

- Almost 75 percent of aHRMs are concerned about accurately and consistently adhering to HR compliance regulations.
- 82 percent of aHRMs have no formal HR education or certification.

- Half of aHRMs are not certain that the employees of the business know where to turn with HR questions, and two-thirds have some concerns about employees getting the correct benefits information necessary to protect them and/or their loved ones.
- Half of aHRMs handle the HR tasks manually using paper or spreadsheets, and fewer than one in four fully agree they have the tools to do the job properly.
- The number one thing aHRMs feel would help them manage their HR tasks is to partner with an HR expert.

These findings tell us that we have a tremendous opportunity to help small businesses possibly avoid costly HR mistakes and potentially save precious time and money by making our HR expertise available to them. We've found that when we do what we do best, we can help companies do what they do best as they manage their businesses, and workforces, for growth.

An action paper and infographic featuring results from the ADP Ad-hoc Human Resource Management Study can be found on the [ADP website](#).

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