

HR & Employment Law for Small Business — Workbook

This workbook turns the course into an audit-ready compliance system you can run for your own business. Each section mirrors a course module, moving you from classifying workers correctly to paying wages lawfully, onboarding with the right paperwork, and terminating without exposure. Work through the exercises, worksheets, and checklists in order, then use the templates to classify a worker, run a new hire through onboarding, and build a defensible termination file.

The Employment Law Landscape and Worker Classification

Classify every worker correctly before anything else, because misclassification is the costliest and most common small-employer mistake.

Worksheet: Worker Classification Decision Sheet

Run a specific worker through the control and economic-reality factors to decide employee versus contractor. Answer honestly based on how the work actually happens, not on what the contract says or what you would prefer.

Worker name and the role they perform

Who controls how, when, and where the work is done (you or the worker)

Whose tools and equipment are used

Does the worker serve other clients and market their services (yes or no)

Is the relationship ongoing and indefinite, or project-based

Is the work a core part of your business or peripheral

Classification conclusion (employee or independent contractor)

Reasoning supporting the conclusion

Exercise: Find Your Misclassification Risk

Scan your current workers for the patterns that signal a contractor is really an employee. The long-term, full-time, single-client contractor is the classic red flag.

- Do you have any 1099 contractor who works only for you, full-time, on an ongoing basis?

- For each contractor, who sets their hours and provides their tools and equipment?

• If a contractor filed for unemployment or a wage claim tomorrow, how confident are you the classification would survive an audit?

• Which one worker, if any, would you reclassify or get advice on first, and why?

Checklist: Classification Compliance Checklist

- Started from the default that a worker is an employee unless proven otherwise
- Applied the IRS control test (behavioral, financial, relationship factors)
- Confirmed any true contractor serves other clients and uses their own tools
- Have a signed written agreement and a Form W-9 for every contractor
- Avoided giving contractors set hours, a permanent desk, or a company email
- Plan to issue Form 1099-NEC to contractors paid 600 dollars or more
- Identified any long-term full-time contractor as a reclassification red flag

Wage and Hour Law: Pay, Overtime, and Exemptions

Get the wage, overtime, and exemption status right so a salary mistake does not turn into years of back-pay liability.

Worksheet: Exempt Status Audit

Test each position you treat as exempt against all three tests. If any test fails, the employee is non-exempt and owed overtime. Default to non-exempt whenever the duties are borderline.

Position title and employee name

Paid on a salary basis, not reduced by quality or quantity of work (yes or no)

Salary meets or exceeds the current Department of Labor exemption threshold (yes or no)

Exempt duties category claimed (executive, administrative, professional, outside sales, computer)

Specific duties that satisfy that category

All three tests pass (yes or no)

Correct classification (exempt or non-exempt)

Action needed if currently misclassified

Exercise: Check Your Minimum Wage and Overtime Math

Confirm you are paying the right rate and handling overtime correctly for your location and workweek. Remember that you pay the highest of federal, state, and local minimum wage.

- What is the highest minimum wage that applies at your specific city and state, and are all employees paid at least that?
- Which fixed 7-day period have you designated as your workweek for overtime purposes?
- Does your state require daily overtime (such as after 8 hours), in addition to the weekly 40-hour rule?
- For any salaried non-exempt worker, how are you tracking hours and paying overtime over 40?

Checklist: Wage and Hour Compliance Checklist

- Pay at least the highest applicable federal, state, or local minimum wage
- Pay time and a half over 40 hours per workweek to all non-exempt employees
- Verified exemptions with the salary basis, salary level, and duties tests
- Use a timekeeping system and require non-exempt staff to record all hours
- Withhold and remit payroll taxes on the required schedule
- Know your state's deadline for delivering final paychecks
- Retain payroll and time records for at least the required three years

Hiring, Onboarding, and Required Workplace Policies

Hire and onboard lawfully and put the protective documents in place: a clean offer letter, the mandatory forms, and an acknowledged handbook.

Worksheet: Offer Letter Builder

Assemble the elements of a compliant at-will offer letter. State the salary as an annualized rate paid in installments, never as a guaranteed yearly sum, and keep the at-will language prominent.

Job title and brief description of the role

Reports to (manager name and title)

Start date

Pay rate, pay frequency, and exempt or non-exempt classification

At-will statement (employment may end at any time, not a contract for any term)

Contingencies (Form I-9, lawful background check, agreements to sign)

Signature lines for the new hire and the company

Checklist: New-Hire Onboarding Checklist

- Employee completed Form I-9 Section 1 on or before the first day
- Verified identity and work-authorization documents within three business days
- Did not demand specific I-9 documents from the acceptable list
- Collected a completed Form W-4 and any state withholding form
- Filed the state new-hire report within the required window (about 20 days)
- Provided the handbook and obtained a signed acknowledgment
- Set the employee up in payroll with correct exempt or non-exempt status
- Stored the I-9 separately from the personnel file

Exercise: Audit Your Interview Questions

Review the questions you actually ask candidates and strip out anything that touches a protected characteristic. Every question should connect to the ability to do the job.

- List any questions you ask that could reveal age, family or pregnancy plans, religion, national origin, or disability.

- How would you rephrase each one to focus on the ability to perform the essential job functions?
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- Does your local law ban asking about salary history or restrict criminal-history questions until later?
- What is your single standard set of job-related questions you will ask every candidate for a role?

Checklist: Required Policies Checklist

- Anti-harassment and anti-discrimination policy with a complaint procedure and no-retaliation promise
- Prominent at-will employment statement that the handbook is not a contract
- Pay and timekeeping policy, including the requirement to record all hours
- Leave and time-off policy covering vacation, sick leave, and any required leaves
- Conduct, attendance, and acceptable-technology-use policies
- No policy that forbids employees from discussing their pay (unlawful under the NLRA)
- Signed handbook acknowledgment on file for every employee

Managing, Terminating, and Staying Compliant as You Grow

Know which laws apply at your headcount, terminate defensibly, and build the standing system and insurance that keep you compliant as you scale.

Worksheet: Headcount Threshold Tracker

Record your current employee count and map which federal laws apply now and which the next thresholds will trigger. Remember that state and local law often applies the same protections at far lower counts.
Current number of employees

Laws that apply now from employee one (FLSA, Equal Pay, I-9)

Are you at or above 15 (Title VII, ADA, Pregnancy Discrimination Act)

Are you at or above 20 (Age Discrimination in Employment Act, COBRA)

Are you at or above 50 (FMLA, ACA employer provisions)

State or local laws that apply at your size and location

Next threshold you are approaching and the obligations it will add

Worksheet: Termination Documentation File

Before ending employment, assemble the facts that make the decision defensible. An empty file with suspicious timing is what turns a lawful firing into a lawsuit.
Employee name, role, and termination date

Specific, dated performance or conduct problems documented over time

Prior warnings or performance improvement plan given (dates and content)

How other employees who did the same thing were treated (consistency check)

Retaliation timing check: any recent complaint, leave, or asserted right

Final pay amount and the date it is due under state law

Benefits continuation (COBRA or state) and property or access to recover

Whether a severance and release agreement is warranted

Exercise: Pressure-Test a Termination

Run a planned or recent termination through the questions a plaintiff's lawyer would ask. If you cannot answer cleanly, fix the gap before you act.

- What is the legitimate, non-discriminatory reason for this termination, and where is it documented?

- Have you treated other employees who did the same thing the same way?

- Did this employee recently complain, request an accommodation, or take protected leave?

- Is the final paycheck ready by your state's deadline, and is a witness lined up for the meeting?

Checklist: Ongoing Compliance System Checklist

- Carry workers' compensation insurance where required for having employees
- Carry Employment Practices Liability Insurance (EPLI) for discrimination and wrongful-termination claims
- Run a consistent hiring and onboarding checklist for every hire
- Keep personnel files, separate I-9 storage, and payroll records organized and retained
- Maintain an acknowledged handbook reviewed against new laws annually
- Document performance issues in real time before any discipline or termination
- Schedule an annual review of wage rates, exemptions, posters, and headcount thresholds
- Identified the high-stakes moments that justify an employment attorney

Your Action Plan

1. Classify every current worker using the control and economic-reality tests, and flag any long-term full-time 1099 contractor for review.
2. Audit each exempt position against the salary basis, salary level, and duties tests, and reclassify anyone who fails as non-exempt.
3. Confirm you pay the highest applicable minimum wage and pay time and a half over 40 hours, with a timekeeping system for non-exempt staff.
4. Move payroll to a reliable provider so withholding, tax deposits, and pay stubs are handled correctly and on time.
5. Rewrite your offer letter to set pay, classification, and a prominent at-will statement without promising permanent employment.
6. Build a fixed onboarding checklist: I-9 within three business days, W-4, state new-hire report, and handbook acknowledgment.
7. Adopt or update an employee handbook with anti-harassment, at-will, pay, leave, and conduct policies, and collect signed acknowledgments.
8. Map your headcount against the 15, 20, and 50 employee thresholds and confirm which state laws apply at your size and location.
9. Document performance issues in real time and use the termination file before ending anyone's employment.
10. Put workers' compensation and EPLI in place, and schedule an annual compliance review to

catch changing wages, thresholds, and laws.

