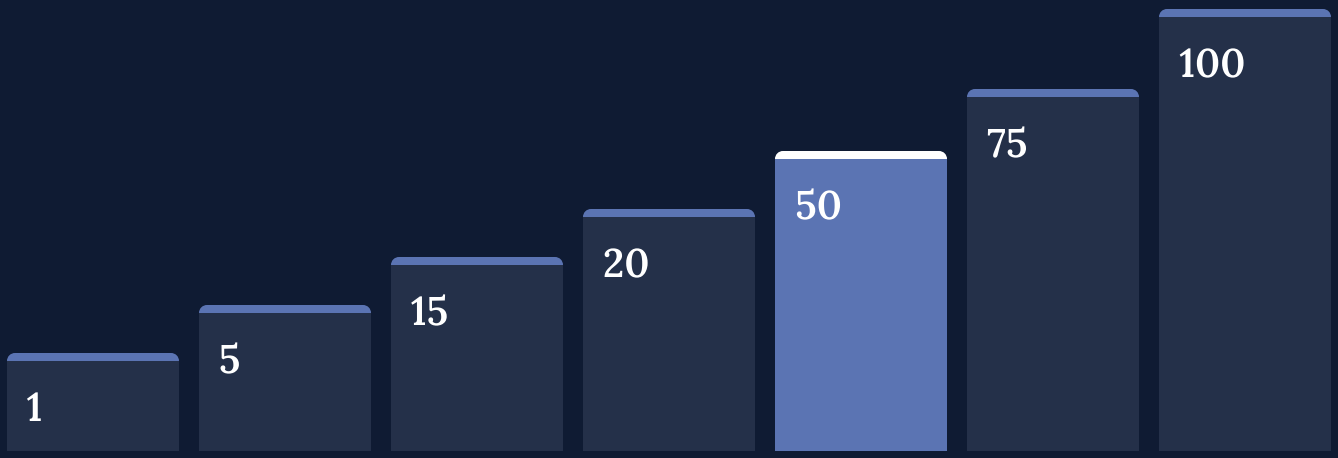
HR COMPLIANCE FOR GROWING COMPANIES

The rules change as you grow. *Most founders find out the hard way.*

Seven compliance mistakes companies make between employee #1 and #250, and how a fractional HR partner helps you stay ahead of them.



INSIDE THIS GUIDE

Contents

01 **The 10-minute compliance check** 3
Ten yes-or-no questions to see where you stand today

02 **What applies at your headcount** 4
The thresholds where new rules switch on

03 **Seven compliance mistakes growing companies make** 5
Hiring, classification, pay, leave, harassment, records and terminations

04 **Build your safeguards** 9
The handbook, the paper trail and a consistent process

05 **When a claim lands** 11
What to do in the first 72 hours, by claim type

06 **Your options for HR support** 12
DIY, software, a PEO, a full-time hire or a fractional partner

07 **How we'd work together** 13
The retainer, how we get started and who I am

A NOTE BEFORE YOU START

Most compliance problems I see aren't caused by bad intentions. They come from a company that grew faster than its people practices.

The offer letter template from employee #3 is still in use at employee #40. A contractor quietly became a full-time team member. A manager handled a termination the way they did at their last job. None of it feels risky until a former employee files a charge, a wage claim arrives, or an auditor asks for records you don't have.

This guide is written for founders, operators and leadership teams at companies with roughly 1 to 250 employees, with a focus on Illinois and Chicago, where I work. It won't make you an employment lawyer. It will show you where the most common gaps are, what each one costs if it goes wrong, and what "good" looks like at your size.

If you read it and realize you have a few gaps, that's normal. Fixing them in order of risk is exactly what I help companies do.

Peter Herrera

Founder, Herrera HR Growth Partners

SECTION 01

The 10-minute compliance check

Answer honestly. “Sort of” or “I think so” counts as a no.

1	Every job posting includes a good-faith pay range and a benefits summary, and nobody asks candidates about their pay history.	YES	NO
2	Each contractor has a written agreement, and you’ve checked that they really are contractors and not employees under the tests that apply in Illinois.	YES	NO
3	Every salaried, overtime-exempt person meets both the salary test *and* the duties test, not just the job title.	YES	NO
4	Your paid leave policy meets the Illinois Paid Leave for All Workers Act or, if you have Chicago employees, the Chicago Paid Leave ordinance.	YES	NO
5	Every employee completed sexual harassment prevention training in the last 12 months, and you can prove it.	YES	NO
6	You have a current employee handbook, and every employee has signed an acknowledgment for the latest version.	YES	NO
7	I-9s are complete for every current employee and kept separate from personnel files and medical information.	YES	NO
8	If you use fingerprint or face-scan timeclocks, you have a written biometric policy and signed employee consent.	YES	NO
9	Managers document performance problems in writing, as they happen, before anyone is let go.	YES	NO
10	You know which federal and Illinois laws you became subject to at your current headcount, and which ones apply at your next hiring milestone.	YES	NO

COUNT YOUR YES ANSWERS

9–10

You’re in good shape. Use this guide to pressure-test the details and plan for your next headcount milestone.

6–8

Typical for a growing company. A handful of gaps, at least one of which probably carries real risk.

0–5

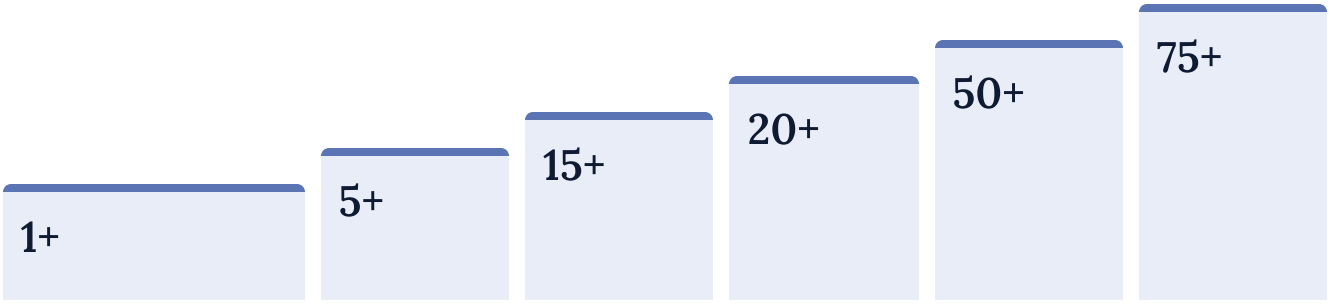
Your people practices haven’t kept up with your growth. Start with the gaps that carry legal exposure. I can help you rank them.

SECTION 02

What applies at your headcount

Employment law doesn't arrive all at once. It switches on in steps as you hire. Here are the main federal and Illinois thresholds.

IL Illinois law CHI City of Chicago Unmarked items are federal.



1+

- Minimum wage, overtime and pay records (FLSA)
- Form I-9 for every hire
- Equal Pay Act
- IL Human Rights Act (discrimination and harassment)
- IL Annual harassment prevention training
- IL Paid Leave for All Workers Act CHI or Chicago Paid Leave
- IL Workers' comp insurance
- IL Biometric privacy (BIPA)

5+

- IL Offer a retirement plan or enroll in Illinois Secure Choice (in business 2+ years)
- IL Personnel Record Review Act (employee access to files)
- CHI Chicago minimum wage (applies at 4+ employees)

15+

- Title VII, ADA, Pregnant Workers Fairness Act and GINA
- IL Pay ranges and benefits in job postings
- IL Unpaid NICU leave (16+ employees)

20+

- Age Discrimination in Employment Act (ADEA)
- COBRA health coverage continuation

50+

- FMLA job-protected leave (50 employees within 75 miles)
- ACA employer coverage requirement and reporting (50 full-time equivalents)

75+

- IL WARN Act notice for mass layoffs and closings
- **At 100+:** EEO-1 reporting, federal WARN, IL equal pay registration, CHI Fair Workweek for covered industries

How to read your number

Thresholds count differently from law to law: some count all employees nationwide, some count only Illinois employees, some count full-time equivalents, and some look back over the past 20 weeks or the prior calendar year. Part-time and remote staff usually count. If you are within a few hires of a threshold, plan for it now; the obligations apply the day you cross it.

SECTION 03

Seven compliance mistakes growing companies make

Each one is common, fixable, and costlier the longer it sits.

1 Hiring without a consistent process

When every manager interviews their own way, you get uneven decisions and an uneven paper trail. Illinois adds rules many founders haven't heard of.

WHAT GOES WRONG

- Job postings missing a pay range and benefits summary IL 15+ employees
- Asking about salary history, which Illinois bans
- Off-script interview questions about age, family plans, religion, national origin or health
- Turning someone down over a background check without the required notices
- Using AI screening tools without telling candidates IL since Jan. 2026

WHAT GOOD LOOKS LIKE

- A written scorecard for each role, built from the job's real duties
- The same core questions for every candidate, with notes saved
- Posting templates with pay ranges built in
- A background check process that follows the FCRA and the Illinois limits on using conviction and credit history
- Offer letters that don't promise more than you intend

WHERE I HELP Interview kits, posting and offer templates, and manager training so your hiring holds up and fills roles faster.

2 Misclassifying workers

There are two classification decisions, and both carry back-pay, tax and penalty exposure: employee versus contractor, and exempt versus non-exempt from overtime.

EMPLOYEE OR CONTRACTOR?

- Calling someone a contractor doesn't make them one. The IRS, the U.S. Department of Labor and Illinois each apply their own test, and Illinois unemployment law uses a strict "ABC" test.
- Red flags: you set their hours, they do core company work, they work only for you, or they used to be an employee.
- IL Freelance engagements of $500 or more need a written contract.

EXEMPT OR NON-EXEMPT?

- To be exempt from overtime, a person generally needs a salary of at least **$684 a week ($35,568 a year)** *and* must meet a duties test. That federal threshold was restored in May 2026.
- A job title like "manager" or "coordinator" doesn't decide it. The actual work does.
- Recheck every time a role changes or a job description is rewritten.

WHERE I HELP A classification audit of every role and contractor, with a fix-it plan in order of risk.

3 Getting pay and hours wrong

Wage and hour claims are among the most common employment claims, and they often cover a whole group of employees at once, going back years.

WHAT GOES WRONG

- Non-exempt staff answering messages or finishing work off the clock
- Paying below the local minimum: **$15.00** statewide, **$17.05** in Chicago as of July 2026 (4+ employees)
- Not reimbursing required business expenses, like a personal phone used for work IL
- Unpaid lactation breaks, which must now be paid IL since Jan. 2026
- Final paychecks that are late or leave out earned, unused vacation IL

WHAT GOOD LOOKS LIKE

- Accurate time records for every non-exempt employee, including edits approved by the employee
- A clear after-hours communication rule for hourly staff
- A written expense reimbursement policy
- A calendar of minimum wage changes for every location you hire in
- A final-pay checklist used for every separation

WHERE I HELP A pay practices review, built with your payroll provider, so the system does the right thing by default.

4 Mishandling leave

Leave is where federal, state and city rules overlap the most, and where well-meaning managers get into trouble by saying “we can’t hold your job.”

THE LAYERS TO KNOW

- IL **Paid Leave for All Workers Act:** up to 40 hours of paid leave a year, for any reason
- CHI **Chicago Paid Leave:** up to 40 hours of paid sick leave plus 40 hours of paid leave a year
- **FMLA** at 50+ employees: up to 12 weeks of unpaid, job-protected leave
- IL NICU leave, leave for victims of violence (VESSA), military, jury and voting leave
- **ADA:** leave can be a reasonable accommodation, even when no other leave law applies

WHAT GOOD LOOKS LIKE

- A PTO policy designed to satisfy every law that applies to you, not one policy stacked on another
- One person who handles leave requests and the required notices
- Health benefits continued as required during protected leave
- A return-to-work step and an accommodation conversation, documented
- No discipline for absences that are legally protected

WHERE I HELP Leave policy design and case-by-case guidance when someone needs time away.

5 Treating harassment prevention as a box to check

In Illinois, the Human Rights Act covers employers with even one employee. And retaliation, not the original complaint, is consistently the most common charge filed with the EEOC.

WHAT'S REQUIRED

- IL Sexual harassment prevention training for every employee, every year
- CHI Chicago requires more: a written policy, 1 hour of harassment training for employees, 2 hours for supervisors, and 1 hour of bystander training each year
- A clear way to report concerns that doesn't run only through the employee's manager
- IL Limits on confidentiality and arbitration terms in employment and settlement agreements

WHAT GOOD LOOKS LIKE

- Training tracked by name and date
- Every complaint logged, investigated promptly and closed out in writing
- Managers trained to escalate instead of solving it quietly
- A check on every decision affecting someone who recently raised a concern, before it happens

WHERE I HELP Policy, training schedules, workplace investigations and coaching for the manager in the middle.

6 Letting employee records slide

Records are your evidence. If a claim or audit comes, what matters is what you can produce, not what you remember.

WHAT GOES WRONG

- Missing or incomplete I-9s, or I-9s filed inside personnel files
- Medical notes and accommodation records mixed in with performance files
- Pay and time records thrown out too early (keep them at least 3 years)
- IL Fingerprint or face-scan timeclocks used without a written policy and consent under BIPA, one of the costliest compliance mistakes in Illinois
- No process when an employee asks to see their file IL

WHAT GOOD LOOKS LIKE

- Separate, access-controlled files: personnel, medical, I-9 and payroll
- A written retention schedule, followed when records are destroyed
- A quick I-9 self-audit, fixing errors the right way
- Your HR system set up with the right permissions, not shared logins

WHERE I HELP A records and HRIS cleanup so you're audit-ready, with a retention schedule your team can follow.

7 Terminating without a paper trail

A termination is the moment most claims begin. A former employee who feels blindsided, or who recently raised a concern, is the one most likely to call a lawyer.

WHAT GOES WRONG

- The first written record of a performance problem is the termination letter
- Glowing reviews on file for someone being let go “for performance”
- Two employees with the same issue, handled two different ways
- A termination soon after leave, a complaint or an accommodation request
- Separation agreements that don’t meet Illinois or age-discrimination requirements

WHAT GOOD LOOKS LIKE

- Clear expectations, timely feedback and a fair chance to improve
- A written progression: coaching, then a documented warning, then a performance plan with dates and measurable goals
- A pre-termination review: same facts, same outcome, no protected activity in play
- Final pay, benefits notices and the Illinois unemployment insurance notice handled on time
- A respectful, well-planned separation conversation

WHERE I HELP A second set of eyes before any termination, plus separation planning and agreements prepared with your counsel.

THE PATTERN BEHIND ALL SEVEN

None of these is a lack of effort. Each one is a missing system.

Founders and office managers usually handle HR in the gaps between their real jobs. Each mistake above comes from a decision made quickly, by a different person each time, without a standard to follow. The fix is rarely a thick binder. It’s a few clear policies, templates your managers will actually use, and someone who knows the rules watching for changes as you grow.

That’s the role a fractional HR partner fills: senior HR leadership on a monthly retainer, at a fraction of the cost of a full-time hire.

> **Rules keep changing**
>
> Illinois passes new employment laws almost every year. Recent changes include pay ranges in job postings, the statewide paid leave law, Chicago’s paid leave ordinance, rules on AI in hiring decisions, paid lactation breaks and new NICU leave. Plan a policy review at least once a year, and every time you cross a headcount threshold or hire in a new state.

SECTION 04

Build your safeguards

Three safeguards protect a growing company the most: a handbook that matches how you really operate, a consistent paper trail, and one standard process for big people decisions.

Safeguard 1: An employee handbook that fits

A handbook does two jobs. It tells employees what to expect, and it shows that you told them. A downloaded template that doesn't match your actual practices can hurt you more than having no handbook. Have every employee sign an acknowledgment, review the handbook every year, and get new signatures when it changes.

WHAT AN ILLINOIS HANDBOOK SHOULD COVER

Equal opportunity and anti-harassment
Protected categories under federal, Illinois and Chicago law, how to report a concern, and a clear statement that retaliation is prohibited.

Employment basics
At-will status, classifications, introductory periods and how job changes work.

Pay and timekeeping
Pay schedule, overtime approval, accurate time records, deductions and expense reimbursement.

Paid leave and time off
A PTO policy built to meet the Illinois or Chicago paid leave rules, plus FMLA and other leave you're required to offer.

Accommodations
How to ask for a disability, pregnancy, lactation or religious accommodation, and what happens next.

Conduct and performance
Expectations, attendance, how performance concerns are handled and how decisions get made.

Technology, privacy and biometrics
Use of company systems, confidentiality, and your BIPA notice if you collect biometrics.

Safety and violence prevention
Reporting injuries, workers' comp, a drug-free workplace and Illinois cannabis rules.

Remote and hybrid work
Where people can work, equipment, expenses, and the state law that applies to out-of-state employees.

Who to contact
A named person or role for benefits, pay questions, leave and concerns, including a backup who isn't the employee's manager.

> ### Right-sized, not oversized
>
> A 12-person startup doesn't need a 90-page handbook. It needs the required policies, written in plain language, plus the few rules that matter for your business. Add to it as you grow.

Safeguard 2: A paper trail written as things happen

If it isn't written down, it's your word against theirs. Good documentation is short, factual and written at the time. It describes what happened and what needs to change. It doesn't guess at why.

HARD TO DEFEND

"Jordan always has a bad attitude and never takes the job seriously. Probably burned out. Talked about it."

EASY TO DEFEND

"Oct. 6: Met with Jordan about three missed client deadlines in September (9/8, 9/19, 9/29). Going forward, all deliverables are due by the agreed date or flagged 48 hours ahead. We'll review on Nov. 3. Repeated misses may lead to a written warning."

RULES OF THUMB

- Stick to facts you saw: dates, examples, impact
- Avoid absolutes like "always" and "never"
- State the expectation and the next step
- Send a short recap email after the conversation

KEEP IT CONSISTENT

- Document good performance too, not just problems
- Make sure reviews match what you say in real time
- Store records in one place, not managers' inboxes
- Use the same templates for every team

Safeguard 3: One process for big decisions

Before any termination, demotion or pay cut, work through these questions. If you can't check every box, pause.

- [ ] **Was the expectation clear?** Is it in writing, through a job description, policy, plan or email?
- [ ] **Did they get a real chance to improve?** Was there feedback, time and support, all documented?
- [ ] **Is it consistent?** Have others with the same issue been treated the same way?
- [ ] **Any protected activity recently?** Leave, a complaint, an accommodation request, a workers' comp claim or a pay question?
- [ ] **Would the file make sense to a stranger?** Could an investigator follow the story from the records alone?
- [ ] **Is the exit planned?** Final pay, benefits notices, the Illinois unemployment notice, system access and a separation agreement, if you're using one?

SECTION 05

When a claim lands

A charge, demand letter or agency notice is stressful, but deadlines are real and ignoring it makes everything worse. Here’s what to do first.

First 24 hours

- Note the response deadline
- Tell your employment counsel and your EPLI insurer, if you have one
- Limit who knows to those who need to

Within 72 hours

- Issue a hold: no deleting email, Slack, texts or files
- Gather the personnel file, policies, pay and time records
- Remind managers: no retaliation

Before you respond

- Review the facts internally
- Build a timeline from the records
- Prepare a factual, consistent response with counsel

CLAIM TYPE	WHO HANDLES IT	WHAT YOU’LL NEED
Discrimination, harassment or retaliation	EEOC (federal) or the Illinois Department of Human Rights. Charges are often cross-filed with both.	Policies, training records, complaint and investigation files, and the full decision trail. Penalties under the Illinois Human Rights Act rose in 2026.
Unpaid wages or overtime	U.S. Department of Labor, Illinois Department of Labor, or a private lawsuit	Time and pay records, classification rationale, approved time edits and expense policies.
Unemployment	Illinois Department of Employment Security (IDES)	The reason for separation and proof of it. Contest a claim only when you can document misconduct, since it affects your tax rate.
Workplace injury	Your workers’ comp carrier and the Illinois Workers’ Compensation Commission	A prompt injury report, witness information and return-to-work options. Never retaliate for filing.
Attorney demand letter	Your employment counsel	Everything above. Don’t contact the former employee directly about it.

The best defense starts long before the claim

Employment Practices Liability Insurance (EPLI) can cover defense costs, but insurers look at your policies, training and documentation when they price it and when they pay. The safeguards in Section 04 help on both counts.

SECTION 06

Your options for HR support

There's no single right answer. It depends on your size, budget and how much complexity you're carrying. Here's an honest comparison.

OPTION	WHAT YOU GET	THE TRADE-OFF	BEST FIT
Do it yourself	No added cost. The founder or office manager handles it.	Your most expensive time goes to tasks outside your expertise, and gaps go unnoticed until something goes wrong.	The first few hires, with outside help on call
HR software and payroll	Automated payroll, onboarding, e-signatures and some policy templates	Tools carry out decisions. They don't make judgment calls or coach a manager through a hard conversation.	Every company, alongside a person who sets it up right
PEO (co-employment)	Bundled payroll, benefits, workers' comp and compliance support	Shared liability, less flexibility, and HR support that is often a call center rather than someone who knows your business	Companies that mainly want access to large-group benefits
Full-time HR hire	A dedicated person, on site, every day	A senior HR leader is a big fixed cost. A junior hire may not have the judgment you need on risky calls.	Usually 100–150+ employees, or high complexity
Fractional HR partner	Senior HR leadership on a monthly retainer. Strategy and hands-on work from someone who knows your team and your history.	Not on site every day. Works best with a clear point of contact on your side.	Roughly 10–250 employees, growing fast or carrying risk

Fractional works alongside what you already have

A fractional partner doesn't replace your payroll provider, PEO, benefits broker or employment lawyer. I make sure those pieces are set up correctly and working together, and I bring in counsel when a situation calls for legal advice. That usually means fewer and shorter legal bills.

Signs it's time for fractional HR

You're hiring faster than you can onboard. Managers keep bringing you people problems. You crossed 15, 50 or 100 employees. You just had a close call, or you're preparing for funding or an acquisition and need clean HR records.

Signs it's time for a full-time hire

The HR workload is steady at four or more days a week, you have multiple locations or union work, or you need someone on site every day. When that time comes, I can help you hire your first HR leader and hand the work over cleanly.

SECTION 07

How we'd work together

Most clients work with me on a monthly retainer: one partner for the whole people side of your business, priced by your headcount and the level of support you need.

WHAT A RETAINER COVERS

- A compliance review, with gaps ranked by risk
- A handbook, policies and templates that fit your size
- Hiring process, offer letters and onboarding
- Manager coaching on feedback, performance and hard conversations
- Employee relations, investigations and terminations
- Ongoing monitoring of new laws as you grow

ALSO AVAILABLE WHEN NEEDED

- **Fixed-scope projects:** a compliance audit, a handbook build, a pay structure or a classification review
- **Interim HR leadership:** coverage during a transition, a leave or a search for your first HR leader

1

Intro call

A short conversation about your company, your team and what's taking up your time.

2

Quick review

I look at what's in place today and flag the gaps, ranked by risk and impact.

3

A clear plan

You get a proposal with scope, priorities and pricing before any work begins.

4

Work begins

I start with the most urgent items and keep you updated without adding meetings.

20+ years	4 industries	2 companies	1 to 250
of HR leadership	financial services, healthcare, hospitality and tech	where I built HR from scratch	employees: the companies I serve

ABOUT PETER HERRERA

I've spent more than 20 years leading HR in financial services, healthcare, hospitality and tech. I was the first HR leader at a five-venue hospitality group, and later built the HR function at a tech company. Both times, I started from scratch while the business kept growing.

I started Herrera HR Growth Partners to give founders that same senior partnership without a full-time hire: practical answers in days, policies that fit on a page, and the structure you need for your next stage of growth. I'm based in Chicago.

YOUR NEXT STEP

Find your gaps before *someone else does.*

Bring your answers from the 10-minute check to a free intro call. We'll talk through where you stand and the first two or three things I'd fix in your place.

FREE 20-MINUTE INTRO CALL

What you'll leave with

- A plain-language read on your biggest compliance risks at your current headcount
- What changes at your next hiring milestone, and when to prepare
- How a monthly retainer would work for a company your size

No pitch deck, no obligation. If you don't need me, I'll tell you.

WEBSITE
herrerahr.com

EMAIL
peter@herrerahr.com

LINKEDIN
in/peterherrera

Herrera
HR GROWTH PARTNERS

Herrera HR Growth Partners is not a law firm and does not provide legal advice or representation. Information and tools in this guide and on herrerahr.com, including state requirement guides, checklists and calculators, are for general educational purposes only and are not a substitute for advice from a licensed attorney or tax professional. Employment laws change frequently, vary by location and depend on each company's specific facts. We review this content regularly, but it is a general summary and may not capture every requirement or recent change that applies to your business. Using this guide or herrerahr.com, or contacting Herrera HR Growth Partners, does not create an attorney-client or consulting relationship. A consulting relationship begins only under a signed written agreement. No compliance outcome or legal result is promised or guaranteed. © 2026 Herrera HR Growth Partners.