

In-house advice – the wisest choice for SMEs?

Mathew Beale and Kevin Golder, directors of Peninsula Business Services (CI) say the savings for small businesses running their own HR and health and safety function could be lost if a problem emerges



What is the accepted wisdom of small to medium enterprises having their own human resources and Health and Safety functions? There is a wide debate regarding the value of such a utility in-house for businesses of this size.

If we look at the common evolution of a small business, generally a sole expert or group of talented individuals create the foundations. As the business grows, they take on staff. If they employ, say, six people, it is not worth taking on a full-time HR or H&S person – so typically the owner-managers gen up a bit on employment law and do the job themselves.

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In a Forbes piece 'Top 5 Reasons HR is on the Move', the number one justification for outsourcing HR was that management were taking time away from their core competences – the very skills that got the business off the ground – to deal with administration of staff holidays, grievances and recruitment. It is a bit like an airline pilot leaving the cockpit mid-flight to go and serve peanuts.

But it is not just taking attention away from core competences that matters – it is being absolutely sure that all the latest HR and H&S requirements are met. This involves keeping abreast of employment law and, to an extent, predicting the way it is going. The law on aspects such as upcoming discrimination legislation also makes it essential that employers review their workplace practices now.

Firms also need to keep an eye on working hours and holiday and sickness entitlement that can change quite regularly. There are also all the soft process-driven interactions we have to conduct, such as back to work interviews, warning notices and redundancies.

With H&S in mind, your responsibilities are heightened because you have a legal duty to protect employees, customers and members of the public on your premises. Failure to take the right precautions can prove dangerous, causing injuries, permanent health damage, even disability or death. Moreover, failure to document and record that you are taking health and safety seriously could still land you in hot water if anything goes wrong. It is important to remember that – unlike employment tribunals – health and safety breaches are a matter for the criminal courts and carry harsh sentences.

Employers' health and safety responsibilities are very simple – it is often just a matter of making sure all the boxes are ticked. The difficulty comes in knowing exactly which boxes need to be ticked, as every workplace and industry is subject to different rules. A stumbling block for larger businesses is that health and safety responsibilities are distributed among several different staff members, managers or HR staff, so it is easy to lose track of who is responsible for what.

It seems strange that small companies do not take on all their other professional non-production tasks. It is perfectly normal to outsource IT or financial and taxation management to an accountant – yet human resources seems to be something that companies prefer to keep in-house. This suggests it is an entirely cultural thing – we think we know enough to get by in HR and H&S even though it can be extremely difficult to navigate as well as time-consuming.

But what might be the cost should an issue arise – a difficult employee relationship matter to manage, a tribunal hearing, or a health and safety problem? Such incidents can become expensive or at worst break a SME, and cost savings might prove a false economy.