

# HR Compliance for Remote-First Companies

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Justworks

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# Managing HR Compliance Across Remote Teams

Remote work used to be the exception. But nowadays, **millions of US employees** are working remotely at least part-time. For companies embracing remote-first models, this shift has coincided with an increase in compliance challenges.

This guide breaks down the essential HR compliance areas that remote-first companies need to address. It offers practical steps to build a compliant foundation. Learn how to manage multi-state payroll obligations, ensure proper classification, handle workers' compensation requirements, and build systems that scale with the remote workforce.

# Understanding Multi-State Employment Laws

When a company's team expands to include remote employees in multiple states, it's operating under different rulebooks simultaneously. Each employee's physical work location determines which state and local employment laws apply to them.

Consider this scenario: A company based in Texas hires a developer in California and a marketer in New York. The California employee is entitled to overtime pay for workdays exceeding eight hours (not just 40-hour weeks), while the New York employee has the right to receive paid sick leave under state law. Meanwhile, the Texas-based team follows its own state-based rules.

The human resources (HR) person or department is responsible for compliance management in areas such as:

**Minimum wage:** The minimum wage ranges from the federal minimum to over \$17/hour in some US cities.

**Overtime calculations:** Some states require daily overtime. Others follow federal weekly rules.

**Paid leave mandates:** Sick leave, family leave, and PTO requirements vary by location.

**Pay frequency rules: Some states mandate semi-monthly pay. Some allow monthly pay periods.**

**Final paycheck timing:** Requirements range from immediately to within 30 days.

### **State Withholding Requirements**

Remote employees create payroll withholding obligations based on where they perform their work. States apply different rules to determine tax obligations. Consult with a tax professional to ensure compliance.

Small businesses can turn to solutions like [Justworks PEO](#) to handle multi-state compliance requirements. Professional Employer Organizations can also provide access to benefits across state lines while managing varying local requirements.

### **Hiring Remote Employees Around the World**

Hiring abroad introduces an additional layer of [international compliance](#) regulations beyond domestic multi-state issues. Businesses looking to expand their remote teams globally should consider using [international contractor payments](#) or similar solutions.

# Handling Remote Employee Classification and Compensation Requirements

Remote work adds many layers of complexity to employment classifications. The distinction between employees and independent contractors remains critical. Some states apply stricter tests than federal standards.

## **Employee vs. Contractor Considerations for Remote Workers**

**Control factors:** Equipment requirements, set schedules, and mandatory meetings often indicate employee status.

**Economic reality:** Contributors economically dependent on one company typically qualify as employees.

**State-specific tests:** California's ABC test and similar state standards may override federal guidelines

For employees, the Fair Labor Standards Act (FLSA) requirements apply regardless of work location. Non-exempt remote employees must track all hours worked, including time spent checking emails after hours or taking calls outside normal schedules. The Department of Labor has stated that telework doesn't alter FLSA obligations.

Employers are required to maintain accurate timekeeping and pay overtime accordingly.

## HANDLING REMOTE EMPLOYEE CLASSIFICATION AND COMPENSATION REQUIREMENTS

COMPENSATION COMPLIANCE AREA	REMOTE WORK CONSIDERATIONS
<b>Hourly tracking</b>	Employees should capture all work time, including brief email checks
<b>Overtime eligibility</b>	Based on job duties, not remote status
<b>Pay equity</b>	Consider cost-of-living differences across locations
<b>Expense reimbursement</b>	State laws may mandate home office reimbursements

Some states require employers to reimburse remote workers for necessary business expenses, including internet service, phone bills, and office supplies. California, Illinois, and several other states have broad reimbursement requirements that may catch employers off guard.

# Workplace Safety and Workers' Compensation Requirements

The Occupational Safety and Health Administration (OSHA)'s general duty clause extends to home offices. It requires employers to maintain safe working conditions even in employees' homes. While OSHA doesn't conduct home office inspections (except in cases of serious complaints), employers still bear responsibility for work-related injuries.

Workers' compensation requirements follow the employee's work state, not a company's HQ location. That means businesses are required to maintain coverage in every state where remote employees work, and understand each state's requirements.

## Remote Workplace Safety Essentials

**Ergonomic guidelines:** Provide guidance on proper desk setup and equipment.

**Safety checklists:** Document home office safety considerations.

**Incident reporting:** Establish clear procedures for reporting injuries while working from home.

**Workers' comp coverage:** Verify that the policy covers all employee locations. Some states have specific remote work provisions in their workers' compensation laws, while others apply traditional rules to home offices. Most policies cover injuries occurring during work hours in designated work areas, but exclude injuries in other parts of the home or during personal breaks.

# Data Privacy and Security Compliance

Remote work dramatically expands a company's digital footprint and data security obligations. When employees access company systems from home networks and personal devices, protecting sensitive information becomes more challenging.

## Data Protection Considerations

**State privacy laws:** Review regulations such as the CCPA in California and similar laws in Virginia, Colorado, and other states.

**International considerations:** Comply with the [General Data Protection Regulation \(GDPR\)](#) if the company has EU-based remote workers.

**Industry regulations:** Rules such as the Health Insurance Portability and Accountability Act (HIPAA), the Payment Card Industry Data Security Standard (PCI-DSS), or other sector-specific requirements still apply to remote employees.

**Breach notification:** Note state-specific timelines and requirements for data incident reporting.

Security policies should address remote-specific risks, such as unsecured home networks, device theft, and unauthorized access by family members to work computers. Regular security training enables employees to recognize phishing attempts and adhere to proper data handling procedures, even when working from home.

## DATA PRIVACY AND SECURITY COMPLIANCE

Many companies implement zero-trust security models, requiring multi-factor authentication and VPN usage for remote access. Document these requirements clearly and ensure that all remote workers receive appropriate cybersecurity training during onboarding.

# Essential Documentation and Remote Work Policies

Strong documentation protects both employers and employees in remote settings. It includes written and up-to-date policies that clarify expectations and provide legal protection when issues arise.

The company's remote work agreements should address work location requirements, including any restrictions on working in specific states or countries. Some states may create excessive compliance burden or tax exposure. These restrictions can lead companies to exclude them from approved remote work locations.

## Remote Policy Components

**Work location requirements:** List approved states and countries, and adjust the notification procedures.

**Schedule and availability:** Define remote employees' core hours, response time expectations, and meeting attendance.

**Equipment and security:** Manage the company-provided equipment and security requirements, including employee compliance training. Set up return procedures.

**Expense reimbursement:** Establish policies on covered expenses and submission deadlines. Set up efficient approval processes.

**Performance management:** Spell out how the business measures productivity.

**Termination procedures:** Establish a process to end the employment relationship. It includes the return of equipment, final paycheck delivery, benefits continuation, and offboarding steps.

# How to Implement an Effective HR Compliance System

Building compliant remote operations requires a systematic approach and regular maintenance. Start with these concrete actions:

**Conduct a location audit:** Document where each employee works and plans to work.

**Map compliance requirements:** Create a state-by-state checklist of obligations.

**Register properly:** Complete employer registrations before employees start work.

**Implement tracking systems:** Deploy time tracking and location verification tools.

**Update employee handbooks:** Handbooks should reflect the realities of remote work. Include sections on home office safety, data security, and communication protocols.

**Schedule regular reviews:** Conducting quarterly audits helps identify location changes and new requirements.

## Set up a Compliance Team

Small businesses that rely on remote employees need cross-functional coordination to ensure compliance. Plan for the creation of a dedicated compliance team. It should include representatives from HR for policy development and employee relations, Payroll for tax withholding and reporting, Legal for regulatory interpretation and risk assessment, and Finance for corporate tax and entity registration.

## **Get Professional Help**

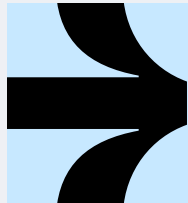
Seeking professional help can pay for itself through avoided penalties and reduced administrative burden. Options include software solutions, professional employer organizations (PEOs), or specialized consultants. External support can provide expertise and systems to maintain compliance as the business scales.

# Simplify Remote Compliance with Justworks

**Remote-first operations don't have to cause compliance headaches. With reliable systems, clear policies, compliance management, and expert support, small businesses can build remote teams while managing multi-state obligations.**

The Justworks platform simplifies these processes. It handles state registrations, tax filings, and compliance necessities, keeping track of regulation updates.

Get started with Justworks today.



Get Started

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