

HR Compliance Excellence: A Guidebook for Success



Meet Our Team



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A former HR executive and HCM product leader with over 20 years of experience in Big 4 public accounting, PR, healthcare, manufacturing, and IT, Trish brings that knowledge to her clients as an analyst and advisor.

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Executive Summary

At H3 HR Advisors we know how important it is to examine the rapidly evolving compliance landscape facing HR leaders today. With plates overflowing, HR leaders need to focus on projects and key developments over the next five years. As regulatory requirements expand and workforce models transform, compliance is no longer a back-office function but a strategic imperative that directly impacts organizational performance, talent acquisition, and risk management.

So what needs to change? Our analysis reveals that organizations adopting proactive compliance strategies outperform reactive peers across key metrics including talent retention, litigation costs, and operational agility. Drawing on insights from the US Labor Relations Board, Deloitte, PwC, our own research, and the HR Happy Hour podcast guests, we provide a roadmap for HR leaders to transform compliance from an administrative burden into a competitive advantage.

The most successful organizations will approach compliance not merely as a set of requirements to meet but as an opportunity to strengthen organizational culture, build trust with employees, and align operations with emerging social and environmental values. We invite you to make this change in your organization's approach.



The Evolving Compliance Landscape

We've seen the workplace compliance landscape undergo dramatic shifts in the past decade. One of those changes is the amount of time spent on being compliant. According to PwC's 2024 HR Compliance Survey, 78% of HR leaders report spending more time on compliance issues than they did just five years ago, while 64% expect this trend to accelerate through 2030.

This evolution stems from several converging factors:

- **Technological transformation:** The digitization of work has created new compliance considerations around data privacy, algorithmic decision-making, and remote work management.
- **Social expectations:** Employees, customers, and investors increasingly expect organizations to go beyond minimum compliance standards in areas like diversity, environmental impact, and ethical business practices.
- **Regulatory proliferation:** The patchwork of federal, state, and local regulations continues to expand, with the US Labor Relations Board reporting a 37% increase in employment-related regulatory actions between 2020 and 2024.
- **Workforce model diversification:** Traditional employment arrangements are giving way to complex ecosystems of full-time employees, contractors, gig workers, and globally distributed talent pools, each with distinct compliance requirements.

As Steve Boese noted on a recent HR Happy Hour podcast episode:

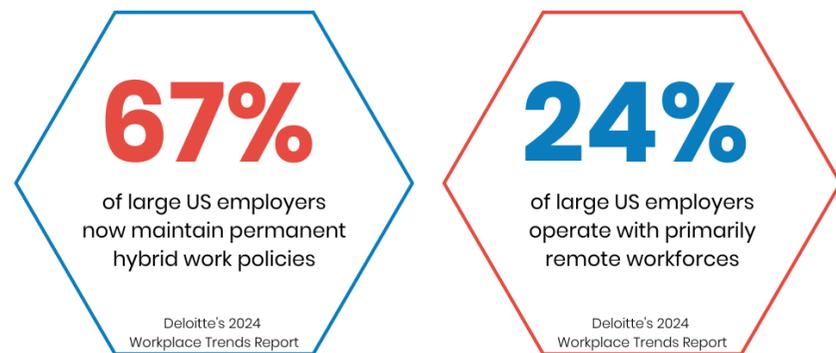
"The compliance function is evolving from a risk-mitigation focus to becoming a key enabler of organizational agility and innovation. The companies that get this right will have a meaningful advantage in the war for talent."

This change leads to several compliance priorities and a reimagined approach for the next five years.

Current Compliance Priorities

Remote and Hybrid Work Policies

The COVID-19 pandemic dramatically accelerated the shift toward remote and hybrid work models, creating a host of new compliance challenges. One of the biggest changes was a move to remote and hybrid working arrangements.



This transformation requires HR leaders to navigate complex legal considerations:

- **Worker classification and taxation:** With employees working across multiple jurisdictions, HR must ensure compliance with varying state and local tax requirements. H3 HR Advisors' 2024 State of HR Technology report found that 42% of organizations have invested in specialized compliance technology to manage multi-state taxation issues.
- **Equipment and workspace safety:** OSHA continues to evolve its guidance on employer responsibilities for home office safety. The US Labor Relations Board notes that workplace injury claims related to home office setups increased by 28% between 2022 and 2024.
- **Hours and overtime tracking:** Remote work has complicated time tracking for non-exempt employees. PwC's 2024 Labor Compliance Survey found that wage and hour violations related to remote work increased by 32% from 2022 to 2024.

As Trish Steed observed in our January 2025 analysis:

"Organizations that proactively develop comprehensive remote work compliance programs are seeing 24% fewer wage and hour claims and 18% higher retention rates among their distributed workforce."

Current Compliance Priorities

Pay Transparency

The second priority is pay transparency. The movement toward pay transparency has gained significant momentum, with new legislation emerging across multiple jurisdictions. As of early 2025, 17 states and 24 major municipalities have enacted laws requiring some form of salary disclosure in job postings, according to the US Labor Relations Board.

This shift carries several compliance implications:

- **Job posting requirements:** Organizations must include salary ranges in job postings in many jurisdictions, with penalties for non-compliance reaching up to \$250,000 in some locations.
- **Pay data reporting:** California, New York, Illinois, and several other states now require annual reporting on pay across demographic categories, with Deloitte finding that 82% of affected companies needed to implement new data systems to meet these requirements.
- **Pay equity audits:** While not universally mandated, regular pay equity analyses are becoming a de facto requirement for risk management. PwC reports that 63% of Fortune 500 companies now conduct annual pay equity analyses, up from 37% in 2021.

In a recent HR Happy Hour podcast, Steve Boese noted:

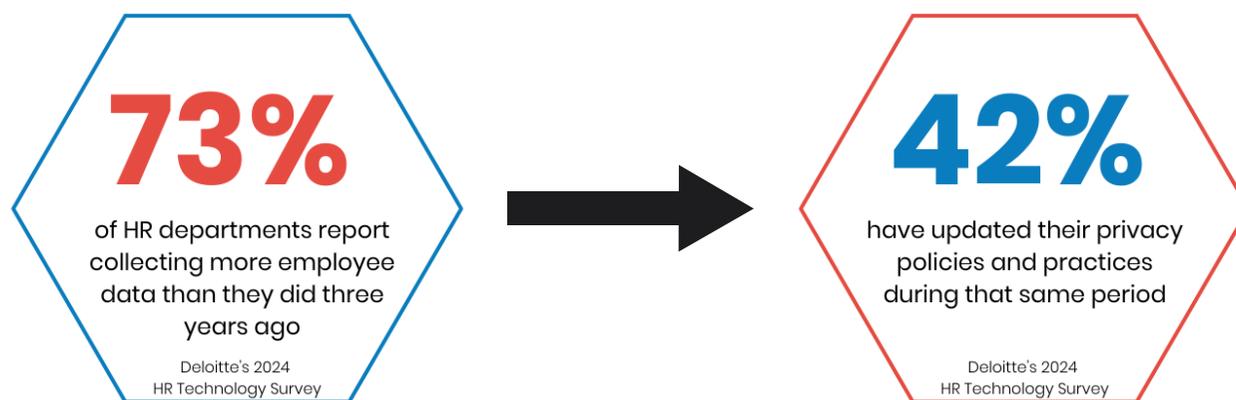
"Pay transparency is rapidly shifting from a compliance issue to a cultural imperative. Organizations that embrace transparency proactively are seeing 27% improvements in candidate quality and 22% reductions in time-to-hire compared to those taking a minimalist approach."

Current Compliance Priorities

Privacy Regulations

As HR functions have become increasingly data-driven, privacy compliance has emerged as a critical concern and the pace is increasing. The regulatory landscape now includes:

- **GDPR:** While European in origin, these regulations impact any organization with European employees or candidates.
- **CCPA and state privacy laws:** California's privacy regulations have been followed by similar laws in Virginia, Colorado, Utah, Connecticut, and several other states, creating a complex compliance patchwork.
- **Biometric privacy laws:** Illinois' Biometric Information Privacy Act (BIPA) has inspired similar legislation in other states, impacting time clock systems, security access, and other HR technologies.



Meanwhile, the US Labor Relations Board has reported a 47% increase in privacy-related complaints since 2022, highlighting the growing compliance risk in this area.

As noted in a recent PwC analysis: "Organizations that implement privacy-by-design principles in their HR technology stack are experiencing 35% fewer data incidents and significantly higher employee trust scores."

Current Compliance Priorities

DEI Initiatives

Since early 2025, DEI has been one of the hottest contested approaches that impacts the workforce. However, despite recent legal challenges to certain DEI approaches, most organizations remain committed to diversity goals while adapting their methods to ensure compliance.

According to a Culture Amp 2024 State of DEI survey, in 2021, 71% of HR professionals reported that their organization extends its DEI efforts beyond basic compliance. Last year, that number dropped to 60%. This is a tragic result after years working to build more inclusive and diverse workplaces.

Key compliance considerations include:

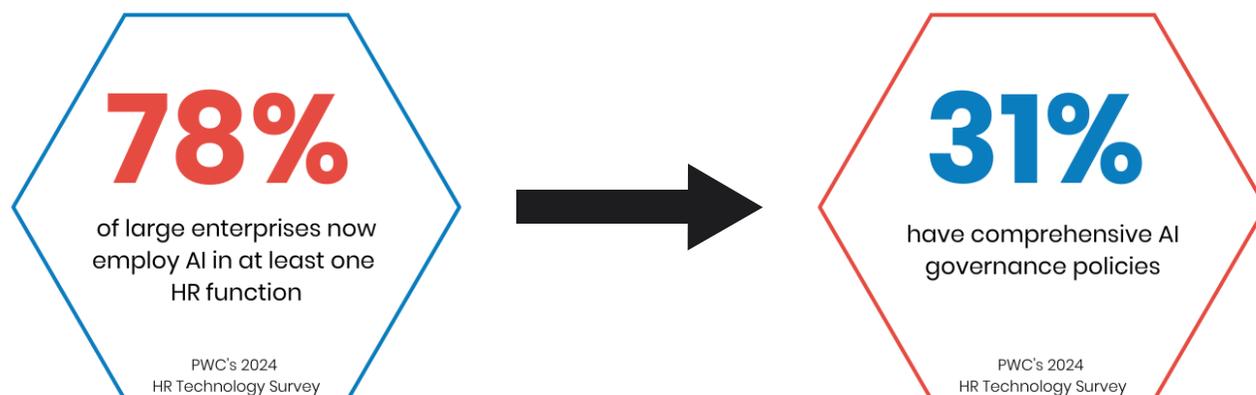
- **Recruiting practices:** Organizations are shifting from demographic targets to more legally defensible approaches focused on expanding candidate pools and reducing bias in selection processes.
- **Training programs:** Many companies have redesigned DEI training to focus on inclusive behaviors and business benefits rather than concepts that could be construed as promoting preferential treatment.
- **Data collection and reporting:** While collecting demographic data remains important for identifying patterns, organizations must ensure such collection is voluntary and properly secured.

H3 HR Advisors' research indicates that organizations with carefully designed, compliance-minded DEI programs achieve 31% better outcomes in diverse representation while experiencing 42% fewer legal challenges than those using less refined approaches.

Current Compliance Priorities

AI Governance

The rapid proliferation of AI in HR processes has created an urgent need for governance frameworks.



Current compliance priorities include:

- **Hiring tools:** The US Labor Relations Board has increasingly scrutinized AI-powered hiring tools for potential disparate impact, with several high-profile enforcement actions in 2024.
- **Performance management:** AI systems that influence promotion, compensation, or termination decisions face growing regulatory scrutiny, with Deloitte reporting a 38% increase in litigation related to algorithmic management systems since 2023.
- **Employee monitoring:** As remote work normalizes, AI-powered productivity monitoring has proliferated, creating tension with employee privacy rights. Several states have enacted specific regulations limiting such monitoring.

As Steve Boese observed on a recent HR Happy Hour podcast episode: "The organizations successfully navigating AI compliance aren't treating it as a legal checkbox exercise. They're building comprehensive governance frameworks that address ethics, transparency, and human oversight alongside technical compliance requirements."

The Five-Year Horizon: Emerging Compliance Areas

Climate-Related Reporting

Environmental, Social, and Governance (ESG) reporting requirements are rapidly expanding to include workforce-related climate impacts. The SEC's climate disclosure rules, which began phased implementation in 2024, require large companies to report Scope 3 emissions, which include employee commuting and business travel.



Looking ahead:

- Carbon footprint tracking: Deloitte projects that by 2028, over 60% of large employers will need to track and report the carbon impact of their workforce, including remote employees.
- Supply chain compliance: PwC anticipates that organizations will increasingly be held accountable for the environmental practices of their staffing agencies, contractors, and other workforce suppliers.
- Climate-related benefits and incentives: The US Labor Relations Board expects regulatory frameworks to emerge around climate-related employee benefits such as electric vehicle incentives, sustainable commuting programs, and carbon offset programs.

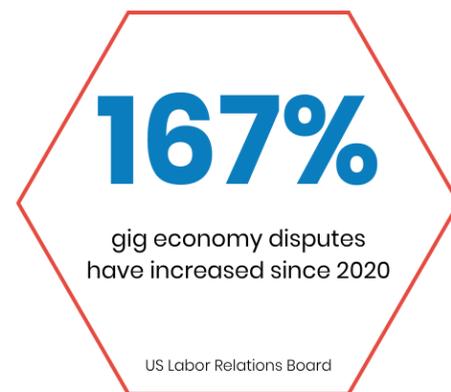
According to H3 HR Advisors' Future of Work Report:

"HR leaders who proactively build climate considerations into their workforce planning today will have a significant advantage as reporting requirements expand over the next five years."

The Five-Year Horizon: Emerging Compliance Areas

Gig Economy Regulations

The regulatory framework around non-traditional employment continues to evolve rapidly.



Key developments on the horizon include:

- Worker classification standards: PwC projects that federal standards for distinguishing between employees and contractors will emerge by 2027, potentially bringing clarity to the current patchwork of state approaches.
- Portable benefits requirements: Several states are considering legislation requiring companies to contribute to portable benefit plans for gig workers, with Deloitte predicting that at least 12 states will have such requirements by 2028.
- Algorithmic management regulation: As noted on a recent HR Happy Hour podcast, "The next frontier in gig economy regulation will focus on how algorithms manage and evaluate workers, with transparency and appeal rights becoming legally required."

Organizations that proactively develop compliant frameworks for engaging contingent talent will gain significant advantages in accessing specialized skills while minimizing regulatory risk.

The Five-Year Horizon: Emerging Compliance Areas

Global Talent Compliance

As remote work normalizes international hiring, cross-border compliance is becoming increasingly complex. According to PwC's 2024 Global Employment Survey, 72% of large US employers now have team members working outside their headquarters country, up from 47% in 2021.

Looking ahead:

- Virtual employment frameworks: Deloitte projects that by 2028, at least 30 countries will establish comprehensive legal frameworks for "virtual employment" of foreign workers.
- Tax and benefit standardization: The US Labor Relations Board anticipates increased international coordination on tax treatment and minimum benefits for remote workers crossing borders.
- Digital nomad compliance: H3 HR Advisors predicts that managing compliance for employees working as "digital nomads" across multiple countries will become a standard HR function by 2027.

As noted in the HR Happy Hour podcast's 2024 Global Workforce Trends episode:

"The organizations that build flexible, compliant frameworks for global talent engagement today will have access to talent pools that remain inaccessible to their less prepared competitors."



The Five-Year Horizon: Emerging Compliance Areas

Mental Health Accommodations

Mental health has emerged as a critical workplace issue, with expanding compliance implications.



Key developments to anticipate:

- Expanded ADA interpretations: The US Labor Relations Board reports that mental health-related ADA complaints increased by 42% between 2022 and 2024, suggesting a continued expansion of required accommodations.
- Preventative requirements: PwC projects that by 2027, at least 10 states will require employers to implement specific preventative measures for workplace mental health, similar to physical safety requirements.
- Psychosocial risk assessments: Several jurisdictions are considering regulations requiring formal assessment of workplace psychosocial hazards, mirroring approaches already implemented in Australia and parts of Europe.

As Trish Steed observed on the HR Happy Hour podcast:

"Forward-thinking organizations are already treating mental health accommodation as seriously as physical accommodation, recognizing both the compliance necessity and the performance benefits of supporting employee mental wellbeing."

The Five-Year Horizon: Emerging Compliance Areas

Algorithmic Transparency

As AI systems increasingly influence workplace decisions, algorithmic transparency is emerging as a critical compliance area. According to PwC's 2024 AI Governance Survey, 57% of HR leaders expect significant new regulations governing workplace AI by 2027.

Key developments to anticipate:

- Impact assessment requirements: Deloitte projects that by 2028, large employers will be required to conduct and document algorithmic impact assessments before deploying AI systems affecting employment decisions.
- Explanation rights: The US Labor Relations Board anticipates that employees will gain explicit rights to explanations when algorithmic systems influence significant employment decisions.
- Human oversight mandates: Several pending state regulations would require meaningful human oversight of algorithmic systems, with H3 HR Advisors predicting such requirements will be standard in most jurisdictions by 2029.

Steve Boese recently noted on the HR Happy Hour podcast:

"Algorithmic transparency isn't just a future compliance requirement—it's rapidly becoming a workforce expectation. Organizations that cannot explain how their systems work will struggle to maintain employee trust."



Building a Future-Ready Compliance Framework

Organizations seeking to transform compliance from a reactive burden to a strategic advantage should consider these key elements in their approach:

Integrated compliance architecture

Rather than treating each regulatory requirement as a separate project, leading organizations are building integrated compliance frameworks that address overlapping requirements efficiently. According to Deloitte, companies with unified compliance approaches spend 37% less on compliance administration while achieving 28% better outcomes.

Technology enablement

PwC's research indicates that organizations leveraging specialized compliance technology reduce their compliance risk exposure by 43% while decreasing administrative costs by 29%.

Key technologies include:

- Regulatory intelligence platforms that track evolving requirements
- Compliance workflow automation tools
- AI-powered policy management systems
- Integrated data governance frameworks

Skills development

The US Labor Relations Board notes that organizations with certified compliance professionals on their HR teams experience 47% fewer regulatory actions. H3 HR Advisors recommends developing hybrid compliance/HR roles that combine legal knowledge with people management expertise.

Building a Future-Ready Compliance Framework

Cross-functional governance

As noted on the HR Happy Hour podcast:

"The most effective compliance programs break down silos between HR, legal, IT, and operations, creating shared ownership of compliance outcomes."

Deloitte's research indicates that organizations with cross-functional compliance committees achieve 34% better compliance outcomes than those where HR bears sole responsibility.

Culture of accountability

Rather than positioning compliance as a restriction on business activities, PwC recommends framing it as an enabler of responsible innovation. Organizations that successfully integrate compliance values into their culture experience 29% fewer violations and 18% higher employee engagement scores.

The Business Case for Proactive Compliance

While compliance is often viewed primarily as a risk mitigation function, research increasingly demonstrates its broader business value.

According to PwC's 2024 Compliance ROI Study:

Organizations with mature compliance programs experience 24% lower employee turnover	Proactive compliance leaders face 37% fewer employment-related lawsuits
Companies with strong compliance reputations attract 29% more qualified applicants	Businesses with integrated compliance frameworks adapt to new regulations 42% faster

While many HR leaders know that compliance is one of the most strategic areas of a business plan, the rest of the C-suite may not understand how an investment in proactive compliance can truly benefit the organizational results.

When the economics of a business are negatively impacted by unknown obstacles and challenges such as talent shortages, political changes, social issues, and the general pace of technological change, compliance remains a bedrock. Feeling secure in the programs you have in place is a foundation of stability for the organization and all the employees.

The ROI of proactive compliance manifests through reduced costs, improved efficiency, stronger reputation, better employee retention, and greater strategic influence – making it a business imperative rather than just a regulatory requirement.

Conclusion: From Compliance Burden to Strategic Advantage

Excellence in compliance execution requires a thoughtful, comprehensive approach spanning multiple dimensions. This includes establishing mature governance frameworks, leveraging appropriate technology solutions, building organization-wide compliance culture, developing meaningful metrics, and continuously adapting to evolving regulatory landscapes.

Organizations that excel maintain structured checklists covering foundational compliance, employment practices, benefits administration, safety protocols, data privacy, remote work compliance, and reporting mechanisms – creating systematic approaches to managing increasingly complex requirements.

The most successful HR departments position compliance excellence as a strategic differentiator rather than an administrative burden. By owning compliance with pride, communicating its business impact effectively, and connecting compliance outcomes to employee experience and organizational performance, HR establishes the credibility foundation necessary to drive meaningful change.

As regulatory complexity continues increasing, organizations that establish compliance mastery create sustainable competitive advantages through enhanced risk management, improved workforce experiences, greater operational agility, and stronger stakeholder trust.

Partner with us in 2025



H3 HR Advisors is a full-service Human Capital Management consulting, research, and advisory firm. Additional packages or retainer options available.

Launched in 2009, The HR Happy Hour Media Network features the longest continuously running internet radio show and podcast on all things HR and HCM.

Succeed by building relationships that drive your ambitious business results forward with experience and insights you can trust

-  HR and learning leaders bringing our combined 70+ years of experience to your project
-  Providing an objective look at your solution and marketing needs
-  Helping you reach your product and customer goals
-  Utilizing our company research to support your business imperatives
-  Thought leadership to understand the evolving workplace
-  Projects tailored specifically to your needs

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