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Small Business Bulletin

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Small Business Tips for Overcoming HR Distrust

HR performs several functions that are necessary for small businesses including employee recruitment, onboarding, training, payroll and benefits, compliance and employee relations. Despite the value that HR professionals provide to employees, many small businesses find it difficult to maintain these teams' credibility among workers.

A report from Secure Data Recovery found that more than a third of U.S. workers working for small companies don't trust their company's HR due to factors such as bias, favoritism and inconsistency.

A lack of confidence in HR can lead to distrust of leadership, a lack of transparency, poor workplace cultures and potentially high employee turnover. Therefore, it's crucial for small employers and their HR teams to understand the key reasons for this distrust and implement strategies to foster credibility among employees.

Reasons for HR Distrust in Small Businesses

Small businesses tend to face unique HR challenges due to limited resources and staffing constraints. Despite a smaller number of staff, small businesses still have burdensome compliance, benefits and HR requirements. Many of these smaller businesses have minimal HR teams or an HR department of one.

With minimal resources, even well-intentioned HR functions can act in ways that lead to distrust among workers. Key factors that contribute to HR distrust within small businesses include the following:

- Poor communication
- Favoritism
- Disorganization
- Inconsistent policies
- Lack of empathy

- Failure to address employee concerns
- Lack of employee advocacy

Gaining Trust

By improving departmental practices and focusing on employee needs, small businesses' HR teams can earn trust among workers and help create a positive workplace culture. The following strategies can build trust in HR:

- **Invest in training your HR staff.** Thorough and regular training and development equips HR teams with the skills and knowledge to support employees and address their concerns. For businesses with an HR department of one, this could mean upskilling or investing in that employee's development so they can better serve the needs of employees.
- **Practice transparency.** Transparency entails open and honest communication about company policies, decisions and changes. This practice can help build trust with HR, as it reduces uncertainty and keeps employees informed.
- **Align HR with employee needs.** It's imperative that HR understands and addresses the diverse needs of the workforce. HR teams should listen and respond to employee feedback and concerns, or even conduct a survey. This alignment fosters trust, allowing employees to feel seen and heard.
- **Advocate for employees.** When HR stands up for workers' rights and well-being, employees are more likely to view these teams as their allies, thus instilling confidence and trust in HR.



- **Focus on employee development and career advancement.** Investing in employees' careers and skills can show that HR is dedicated to their growth and personal development. In turn, this can gain workers' trust, as HR demonstrates that it values their futures and long-term success.

Conclusion

Although it may be challenging for small businesses, it's crucial to create productive HR functions so these teams engender trust among employees. By implementing strategies to address the key factors that lead to HR distrust, employers can reduce turnover and improve employee satisfaction and engagement, leading to a healthy workplace culture.

Contact us today for additional HR resources.

Report: Wages and Benefits Increase by 0.9% in Q4 2024

In its [recent Economic Cost Index \(ECI\) report](#), the U.S. Bureau of Labor Statistics noted that compensation costs for civilian workers increased by 0.9% in the fourth quarter of 2024, consistent with the rise observed in the previous quarter. Over the 12-month period ending in December 2024, compensation costs grew by 3.8%, a slight deceleration from the 4.2% increase recorded in December 2023. Compensation for state and local government workers rose 4.7%, unchanged from the previous quarter.

Wages and salaries, which constitute the majority of compensation costs, also saw a 0.9% increase in the fourth quarter. Annually, wages and salaries rose by 3.8% through December 2024, down from a 4.3% increase in the previous year. Benefit costs for workers went up by 0.8% in the fourth quarter and experienced a 3.6% rise over the year, compared to a 3.8% increase in December 2023.

“A balanced labor market along with wage growth compression efforts by employers led to a moderate 0.9% gain in the Employment Cost Index (ECI) in Q4.”

- Gregory Daco, chief economist at EY-Parthenon

These figures align with economists' expectations, indicating a steady but moderate growth in labor costs. The ECI, a key indicator of labor market health and a predictor of core inflation, reflects these trends.

The ECI measures changes in the cost of employees' wages and benefits to employers over time. The Federal Reserve (Fed) closely watches the ECI and the trajectory of wage growth as it considers interest rate changes.

Employer Takeaway

The consistent rise in compensation costs underscores the ongoing challenges in managing labor expenses. Employers should expect compensation increases to remain competitive in 2025. Small businesses should continue to monitor labor and compensation trends in 2025 to inform their workplace strategies.

Contact us for more resources.