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The State of Employment Law Compliance in 2026

A benchmark report for HR leaders & compliance decision-makers

Learn more at sixfifty.com

About this report

For SixFifty's second annual State of Employment Law Compliance survey, we polled more than 340 professionals across HR and other compliance roles with the goal of answering one overarching question: **How are teams navigating, managing, and investing in compliance?**

In 2025 alone, we saw:

- A new presidential administration shift the federal regulation priorities
- States rapidly adopting popular pay transparency and paid leave policies
- And AI continue to fundamentally how teams work on a day-to-day basis

And with these changes comes a lot of complexity.

One common refrain of year's respondents was that they "don't know what they don't know" when it comes to employment law—which becomes particularly difficult for undersized HR teams with small budgets, long "to-do" lists, and a lack of resources for managing compliance effectively.

With 64% of respondents noting that it got more complex to comply with state and federal law in 2025 than the year before, it's clear that compliance simplicity is more needed than ever.

We hope both the stats and sentiments in this report can help HR teams have important discussions with stakeholders about their org's best practices, points of weakness, and needed resources—so they can stay protected from unnecessary risk.

KIMBALL DEAN PARKER
Founder and CEO, SixFifty



About SixFifty

SixFifty's AI-powered HR compliance platform makes employment law more accessible by automating world-class legal expertise. SixFifty's compliance tools take on complex state-specific legal issues by providing a robust employment law database, and customized contracts, policies, and documents to HR teams. SixFifty continuously monitors the law to update you and your documents in real-time. For more information, please visit www.sixfifty.com.

Executive summary:
Three key trends to watch

46%

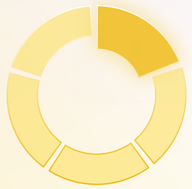


of HR teams plan to use AI as a compliance resource for the first time in 2026

Yet **only 61% of teams reported having an AI use policy** that sets clear guidelines and restrictions for employees.

Will compliance, accuracy, and bias issues from AI plague HR teams this year?

1 in 5 companies



were subject to an employment-related lawsuit in 2025

Employers that faced penalties paid out an **average of $180,700 for successful suits and enforcement action** by state and federal agencies over those compliance infractions.

Will compliance start to be a top priority as financial risks of non-compliance increase?

50%



of HR teams don't feel they have sufficient resources for managing compliance effectively

And only **55% percent of teams feel they are proactive** when it comes to compliance.

Can HR teams and their stakeholders figure out more effective ways to stay compliant without breaking the bank on expensive legal resources?

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1

How Compliance Complexity Impacts HR Teams

When we asked HR teams what made the law easier to manage this year, those that felt it got easier often cited internal factors—like additional access to compliance software and resources, improved planning processes, and more familiarity with the requirements.

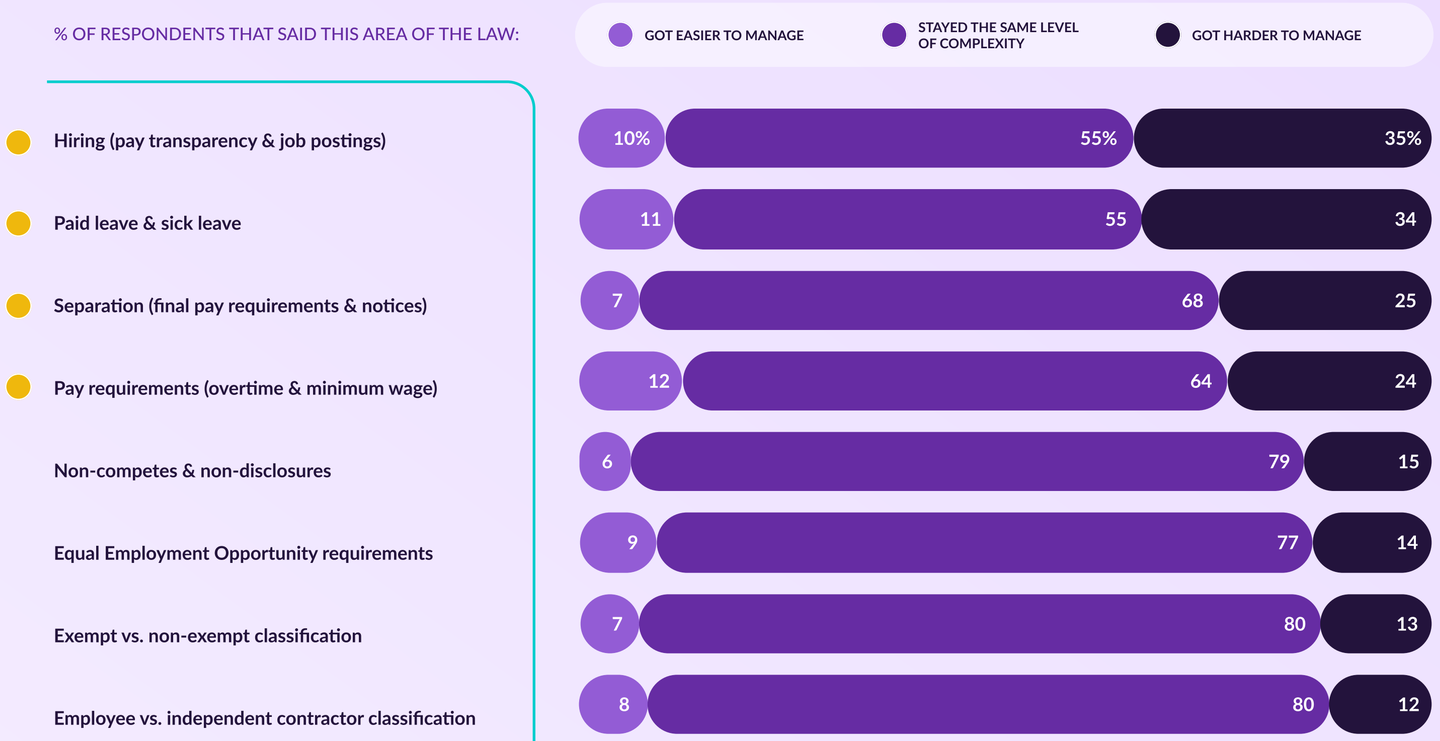
However, it's clear that external factors—such as regulatory shifts, multi-state complexity, and changes in the presidential administration—made compliance more broadly complex, as 64% of teams said compliance got harder to manage in 2025 than the year before. Let's dive into why.

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Compliance isn’t getting easier across the board

“Compared to last year, did it get easier or harder for your team to manage employment compliance in 2025 for the following areas of the law?”

% OF RESPONDENTS THAT SAID THIS AREA OF THE LAW:



- What drove increased complexity for these areas of the law?

MORE DETAILS IN THE NEXT PAGE →

What drove increased compliance complexity for HR teams? Here's what respondents said:

1

The multi-state compliance juggling act

Variations in state-specific obligations created a constant risk of inconsistency and error for many HR professionals.

"Each state has different requirements, timelines, and interpretations, and even small [headcount] changes can have major downstream impacts on policies, payroll, and manager training."

– HR Generalist, Manufacturing industry

2

Rapidly changing laws

HR professionals said they struggled to keep up with the pace of legal updates, which created uncertainty and forced teams into a reactive posture rather than proactive compliance planning.

"We had employees going out on leave as the laws were changing, and it was difficult to determine which version of the law applied and how to administer leave correctly in real time."

– Talent & Administrative Specialist, Not-For-Profit industry

3

Resource constraints

Many respondents pointed to limited staffing, time, and budget as a core factor holding their HR team back—even when their team understood what they needed to do to stay compliant.

"We simply don't have the time or staffing to stay on top of all the changes. Compliance is important, but it competes with so many other priorities, and without more resources it feels impossible to do it well."

– Human Resources Coordinator, Accounting industry

2

Where Compliance Commonly Breaks Down

Compliance issues aren't just reserved for openly negligent teams.

Even a well-intentioned HR team that's spread too thin—especially when they don't have the proper level of leadership support and financial investment to manage compliance—can see costly mistakes start to hurt their business.

This isn't just a hunch, either: When we asked HR teams what's keeping them from managing compliance effectively, "time" was the most cited reason, with "budget" and "leadership prioritization" a close second and third, respectively.

The divide between HR and non-HR leadership is real. The question is: What can both groups do to start seeing eye-to-eye on compliance *before* the penalties hit?

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The gap between compliance effort and confidence widens

EXPERT INSIGHT

RYAN PARKER
Chief Legal Officer, SixFifty



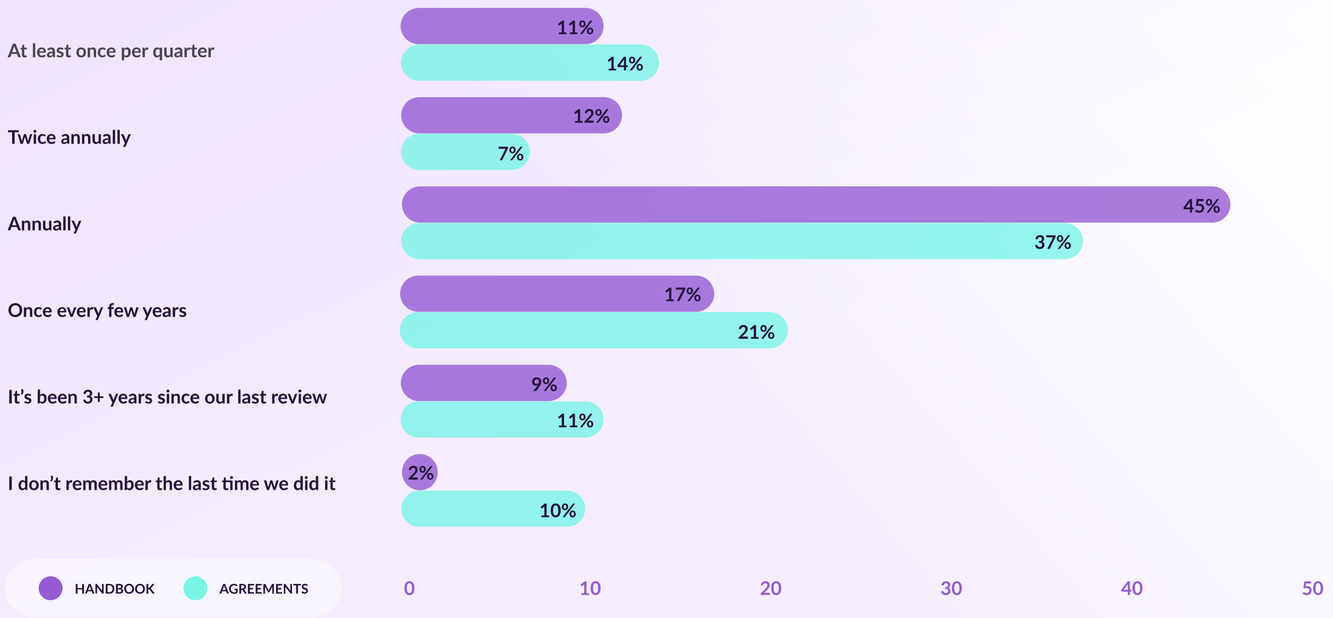
Improving compliance efficiency

“Many companies get caught in the trap of prioritizing compliance projects only once they’ve made a mistake and been penalized. HR compliance is like so many other things in life: Doing a little work on a regular basis can save you a lot of work down the road. If you take a little time each month to review how your organization has evolved, and how employment laws have changed in the states where you have employees—then update your employee handbook when necessary—you’ll never be faced with the often overwhelming task of trying to revive a long-neglected, out-of-date handbook.”

HR professionals spend 28% of their job on employment law compliance tasks, on average	**Yet only 55% of HR professionals describe their company as “proactive” when it comes to employment law**
In-house teams are spending an average of 555 hours per year just on compliance work	**Yet HR professionals rate their “confidence that their org is following all applicable laws” at just a 6.8 out of 10**
Companies that utilize legal counsel for employment compliance help spend an average of $66,280 per year for that legal assistance	**Yet a quarter (24%) of respondents feel some degree of pressure from leadership to use AI as a cost-saving measure**

Outdated documents are a silent epidemic for businesses

“How often do you review and refresh your handbook and agreements to make sure they're compliant with current employment laws?”



HR teams are more likely to review their agreements quarterly than their handbooks...

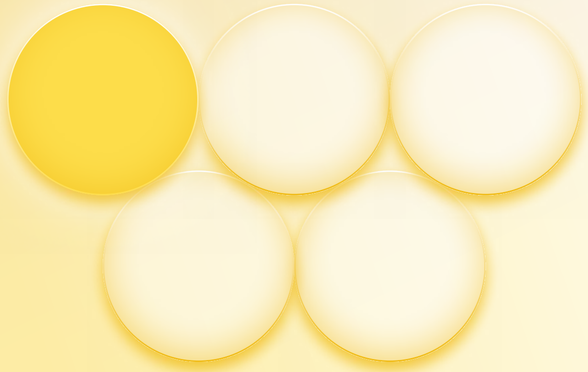
...but they’re more likely to let agreements go 2+ years between refreshes than their handbooks.

42% of HR professionals aren’t satisfied with the rate at which they review/refresh their handbooks and agreements.

Non-compliance is getting extremely costly

1 in 5 companies

faced at least one compliance-related lawsuit from an employee in 2025



Employers subject to regulatory enforcement or successful suits paid an average of

$180,706

in penalties in 2025

42% of the reported financial penalties came from small- or medium-sized businesses (less than 250 employees)

Still think you're "small potatoes" and can afford to risk it?

You might want to reconsider.

Just since the start of 2026, the DOJ has levied notable fines against businesses, including:

- $790k in back wages, damages, and penalties to a California drywall company for inaccurate records of hours worked
- $147k in back wages and liquidated damages to an Arizona roofing company for withheld overtime
- $366k in back wages against an Idaho restaurant group for illegally including managers in a mandatory tip pool
- $162k in back wages against a Wisconsin medical company for unrecorded off-hours work

Comprehensive employment compliance, without spending an arm and a leg?

Yes, you can have both.

SixFifty customers said they saved an average of 180 hours a year that their HR team would have otherwise spent on compliance tasks.

That's because SixFifty makes it easy for HR teams to solve routine compliance challenges—without having to worry about manually monitoring the law, or paying expensive hourly fees to outside counsel for simple handbook updates.

Navigate employment laws, generate compliant documents, and keep up with changing requirements with SixFifty AI-powered employment law compliance platform.

LEARN MORE



3

How HR is Feeling about Compliance

There's a clear disparity between HR and leadership on how much effort compliance *actually* takes.

Only 24% of respondents agreed that non-HR leadership understands how much time and complexity is involved in managing multi-state compliance.

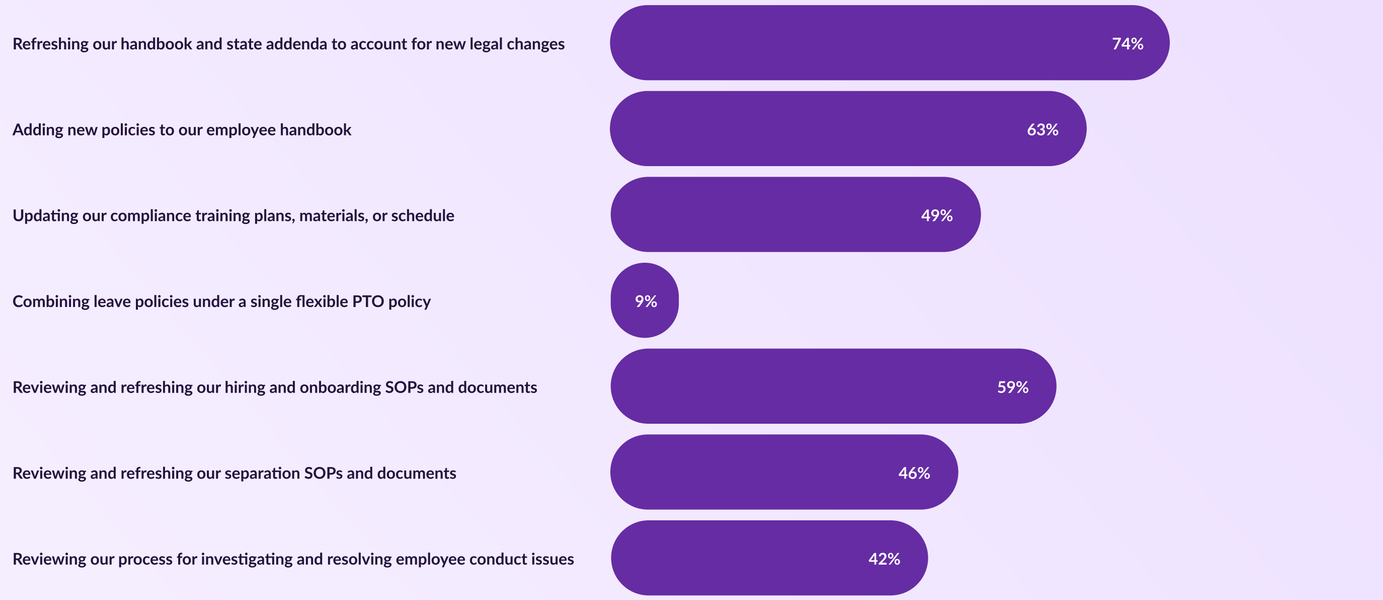
Despite that, HR teams are still focused on delivering mission-critical compliance projects this year, from handbook updates to SOP audits. How successful they'll be will largely be determined by how effectively they can clear roadblocks.

This section explore what some of those roadblocks are—and how they impact HR teams' ability to manage compliance effectively.

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HR has big goals for compliance in 2026

“Which of the following compliance-related projects is your team planning on delivering in 2026?”



EXPERT INSIGHT



ADAM WRIGHT
Deputy General Counsel, SixFifty

Why is creating a single PTO policy low on HR’s priority list this year?

“Over the last several years, we’ve seen more employers opt for a single PTO policy that covers most or all of their legal leave requirements. There are a lot of benefits to this approach: It’s easier to administer, all employees get the same leave no matter what state they work in, and it helps attract top talent.

But a single PTO policy can also present challenges, and these survey results may show that. For example, a single PTO policy for all employees can be costly because employers will often provide more leave than what’s legally required (although many employers find the benefits outweigh these costs).

Also, a combined PTO policy doesn’t mean HR teams don’t have to worry about state law compliance anymore. Employers must still make sure they’re complying with state rules on amounts of leave, carryover, payout, and notice requirements, just to name a few.”

There's a divide between how HR treats compliance and how leadership views it

Only 2% of HR professionals said keeping up with changes to (and complying with) employment law got easier in 2025	**Yet only 36% of respondents said that their non-HR leadership treats compliance with the same level of importance as their HR team does**
53% of HR "teams of one" have employees in 2 or more U.S. states—with nearly 21% of these solo HR professionals having to manage employees in 6+ states	**Yet 1 in 3 respondents said their non-HR leadership doesn't understand that their company needs to comply with the law in *all the states* where they have employees**
HR teams cited "having to spend time 'putting out fires' in other parts of my HR role" as their #1 biggest challenge in managing compliance day-to-day	**Yet respondents cited "leadership underestimates how complex and time consuming compliance work is" as the #1 roadblock to securing budget, resources, and support for compliance**

4

The Tools Making Compliance Easier

Companies are investing significant resources to get compliance right—relying on outside counsel, PEOs, consultants, and employment compliance software like SixFifty to make sure they aren't breaking the law.

Many times, team are using two or three of these resources at once. Yet only 50% of HR teams said they feel they have sufficient resources to manage compliance.

It's clear, then, that the issue isn't the availability of compliance resources, but rather companies' willingness to invest in them—so their HR team has access to the right tools for the job.

While there is still no replacement for human legal advice from a lawyer, there are more tools than ever to help HR teams build an efficient, cost-effective compliance "tool stack." This section explores which ones teams are turning to in 2026.

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Compliance teams are taking advantage of every resource at their disposal

Legacy methods for accomplishing employment law compliance remain popular:

These are the three most common:

85%
of teams
Utilize their in-house HR team for compliance work

54%
of teams
Rely on external legal counsel

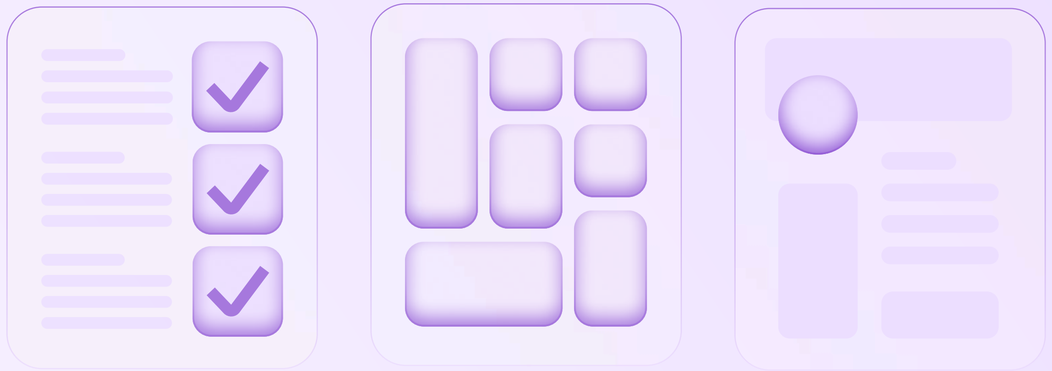
31%
of teams
Rely on in-house support from general counsel

For HR teams that do use software to help manage compliance, the most common types of tools they use are:

Handbook/policy generation tools (like SixFifty)

Poster software (like PosterGuard)

Comprehensive HRIS systems (like BambooHR)



Compliance teams are taking advantage of every resource at their disposal

Legacy methods continue to draw more dollars—with human legal expertise commanding high fees

HR teams that retain outside legal counsel for compliance tasks spend an average of **$66,280 per year for those services**

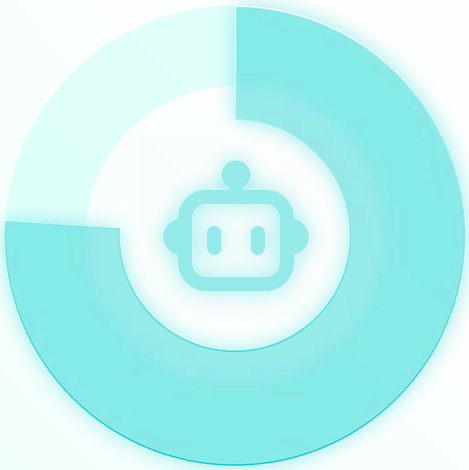
Teams that utilize software tools reported spending an average of **$9,900 a year for those platforms**

Team are still largely in the experimental phase with AI, but its adoption as a compliance resource is growing

76%

of teams

—whether they are using AI already or not—don't feel pressure from leadership to adopt AI as a compliance tool



HR is increasingly turning to technology vs. traditional avenues for outsourcing compliance tasks

In 2026, this % of HR teams plan to **increase spend** on:

30%	24%	22%
Generative AI tools	Employment law compliance software	Building out their in-house HR team

In 2026, this % of HR teams plan to **decrease spend** on:

45%	26%	14%
External legal counsel	Consultants/ PEOs	Employment compliance software

An interesting note:

46%

of HR team said 2026 will be their first year using Generative AI as a compliance resource.

EXPERT INSIGHT

SETH BARANY
Legal Product Counsel, SixFifty



Does the rapid increase in AI use present any compliance concerns?

“Yes; A lot of the AI tools on the market are relatively new, so we don't really know how accurate they are or whether they'll be able to keep up with changes in the law. Using an AI tool you don't fully understand can expose you to liability if the tool gives inaccurate advice or produces biased results.”

SixFifty

SixFifty turns AI into your superpowered legal assistant for employment law compliance

LEARN MORE



- Access intelligent tools for generating custom handbooks, policies, agreements, and state addenda in minutes
- Get updates pushed directly into your docs as the law changes—making updates as simple as hitting “accept”
- Tap into AI-powered search with Ask SixFifty AI to get quick employment law answers from our world-class legal database

5

AI's Impact on Compliance

No other technology has threatened to upend (and revitalize) the way HR teams manage compliance than AI.

The big question teams are having to answer is: Does AI as a solution introduce more problems than it solves?

AI is allowing teams to research the law, draft, and gut-check faster than ever—but concerns about security, accuracy, and bias are still top of mind for HR teams.

This section explores how HR teams are approaching the new compliance frontier of AI, for better and worse.

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AI has teams feeling empowered to handle compliance themselves

We asked respondents "Which use cases related to employment law compliance have you seen AI be most useful?" and these were the 5 most common themes:

1 Research & Answering Legal Questions

Respondents most often described using AI to research employment laws, answer specific compliance questions, and interpret legal requirements. This includes quick lookups, clarifying how a law applies to their situation, and sanity-checking understanding without immediately involving outside counsel.

2 Policy Drafting, Review, and Updates

The second most common use case for AI was drafting, reviewing, or updating HR policies and employee handbooks. Many respondents referenced using AI tools to help modernize language, ensure consistency, or adapt policies when laws change.

3 Document and Template Creation

Respondents frequently mentioned using AI to create HR-related documents or templates, such as policy drafts, internal guidance documents, or standardized language they can customize. This use case often overlaps with policy work but focuses more on content generation than legal interpretation.

4 Summaries and Plain-English Explanations

Another common use case was summarizing complex legal information or translating regulations into plain English. Respondents valued being able to quickly understand dense material and explain it to non-HR stakeholders.

5 Compliance Guidance & Checks

The fifth most common theme involved double-checking compliance, validating decisions, or using tools as a guardrail before taking action. These responses framed AI as a risk-reduction aid, not a replacement for judgment.

Teams are being mindful of the risks with using AI for HR work...

Top 3 concerns HR professionals have with HR using AI in compliance-related work:

Accuracy

Having AI hallucinate and cite incorrect legal information, state laws, deadlines, etc

"Management likely thinks AI can replace the service side of HR team, but with employees using AI to 'fight' employers on issues such as how policies are applicable, leave laws, disciplinary actions, etc., I would argue we still need the same amount of HR service team employees."

– HR Business Partner, Insurance industry

Lack of legal vetting

Having AI draft a policy that isn't legally enforceable

"AI is not at a point where it's safe to use in a legally defensible manner for a lot of compliance work, and business work in general. The security and transparency isn't there. Once a lot gets cleared up, then we may consider it in the future—right now it's still far too early, and poorly implemented in most cases."

– Director of Human Resources, Retail industry

Bias

Having AI produce unintentionally discriminatory outputs when evaluating job candidates

"We are open to using AI; however, we don't have the support to properly educate our management team on best practices."

– HR Director, Legal Services industry

...and are cautious about letting employees use AI at work.

Top 5 concerns HR professionals have with *all employees* using AI in day-to-day work:

#1

Data security

#2

Use of unapproved or unvetted tools

#3

Using AI to form responses to disciplinary issues during conflict resolution that incorrectly interprets company policy

#4

Filing complaints with HR based on inaccurate legal information supplied by AI

#5

Poor quality of work impacting company reputation

6

Appendix

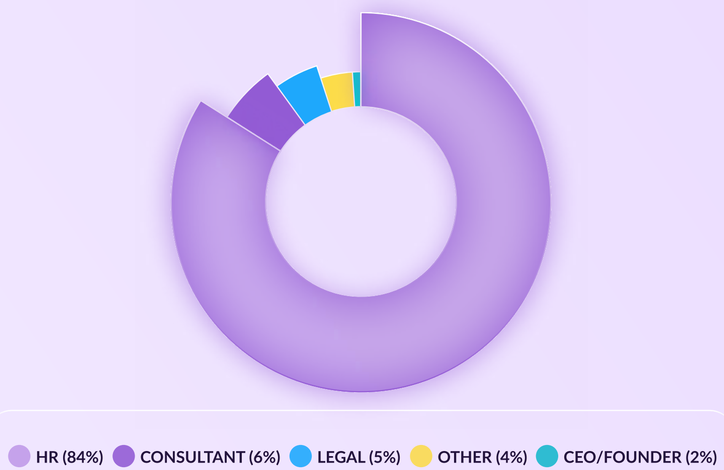
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Methodology

We surveyed over 340 professionals who are directly involved in managing or supporting employment law compliance within their companies, or work as consultants assisting other organizations with compliance efforts.

Here is the makeup of the survey group:

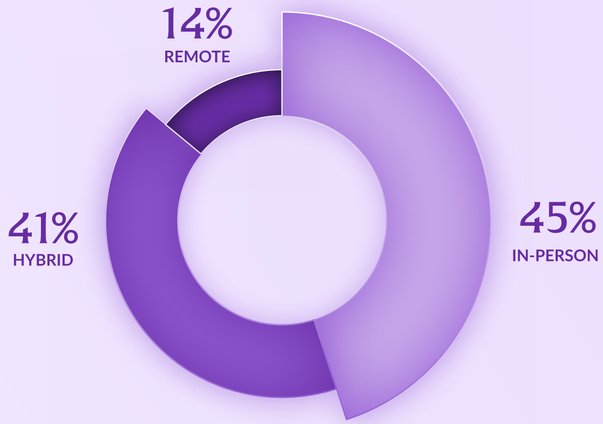
CURRENT ROLE



AVERAGE HR EXPERIENCE

16.2
years

WORKFORCE TYPE

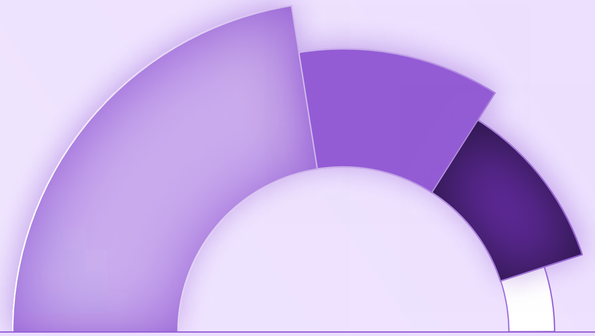


EMPLOYEE SPREAD

43%
HAVE EMPLOYEES IN AT LEAST 6 U.S. STATES

31%
HAVE EMPLOYEES IN ONLY ONE STATE

22%
HAVE EMPLOYEES IN 20 OR MORE STATES



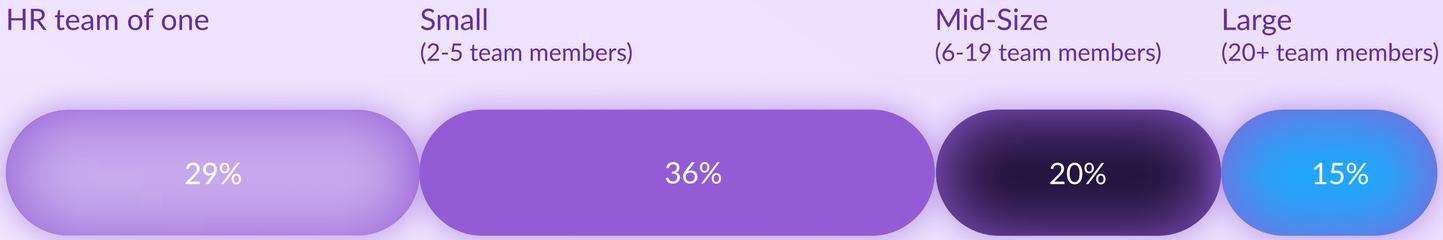
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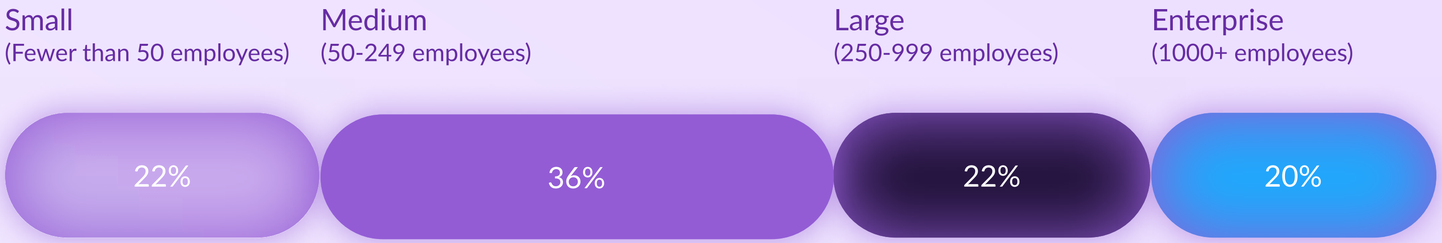
Here is the makeup of the survey group:

CURRENT COMPANY:

HR TEAM SIZE



COMPANY SIZE



Definitions & Notes

“Employment law compliance”

For the purposes of this survey and report, we have defined “employment law compliance” as the set of work tasks encompassing:

- Monitoring state-specific regulations on various employment policies
- Staying educated on developments and trends in employment law
- Creating and maintaining employee handbooks
- Completing the required steps to hire in a new state
- Distributing employee notices and labor posters
- Drafting employment and separation agreements
- Conducting employee training
- Registering and complying with federal and state leave requirements
- Ensuring employees are classified correctly

This definition was provided to respondents at the beginning of the survey.

“HR teams”

For simplicity in language throughout this report, any references to “HR teams” broadly encompasses all respondents of this survey (such as CEO/Founders and Legal)—not solely those with formal HR roles.

Survey group

We primarily targeted three specific databases of HR professionals, leaders, and decision-makers to source responses for this report:

- Existing SixFifty email list (roughly 10% SixFifty customers and 90% non-customers)
- Human Resources Certification Institute (HRCI) member list
- HR professionals on LinkedIn reached through targeted ads and organic posts

These two databases were selected to 1) increase our likelihood of gathering participation from higher-level HR leaders who are actively involved in employment law compliance at their companies, and 2) minimize the chance of surveying professionals who primarily deal with other functions within HR—such as recruiting and benefits management.

Citations

Please feel free to use any stats found within this report with the following citation:

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