



The State of Compliance: How HR Teams are Managing Risk in 2026

March 5, 2026

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“The State of Employment
Law Compliance in 2026”



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The State of Employment Law Compliance in 2026

A benchmark report for HR leaders & compliance decision-makers

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<p>of HR teams plan to use AI as a compliance resource for the first time in 2026</p> <p>Yet only 61% of teams reported having an AI use policy that sets clear guidelines and restrictions for employees.</p> <p>Will compliance, accuracy, and bias issues from AI plague HR teams this year?</p>	<p>companies were subject to an employment-related lawsuit in 2025</p> <p>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.</p> <p>Will compliance start to be a top priority as financial risks of non-compliance increase?</p>	<p>of HR teams don't feel they have sufficient resources for managing compliance effectively</p> <p>And only 55% percent of teams feel they are proactive when it comes to compliance.</p> <p>Can HR teams and their stakeholders figure out more effective ways to stay compliant without breaking the bank on expensive legal resources?</p>
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The State of Employment Law Compliance in 2026

Today's panelists



Alyssa Melanson
HR Practice Lead
People Function



Priscilla McMahon
Founder and CEO
The Work-Life Group

Agenda

1

Compliance
Challenges

2

Getting
Leadership
Invested

3

AI's Impact
On Compliance

The law is getting more difficult to manage...

% OF RESPONDENTS THAT SAID THIS AREA OF THE LAW:

● GOT EASIER TO MANAGE

● STAYED THE SAME LEVEL OF COMPLEXITY

● GOT HARDER TO MANAGE

● Hiring (pay transparency & job postings)

10%

55%

35%

● Paid leave & sick leave

11

55

34

● Separation (final pay requirements & notices)

7

68

25

● Pay requirements (overtime & minimum wage)

12

64

24

Non-competes & non-disclosures

6

79

15

Equal Employment Opportunity requirements

9

77

14

Exempt vs. non-exempt classification

7

80

13

Employee vs. independent contractor classification

8

80

12

...and HR teams are feeling the pressure to keep up.

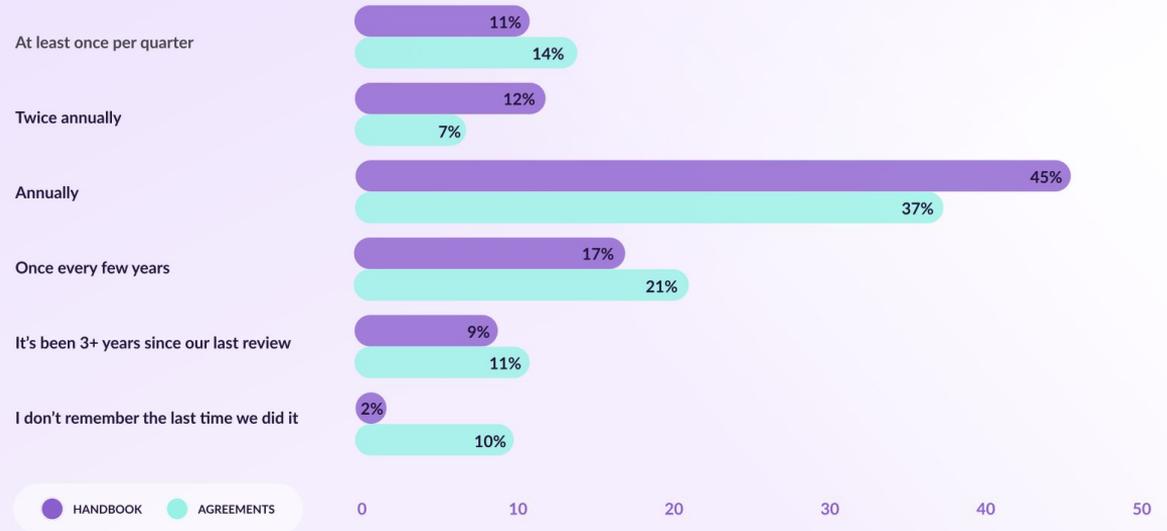
HR professionals spend 28% of their job on employment law compliance tasks, on average

In-house teams are spending an average of 555 hours per year just on compliance work

42%

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

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



What's driving this compliance complexity?

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

Discussion

- How are you seeing teams successfully tackle compliance issues for areas like hiring and paid leave? What are the biggest pain points for these areas?
- What practical triggers or milestones should prompt a handbook or policy review, and how frequently should companies realistically refresh their documents?
- What does a proactive compliance cadence *actually look like* in practice—monthly reviews, ownership assignments, document tracking, etc.—and how can smaller HR teams realistically maintain it?

The divide between HR and non-HR leadership widens

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

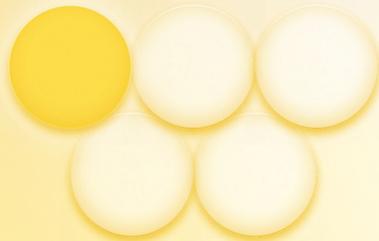
HR teams cited “having to spend time ‘putting out fires’ in other parts of my HR role” as their #1 biggest challenge in managing compliance day-to-day

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

Non-compliance is a huge cost for businesses

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)



Discussion

- How do you get leadership caring about compliance? What's an effective talk track for conversations with leadership when they *aren't inclined* to care?
- What are some strategies for getting other non-HR teams invested in supporting your compliance efforts?
- **For small HR teams that simply can't get the budget, time, tools to do what they need to do:** What you do prioritize first when only the bare minimum is possible—and what's the long-term play? Is there an effective strategy to build toward more investment over a years-long period of time?

HR teams are diversifying their compliance tool stack

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

30%

Generative
AI tools

24%

Employment law
compliance software

22%

Building out their
in-house HR team

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

45%

External legal
counsel

26%

Consultants/
PEOs

14%

Employment
compliance software

An interesting note:

46%

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

AI compliance concerns are top-of-mind

Respondents listed these as their top 3 concerns with having their HR team use AI for compliance tasks:



Lack of legal vetting

Having AI draft a policy that isn't legally enforceable



Accuracy

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



Bias

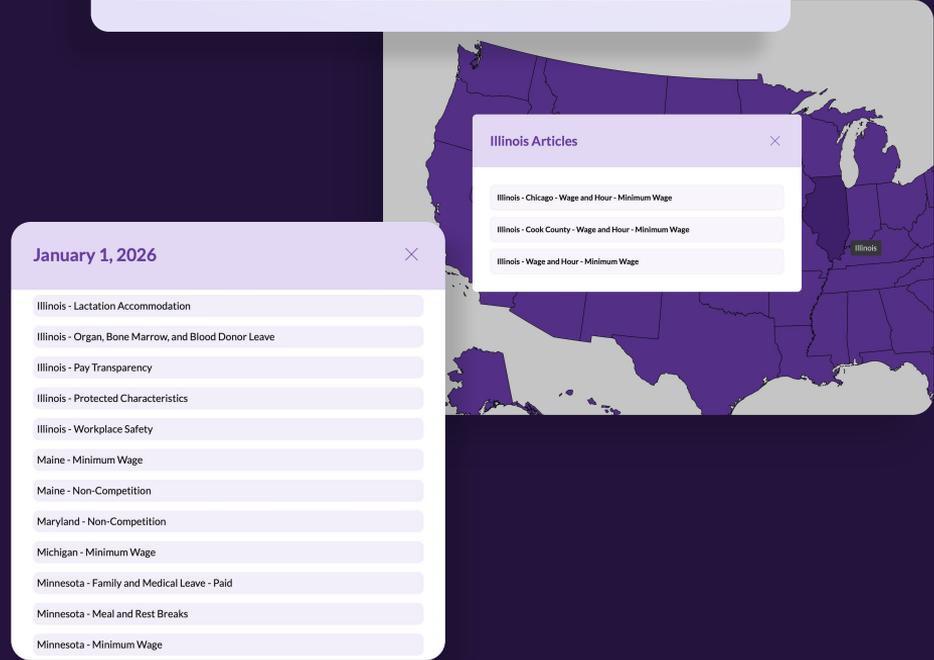
Having AI produce unintentionally discriminatory outputs when evaluating job candidates

Discussion

- What are the lowest-risk use cases for AI that HR teams should start with—and which use cases require more caution?
- What validation process should HR teams follow when using AI for compliance-related tasks? What guardrails have you seen be effective?
- Are there tools or compliance resources (free or otherwise) you're surprised more teams aren't taking advantage of?

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