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HANDBOOK TEMPLATE

HR Policy Handbook Template for Small Businesses

A ready-to-use, customisable HR policy document for Indian SMEs. Covers employment terms, attendance, leave, compensation, POSH, grievance redressal, and exit policies. Edit it, print it, hand it to every employee.

Updated June 2026 18 Pages FY 2025-26

10
Policy Chapters
Every essential HR policy

50+
Ready Clauses
Edit and use as-is

100%
India-Compliant
PF, ESI, POSH, Bonus Act

All
Industries Covered
Restaurant to corporate

What's Inside

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01 Introduction & How to Use This Handbook

What this handbook covers and how to customise it for your business

Every business with even 5 employees needs written HR policies. Not because it's fancy, but because verbal rules create confusion, disputes, and legal risk. This handbook gives you a ready-made structure. Fill in your company details, adjust the numbers to your reality, and hand it to every employee on Day 1.

Why You Need This

Most small businesses in India run HR on verbal agreements. That works until it doesn't. An employee claims they were promised 20 days of leave. Another says their notice period was 15 days, not 30. A third files a complaint and you have no documented grievance process.

Written policies protect both the employer and the employee. They set clear expectations. They reduce disputes. And they keep you compliant with Indian labour laws that specifically require documented terms of employment.

How to Customise This Handbook

- **Replace [Company Name]** with your registered business name throughout the document.
- **Adjust numbers** like leave days, notice periods, and probation duration to match your business.
- **Remove sections** that don't apply. If you don't serve food, skip the FSSAI reference. If you have no shifts, skip the shift policy.
- **Add your logo** and company address to the cover page.
- **Get it reviewed** by your legal advisor or CA before distributing. Laws vary by state.
- **Print and distribute** to every employee. Get a signed acknowledgment that they received and read it.

> **Important Disclaimer**
>
> This handbook is a template for reference purposes. It does not constitute legal advice. Labour laws vary by state and industry. Always consult a qualified legal professional or your state's labour department before finalising your HR policies.

02 Company Overview & Culture

Template section for your company introduction

Start the handbook with a brief introduction to your company. Employees should know who they're working for, what the company does, and what values drive the workplace.

Company Details (fill in yours)

Company Name	[Your Company Name]
Registered Address	[Full registered address]
Year of Incorporation	[Year]
Industry	[Restaurant / Retail / Manufacturing / Services / etc.]
Number of Employees	[Current headcount]
HR Contact	[Name, phone, email]

Mission & Values (sample, replace with yours)

[Company Name] is committed to building a fair, respectful, and productive workplace. We believe in treating every team member with dignity, providing growth opportunities, and maintaining transparency in all employment matters.

Our core values: [List 3-5 values relevant to your business. Examples: Integrity, Customer First, Teamwork, Continuous Learning, Safety].

> **Keep It Real**
>
> Don't copy-paste generic corporate values. Write 3-5 values your team actually lives by. 'We don't cut corners on food safety' is better than 'We strive for excellence in all endeavours.'

03 Employment Terms & Conditions

Hiring, probation, confirmation, and employment categories

Clear employment terms prevent 90% of workplace disputes. This chapter covers the basics every employee should know from Day 1.

Employment Categories

- **Full-time employees:** Work the standard hours defined by the company (typically 8-9 hours/day, 48 hours/week). Entitled to all benefits.
- **Part-time employees:** Work fewer than standard hours. Benefits are pro-rated based on hours worked.
- **Contractual employees:** Engaged for a fixed period or project. Terms governed by the contract agreement.
- **Trainees / Interns:** Engaged for learning purposes. Stipend and duration as per offer letter.

Probation Period

All new employees serve a probation period of [3 / 6] months from the date of joining. During probation, either party may terminate employment with [7 / 15] days' written notice or salary in lieu of notice.

Confirmation is not automatic. The reporting manager reviews performance before the probation period ends. The company may extend probation by up to [3] months if performance needs improvement. Confirmed employees receive a confirmation letter.

Notice Period

After confirmation, the notice period is [30 / 60] days for both the employer and employee. During the notice period, the employee must complete a proper handover of responsibilities.

The company may waive the notice period at its discretion. If an employee leaves without serving the full notice, the company may recover the shortfall from the full and final settlement.

Notice Period Summary

Employee Category	During Probation	After Confirmation
Full-time staff	[7-15] days	[30-60] days
Contractual staff	As per contract	As per contract
Senior management	[15-30] days	[60-90] days

Adjust these based on your industry. Restaurant staff typically have 15-30 day notice periods. Corporate roles may need 60-90 days.

Legal Requirement

Under the Shops & Establishments Act (applicable in most states), every employee must receive a written appointment letter within 30 days of joining. The letter must include designation, salary, notice period, and probation terms.

04 Working Hours & Attendance Policy

Standard hours, shifts, overtime, and attendance tracking

Attendance disputes are the #1 source of payroll conflicts in small businesses. A clear attendance policy, backed by a reliable tracking system, fixes this.

Standard Working Hours

Working hours per day	[8 / 9] hours (excluding breaks)
Working days per week	[6 / 5.5 / 5] days
Weekly off	[Sunday / Rotational]
Break duration	[30 / 60] minutes (lunch break)
Shift timings	[Define shifts if applicable, e.g., Morning 7am-3pm, Evening 3pm-11pm]

Overtime Policy

Work beyond standard hours is considered overtime. Under the Factories Act 1948 (for manufacturing) and most state Shops & Establishments Acts, overtime is payable at twice the ordinary rate of wages.

Overtime must be pre-approved by the reporting manager. No employee should work more than [10 / 12] hours in a single day or [48 / 54] hours in a week, as per applicable labour laws.

Attendance Rules

- **Reporting time:** Employees must report at the scheduled shift start time. A grace period of [10 / 15] minutes is allowed.
- **Late arrival:** [3] late arrivals in a month count as [0.5] day of absence. Habitual lateness leads to disciplinary action.
- **Early departure:** Leaving before shift end without manager approval counts as half-day absence.
- **Tracking method:** [Biometric / face recognition / manual register / mobile app]. Buddy punching is a terminable offence.
- **Absence without notice:** If an employee is absent for [3+] consecutive days without informing the manager, it is treated as voluntary abandonment of employment.

Automate Attendance

Manual attendance registers are unreliable and easy to manipulate. Attendo offers biometric and face recognition attendance with geo-tagging. Works even with oily or wet fingerprints. Call +91-72280 34343 for a demo.

05 Leave Policy

Types of leave, eligibility, and how to apply

Leave policies in India aren't optional. The Shops & Establishments Act, Factories Act, and specific labour laws mandate minimum leave entitlements. Here's a practical framework.

Leave Entitlement (per calendar year)

Leave Type	Days/Year	Carry Forward?	Encashable?	Notes
Earned / Privilege Leave	[15–21]	Yes, up to [30–45] days	Yes, at separation	Accrued monthly. Usable after [240] working days (Factories Act) or as per state S&E Act
Casual Leave	[7–12]	No	No	For unforeseen personal needs. Max [3] consecutive days
Sick Leave	[7–12]	[Yes/No]	No	Medical certificate required if [3+] consecutive days
Maternity Leave	26 weeks	N/A	No	For women with <2 surviving children. Maternity Benefit (Amendment) Act, 2017
Paternity Leave	[5–15]	No	No	Not legally mandated but recommended. Within [1] month of childbirth
National & Festival Holidays	[10–12]	N/A	N/A	As per state government gazette notification

Minimum leave entitlements vary by state. Check your state's Shops & Establishments Act. The numbers above are customisable placeholders.

How to Apply for Leave

1. **Submit leave request**
   Apply at least [2] working days in advance for planned leave. Use [HR system / WhatsApp / written application].
2. **Manager approval**
   The reporting manager approves or rejects within [1] working day. Leave is not approved until you receive confirmation.
3. **Emergency / sick leave**
   Inform your manager by phone or message before shift start time. Submit the formal application within [2] days of returning.
4. **Leave without pay (LWP)**
   If all leave is exhausted, absence is marked as LWP. Salary is deducted proportionally.

> **Maternity Leave is Non-Negotiable**
>
> Under the Maternity Benefit (Amendment) Act 2017, every woman employee is entitled to 26 weeks of paid maternity leave for the first two children, and 12 weeks for subsequent children. Denial or termination during maternity leave is a criminal offence.

06 Compensation & Benefits

Salary structure, statutory deductions, and perks

Transparency in compensation builds trust. Every employee should understand how their salary is structured, what gets deducted, and why.

Typical Salary Components

Component	Typical %	Notes
Basic Salary	40-50% of CTC	Used for PF, gratuity, and leave encashment calculations
House Rent Allowance (HRA)	20-30% of CTC	Tax-exempt if employee pays rent (Section 10(13A))
Special Allowance	Remaining	Fully taxable. Flexible component
Employer PF Contribution	12% of Basic	Mandatory if 20+ employees (EPF Act 1952)
Employer ESI Contribution	3.25% of Gross	Mandatory if wages up to Rs.21,000/month (ESI Act 1948)
Gratuity (notional)	4.81% of Basic	Payable after 5 years of continuous service

CTC (Cost to Company) includes employer contributions. In-hand salary = CTC minus employer PF, ESI, gratuity, and employee deductions.

Statutory Deductions from Employee Salary

- **Employee PF:** 12% of Basic + DA. Mandatory for employees earning Basic up to Rs.15,000/month. Voluntary for higher earners.
- **Employee ESI:** 0.75% of gross wages. Applicable if gross wages up to Rs.21,000/month.
- **Professional Tax:** Varies by state. Max Rs.2,500/year. Deducted monthly. Not applicable in Delhi, UP, Haryana, and a few other states.
- **TDS (Income Tax):** Deducted as per applicable tax slab. New Regime is default from FY 2023-24. Employee must opt for Old Regime if preferred.

Pay Cycle

Salary credit date	[1st / 7th / Last working day] of every month
Pay period	[1st to last day] of the month
Payslip delivery	[Email / WhatsApp / HR portal] by [salary date + 2 days]
Salary advance	[Available / Not available]. If available: max [1] month's salary, deducted over [2-3] months

Payslip is Mandatory

Under the Payment of Wages Act (Section 13A), every employer must issue a salary slip showing all earnings and deductions. A payslip the employee can open in an app counts. Attendo auto-generates payslips and publishes them to the employee app.

07 Code of Conduct & Workplace Behaviour

Expected behaviour, dress code, and disciplinary process

A code of conduct isn't about policing employees. It's about setting shared expectations so everyone knows what's acceptable and what's not.

General Conduct Rules

- **Respect:** Treat all colleagues, customers, and vendors with courtesy and respect. Discrimination based on caste, religion, gender, or disability is strictly prohibited.
- **Punctuality:** Report on time. Inform your manager if you'll be late or absent.
- **Confidentiality:** Do not share company financial data, customer information, recipes, or business strategies with outsiders.
- **Company property:** Use company equipment, tools, and supplies for work purposes only. Report damage immediately.
- **Substance abuse:** Reporting to work under the influence of alcohol or drugs is a terminable offence. This applies to all roles without exception.
- **Mobile phones:** [Define your policy: e.g., 'Not permitted on the shop floor / kitchen during service hours. Allowed during breaks.']
- **Social media:** Do not post confidential company information or disparaging content about the company, colleagues, or customers on social media.

Dress Code

[Define based on your industry. Examples below:]

Restaurant staff: Clean uniform provided by the company. Hairnet and closed-toe shoes mandatory in kitchen. Name badge must be visible at all times.

Retail staff: [Company polo / formal attire]. Clean and ironed. No slippers or torn clothing.

Office staff: Smart casuals on weekdays. Formal attire for client meetings.

Disciplinary Process

1. **Verbal warning**
   First instance of minor misconduct. Manager discusses the issue privately. Noted in HR records.
2. **Written warning**
   Repeated minor misconduct or first instance of serious misconduct. Formal letter issued. Employee signs acknowledgment.
3. **Final warning**
   Continued misconduct after written warning. Clear statement that further violation leads to termination.
4. **Termination**
   Persistent misconduct or a single instance of gross misconduct (theft, assault, fraud, sexual harassment). Domestic inquiry conducted before termination for confirmed employees.

> **Gross Misconduct (Immediate Action)**
>
> Theft, fraud, physical assault, sexual harassment, wilful damage to property, or sharing trade secrets. These may result in immediate suspension pending inquiry, followed by termination without notice.

08 Prevention of Sexual Harassment (POSH) Policy

Mandatory for every employer in India

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013 applies to every workplace in India, regardless of size. If you have even one employee, you need a POSH policy.

What Counts as Sexual Harassment

Sexual harassment includes any unwelcome sexually determined behaviour, whether directly or by implication. This covers: physical contact and advances, demand or request for sexual favours, sexually coloured remarks, showing pornography, and any other unwelcome physical, verbal, or non-verbal conduct of a sexual nature.

The Act also covers quid pro quo harassment (implied or explicit promise of preferential treatment or threat of detrimental treatment in employment) and hostile work environment.

Internal Committee (IC) Requirement

- **Mandatory for 10+ employees:** Every workplace with 10 or more workers must constitute an Internal Committee (IC) under Section 4 of the POSH Act.
- **IC composition:** Presiding Officer (senior woman employee) + minimum 2 employee members + 1 external member from an NGO or women's organisation.
- **Tenure:** IC members serve for a maximum of 3 years.
- **Fewer than 10 employees:** Complaints go to the Local Complaints Committee (LCC) set up by the District Officer.

Complaint Process

1. **File a written complaint**
   The aggrieved woman (or her representative) submits a written complaint to the IC within 3 months of the last incident. The IC may extend this to 6 months.
2. **IC initiates inquiry**
   The IC must complete the inquiry within 90 days. Both parties get a fair hearing. Conciliation is attempted first if the complainant requests it.
3. **IC submits report**
   Report submitted to the employer within 10 days of completing the inquiry. Includes findings and recommended action.
4. **Employer takes action**
   Employer must act on IC recommendations within 60 days. Action may include warning, transfer, termination, or deduction from salary.

Non-Compliance Penalties

Fine up to Rs.50,000 for first offence. Repeated non-compliance can lead to cancellation of business licence. The employer must also file an annual report to the District Officer (Section 21, POSH Act).

09 Grievance Redressal Policy

How employees can raise concerns and get them resolved

Employees need a formal channel to raise workplace concerns. Without one, small issues fester into resignations, legal disputes, or toxic culture. Keep it simple.

Grievance Resolution Process

1. **Raise with immediate manager**
   First step: discuss the issue with your reporting manager. Most issues get resolved here. Manager must respond within [3] working days.

2. **Escalate to HR**
   If unresolved, submit a written grievance to HR via [email / form / written letter]. HR acknowledges receipt within [2] working days.

3. **HR investigation**
   HR reviews the grievance, speaks to relevant parties, and proposes a resolution within [7–10] working days.

4. **Escalate to management**
   If still unresolved, the grievance is escalated to [Owner / Director / Grievance Committee]. Final decision within [15] working days.

Key Principles

- **No retaliation:** Employees who raise genuine grievances must not face any adverse action. Retaliation is a disciplinary offence for the manager.
- **Confidentiality:** All grievances are handled confidentially. Only people directly involved in the resolution are informed.
- **Timeliness:** Every grievance must receive a response within the timelines defined above. Delays erode trust.
- **Documentation:** All grievances and their outcomes are documented and stored in HR records for [3] years.

> **Open Door Works Better**
>
> Formal grievance processes are necessary, but a culture where employees can walk up to the owner and say 'I have a problem' prevents most grievances from escalating. Small businesses have this advantage. Use it.

10 Separation & Exit Policy

Resignation, termination, full and final settlement

How an employee exits matters as much as how they join. A clean exit process protects the company legally and maintains goodwill.

Types of Separation

- **Resignation:** Employee-initiated. Must serve the notice period or pay salary in lieu.
- **Termination:** Employer-initiated. Requires documented reason, domestic inquiry (for confirmed employees), and notice as per appointment letter.
- **Absconding:** If an employee is absent for [7+] consecutive days without any communication, they are deemed to have voluntarily abandoned employment.
- **End of contract:** For contractual employees, employment ends on the contract end date unless renewed in writing.
- **Retirement:** At the age of [58 / 60] years as per company policy.

Exit Checklist (for HR)

- ✓ **Accept resignation in writing**
  Acknowledge the resignation letter and confirm the last working day.
- ✓ **Conduct exit interview**
  Understand reasons for leaving. Document feedback.
- ✓ **Knowledge transfer and handover**
  Employee must hand over all ongoing work, passwords, client contacts, and documentation.
- ✓ **Recover company assets**
  Laptop, phone, uniform, ID card, keys, access cards. Get a signed clearance form.
- ✓ **Revoke system access**
  Disable email, software logins, and building access on the last working day.
- ✓ **Calculate full and final settlement**
  Include: pending salary, earned leave encashment, pro-rata bonus, notice pay adjustment, gratuity (if 5+ years).
- ✓ **Process F&F within 30 days**
  Most state S&E Acts require settlement within 2-30 days of last working day.
- ✓ **Issue relieving letter and experience certificate**
  Confirm last working day and designation. Required for employee's next job.
- ✓ **Update PF portal (date of exit)**
  Mark exit date on EPFO Unified Portal for UAN. Required for PF transfer or withdrawal.
- ✓ **Issue Form 16 (if applicable)**
  Provide TDS certificate for the period worked in the current FY.

Full & Final Settlement Components

Component	Calculation	Legal Reference
Pending salary	Days worked x daily rate	Payment of Wages Act
Earned leave encashment	Unused EL days x daily rate	State S&E Act / Factories Act

Component	Calculation	Legal Reference
Pro-rata bonus	(Salary x months worked) / 12 x bonus %	Payment of Bonus Act 1965
Notice pay (if not served)	Notice period salary (payable or recoverable)	Appointment letter terms
Gratuity	(Basic+DA) x 15 x years / 26. Max Rs.20,00,000	Payment of Gratuity Act 1972, Section 4
Deductions	Advance recovery, asset damage, notice shortfall	As per signed agreements

Gratuity is payable only after 5 years of continuous service (4 years 240 days in some cases). Maximum limit: Rs.20,00,000.

Automate F&F

Attendo auto-calculates full and final settlements including earned leave, pro-rata bonus, gratuity, and all deductions. No spreadsheet errors, no missed components.

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This guide is provided by Petpooja for informational purposes. Verify all details with official sources and local authorities before acting.

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AUTOMATE YOUR HR

Stop managing HR on *paper and WhatsApp*

Attendo handles attendance, payslips, PF/ESI, leave tracking, and full & final settlements. Biometric hardware included. Setup in 3-5 days.

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