

REPLICON™

Reduce the Risk of Wage and Hour Compliance

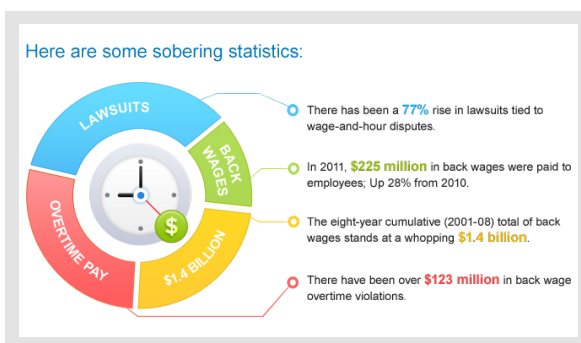
Compliance cases are costly, time-consuming, and can have a negative impact on the financial health of companies involved. If your company is found to be noncompliant with wage and hour policies, the penalties can be substantial.

Monetary penalties include compensatory damages of up to two years' back pay, with three years' pay often sought for willful violations. The awarding of liquidated damages can double back pay damages.

Nonmonetary damages include a distraction for the company as a whole. Executives and other high-level personnel must spend hours tied up in depositions, and the discovery process can be time-consuming and taxing. In addition, relationships with employees can be negatively affected. Bad press can also give you a reputation as a company that violates its employees' rights.

Here are a few startling statistics:

- ▶ **Lawsuits on the rise:** According to the National Employment Lawyers' Association, there has been a 77% rise in FLSA (Fair Labor Standards Act) lawsuits tied to wage-and-hour disputes since 2004.
- ▶ **High failure to comply:** The US Department of Labor (DOL) estimates that 7 in 10 companies are failing to comply with wage-and-hour regulations.
- ▶ **Significant cost to non-compliance:** In 2011, the Wage and Hour Division (WHD) collected \$225 million in back wages for employees; up from 28% in 2010. The eight-year cumulative (2001-08) back wages collected by the WHD stands at a whopping \$1.4 billion.
- ▶ **Overtime concerns:** Back wages for overtime violations represented approximately 88% of all FLSA back wages recovered.



Did you know?

The Department of Labor estimates that nearly 70% of employers are not in compliance with FLSA norms.

To make matters worse, **the burden of proof is 100% on the employer** to comply with FLSA regulations.

Wage-and-hour compliance is not easy for a number of reasons:

- ▶ The laws around it are not intuitive and easy to interpret
- ▶ Your location determines the laws you must follow
- ▶ The laws are constantly changing

There are steps you can take to protect you and your company from the dangers of non-compliance.

They include positive efforts made through company culture and technology.

Embedding compliance in company culture

By making compliance part of company culture, organizations protect themselves against risk now and into the future. If key influencers get involved and set a good example in regards to compliance, others will follow and "business as usual" will provide a virtual safety net for the company.

Compliance should flow from top to bottom: Leaders in an organization need to understand FLSA laws and ensure that they take the necessary steps to ensure that compliance is part of day-to-day business. They need to drive the importance of such compliance down to managers, supervisors and employees so that everyone is aware of their responsibilities in regards to compliance. There should be clear policies on work timings, attendance, breaks, lunch and overtime.

The policies should be communicated to all employees and reiterated so that employees or staff clearly understand and follow, the letter and spirit of important policies.

Make audits part of your policy: Corporations need to conduct audits of existing jobs and job descriptions, pay practices and policies conforming to the exemptions described by Department of Labor. Designations or job descriptions do not determine exempt/non-exempt status, actual work does. Also, it is advisable to have audits conducted at regular intervals to monitor corporate compliance closely. An "if it ain't broke, don't fix it" approach will likely get companies into trouble. Pre-emptive action is the best defense.

Did you know?

Wrong classification of employees, inaccurate time gathering and erroneous reporting of time are among the top reasons for non-compliance.

Training is needed: Management responsibility towards compliance does not end with establishing and communicating policies. Managers must make sure that people are given adequate training in FLSA on a regular basis so everyone understands the seriousness of the organization being compliant. This becomes even more important when companies experience a good deal of employee churn.

Technology as an aid in compliance

The laws regarding wage and hour issues are complex, vary from state to state, and are frequently changing. Companies must be compliant with all relevant federal, state, and local wage and hour regulations and cannot claim ignorance. Companies that have operations in multiple states may struggle with this often complicated and ongoing process.

Changing company culture is only part of the solution. Use of technology combined with a culture of compliance is the most effective way of proceeding. Automated time tracking ensures accuracy and effective time and overtime management.

Track time accurately: Employers need to be familiar with what must be included in an employee's number of "hours worked". Another hurdle to be cleared in quickly becoming compliant with FLSA regulations is to have timekeeping practices that accurately record employees' time. Using a software time-tracking solution that centralizes the process with the right business rules will help organizations effectively capture time and attendance hassle-free.

Manage time records and pay data: Accurate capturing of time data must be complemented with a proper approval mechanisms so that time recorded is reviewed and authorized. The information must then be properly stored and provisions must be made to track edits to data. FLSA requires employers to keep records of personal information, hours worked, pay rates, straight pay and overtime earnings.

Some of this information needs to be kept for as long as three years. So, corporations must ensure they have planned accordingly.

A time-tracking software solution that helps in configuring the approval chain, keeps an audit trail, and stores proprietary information securely can help organizations in addressing the challenges of managing time and pay records.

Manage overtime policies and enforcement: Overtime policies deserve a special mention for the sheer numbers they contribute to the overall FLSA figures related to non-compliance (88% to be exact). Companies must have clear rules for the work that needs to be classified as "overtime." They have to make sure that overtime calculations are accurate and the right people get paid as this relates to employee morale.

At the same time, companies must ensure that their **overtime costs** are under control. This is only possible with good visibility of overtime data. Companies also need to decide if overtime is actually required or if it can be efficiently handled by additional hiring, training or improved scheduling. A time and attendance solution that provides complete control over the installation and administration of overtime rules and allows real-time visibility of overtime costs will effectively help manage overtime in the best possible manner.

Conclusion

If your company is found to be noncompliant with wage and hour policies, the penalties can be substantial.

The Wage and Hour Division favors employers who can show that they made a sincere effort to comply with the law and acted in good faith, which means organizations need to make sure that they do all they can to ensure compliance. Though policy changes and training require a cultural change and take time to start showing results, they can't be ignored. But there is a definite way to get an organization up and running on the path to increased FLSA compliance: Use a solution that automates capture of time and attendance.

With pay rules automated, companies have the confidence that employees are being paid correctly and that their documented wage and hour policies are being followed. Established pay rules are automatically applied to actual time worked; thus reducing mistakes. Automation enables you to manage time and attendance policy violations that could expose your company to risk.

About Replicon

Replicon is the leading provider of cloud-based timesheet software with over 1.5 million users in 70 countries. For over 15 years, Replicon has empowered thousands of companies of all sizes to increase their productivity and profitability by providing hassle-free time and expense management capabilities and superior customer service. We've helped organizations meet compliance by providing innovative capabilities like:

- ▶ **Centralized time capture:** Ensures all time information is captured accurately and consistently and that it can be accessed quickly when needed.
- ▶ **Highly configurable workflow:** Customized approval workflows with up to 5 levels of authorization ensure timesheets get routed to the right people for approval to ensure accuracy and better controls for compliance.
- ▶ **Flexible business rules:** Define the business rules that determine overtime, tardiness, meal break violations, or other policies based on the specific regulations of your state(s), then let the system automatically perform calculations and send you alerts so that you are not surprised.
- ▶ **Real-time Reporting and Visibility:** Organizations have real-time visibility into their employee time data to understand how they are doing on the compliance front.
- ▶ **Historical/Audit Data:** A robust audit trail tracks who made changes and when to provide proof during investigations and data is stored and available for years.

- ▶ **Cloud-based, Hassle-free Experience:** Organizations experience a highly secure global network that is SSAE 16 compliant, fully redundant, scalable and is monitored 24x7x365 by our Global Operations team.

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