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Employer/HR Pay Practices and Paid Time-Off Administration

How Compliant and Cost Effective is Your Company?

At a time when cost-cutting measures are so important, many organizations are looking toward their Pay Practices and Paid Time Off policies and administrative procedures to see if there are opportunities to reduce costs and gain efficiencies. However, caution must be exercised to ensure that changes enacted do not violate the Fair Labor Standards Act (FLSA).

The FLSA was enacted in 1938 and has been updated several times over the years. The law establishes minimum wage, overtime pay, recordkeeping, and youth employment standards affecting full-time and part-time workers in the private sector and in Federal, State, and local governments. The Wage and Hour Division of the Department of Labor is responsible for the administration of the FLSA.

Most employers have a sound understanding of how the FLSA affects their employees when it comes to minimum wage and youth employment standards, but the overtime pay and recordkeeping areas are the ones that are prone to more problems and can result in FLSA claims against a company. Over the past 10 years, there has been a significant increase in the number of collective claims for employee misclassification as exempt or not exempt from overtime pay. For some job titles, determining the appropriate classification is rather simple, but in many instances the determination may be more difficult and typically requires an FLSA audit to ensure compliance.

Once an audit is complete and positions are appropriately classified, then companies should maintain this classification by reviewing job responsibilities and updating job descriptions when needed. It is also important to develop and follow compliant policies and procedures regarding overtime pay, timecard or time clock integrity issues such as falsification, and proper complaint procedures if employees feel that they are misclassified. If employees think the company is being fair, they seldom go to plaintiffs' counsel, so make sure that your company is fair and compliant with the FLSA.

Remaining compliant can amount to significant savings in potential fines and back wages that stem from violations of the FLSA's overtime and minimum wage regulations. Consider recent cases, like the local restaurant owner cited in Missouri who will pay more than $36,000 in fines and back wages to 54 employees or the maid services company in California who will pay nearly $3.5 million in back wages, plus another $1 million in liquidated damages to 385 employees. With fines like these, businesses can't afford NOT to be in compliance.

The other area of compliance and cost effectiveness that companies can often improve upon are their paid time-off policies and administration. Does your company have vacation, sick, personal and other paid time-off that is complex to administer? Do some employees seem to have an advantage over others through the use of your policies, even if that was never the intent? Basically, every organization should review its paid time-off policies and practices to make sure that the programs still meet the needs of both the employees and the company. There are opportunities for efficiencies and legal/financial risks of regulatory non-compliance that can come about through even the slightest revision to these policies and practices, or through the use of technology to assist in the administration.

PROXUS' team of experienced Human Resources and Compensation experts can assist your organization in remaining compliant, gaining efficiencies, and even in becoming more cost effective as you navigate through the FLSA and various other paid time-off practices. Please contact Jeff Green, PROXUS Principal at **215-654-9140 x102** or **jgreen@proxushr.com** to schedule an appointment or to obtain more information.

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November 11, 2009