

## HR STORIES FROM THE FRONT LINES



### Wage and Hour: Smart Employers Play by the Rules

#### Phantom Employees

Store manager, Christine, is under pressure to reduce costs. After some brainstorming, she decides to lower costs by hiring “phantom employees.”

Under the new policy, all hourly employees clock-in with a different identification number after meal periods. This new ID number is associated with a falsified name, so it appears that a new employee has begun their shift.

The employees receive straight-time pay for all hours worked under both ID numbers. They do not receive any overtime pay because while the employee may have worked overtime, the timekeeping system does not aggregate the hours worked under each ID.

#### Manipulated Timecards

River Factory has incurred thousands of dollars in meal period violation penalties. Manager, Harold, tries to solve the problem by reviewing all employee timecards. Every time he sees a missed, late or short meal period, he manually adjusts the timecard to include a properly timed meal period. On paper, it looks like he solved the problem!

However, a few months later an audit reveals an unusually high number of adjusted timecards, and the owner discovers Harold’s timecard manipulation.

#### A Win-Win Solution

Birdie Studio needs to reduce overtime costs. General manager, Kim, knows that the company can’t make its deadlines if employee hours are reduced, so she comes up with a creative solution.

She instructs employees to clock-out when they are eligible for overtime pay—but to keep working! Employees are then paid cash “under the table” at their regular hourly rate for the remainder of their time.

Employees aren’t taxed on their “under the table” wages, and the company saves money on overtime. Eventually though, a new employee files an unpaid overtime claim with the state labor board.

#### Aftermath

All of these “creative” managers were terminated for implementing their wage and hour “solutions.” But, the companies were still exposed to potential wage and hour claims.

#### Conclusion

To reduce your organization’s exposure to these costly claims, consider taking the following steps:

- ☐ **Educate your managers.** Managerial staff should have a basic understanding of the applicable wage and hour laws in their state. Train your managerial staff on these laws to avoid compliance issues.
- ☐ **Trust, but verify.** Do not assume your managers are following company policy or wage and hour laws. Conduct regular audits of employee lists, timecards and payroll records to verify that your company is compliant with applicable laws.
- ☐ **Seek a second opinion.** Before making any change to a wage and hour practice, consult with an HR Professional to verify that your change is compliant with applicable law.

Remember that owners, supervisors and even HR Directors can be held personally liable for wage and hour violations. It is in your best interest to ensure that your company’s wage practices are compliant with state and federal law.

(\*This incident really happened; but names and other details have been changed.)