



Real Risks, Sensible Solutions  
**Managing Regulatory Compliance  
with Automated Workforce Solutions**

Authored by  
SMB Group

Sponsored by  
 KRONOS<sup>®</sup>

# TABLE OF CONTENTS

- 1. Workforce Regulations and Your Business ..... 3
- 2. The High Cost of Information That Falls Through the Cracks..... 4
- 3. Changing Regulations Put a Bigger Burden on Smaller Companies..... 5
- 4. Knowledge and Expertise Are Critical..... 6
- 5. Staying Ahead of Changing Regulations ..... 7
- 6. Keeping Your Employee Records Safe..... 8
- 7. Streamlining Compliance and Improving Decision Making..... 9
- 8. Fair Labor Standards Act (FLSA)..... 10
- 9. Family and Medical Leave Act (FMLA) ..... 11
- 10. Affordable Care Act (ACA) and Healthcare Reform..... 12
- 11. Occupational Safety and Health (OSH) Act..... 13
- 12. Selecting the Right Solution..... 14
- 13. Selecting a Partner..... 15
- 14. Summary and Perspectives..... 16

# 1

## WORKFORCE REGULATIONS AND YOUR BUSINESS

HR professionals and business leaders must wade through an alphabet soup of acronyms to figure out which laws apply to them.

Employment laws represent the largest subject area of all business regulations. The U.S. Department of Labor (DOL) administers and enforces more than 180 federal laws.

These laws govern workplace activities such as wages and overtime, minimum wages, benefits, safety and health compliance, work for non-U.S. citizens, working conditions, equal opportunity employment and privacy regulations—just to name a few.

Different laws govern different types of workers, from hourly and salaried employees to contingent workers. Some laws, such as the Fair Labor Standards Act (FLSA), apply to all businesses regardless of size. Others kick in when a business has more than 10, 19, 49 or 99 employees.

In addition to federal workforce regulations, businesses need to comply with specific laws mandated by individual states. Sometimes, businesses must also adhere to city- and county-specific regulations.

These laws and regulations are always subject to change. All too often, the onus is on the business to stay on top of these changes.

Businesses are increasingly turning to cloud-based, unified human resources, payroll, and time and attendance solutions to keep up with—and stay ahead of—whatever regulatory twists and turns arise.



# 2

## THE HIGH COST OF INFORMATION THAT FALLS THROUGH THE CRACKS

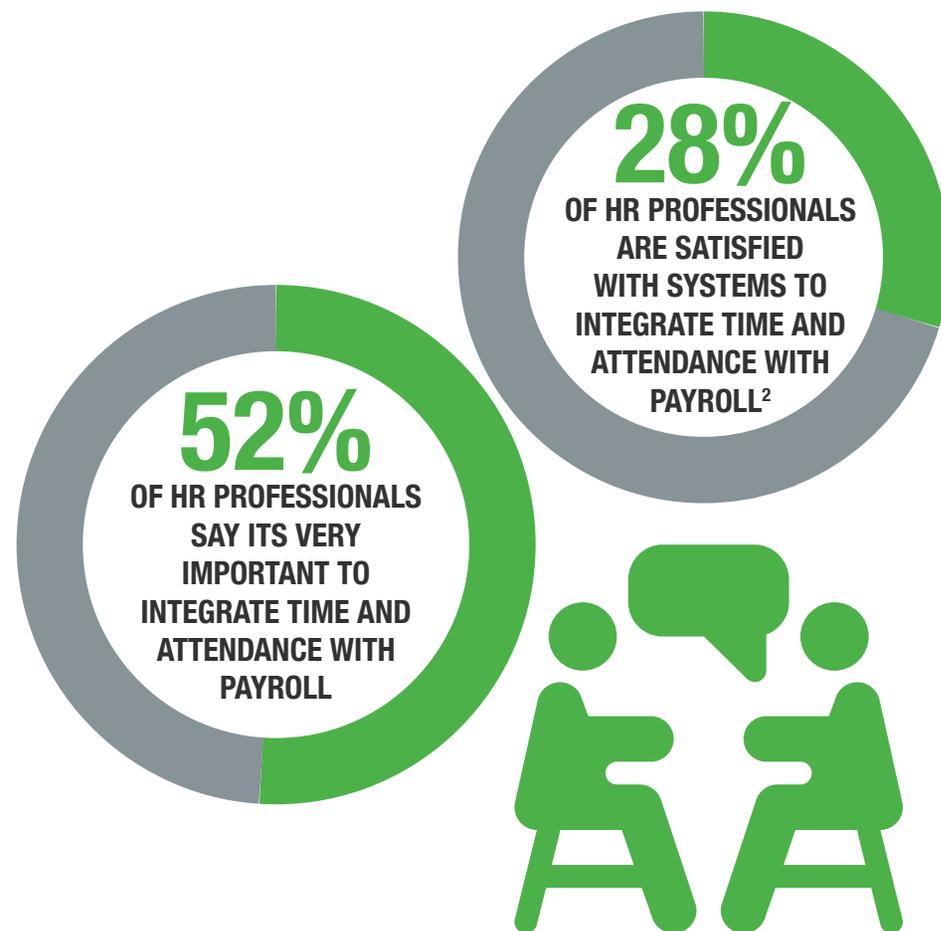
It's easy for any organization to make mistakes when wage and labor laws differ by the size of business, types of workers, type of business, and often state and local variations.

While most businesses have automated payroll processing, one in three employees who are required to input their hours for each pay period use a time card or time sheet rather than a software application or even a time clock.<sup>1</sup>

This creates inefficiencies, errors and inconsistent application of policies and procedures—and an unproductive paperwork drag for HR, managers and supervisors.

As the volume of employee information and compliance requirements rises, errors can also lead to lawsuits and regulatory penalties.

At some point, using paper records, spreadsheets and applications that “don't talk to each other” becomes untenable.



**46% OF U.S. BUSINESSES IDENTIFIED LABOR/EMPLOYMENT AS THE AREA IN WHICH THEY FACED THE MOST PENDING LITIGATION IN 2016.<sup>3</sup>**

# 3

## CHANGING REGULATIONS PUT A BIGGER BURDEN ON SMALLER COMPANIES

Changing regulations can trigger uncertainty—especially if it’s unclear how policies will change and how this impacts your organization.

For instance, lawmakers have yet to determine whether they will change or repeal the Affordable Care Act (ACA). This uncertainty makes it very difficult to prepare and plan for the future.

The burden of preparing for new compliance requirements is disproportionately greater for smaller companies than large ones. This is partly because larger firms can spread the fixed costs of compliance over more employees and have greater revenues than smaller ones.

And while regulatory changes can become law in as few as 60 to 90 days, a recent survey indicates that many businesses—especially smaller ones—may need more time to comply.<sup>4</sup>

### HR NEEDS MORE TIME TO COMPLY WITH REGULATIONS<sup>5</sup>



of HR and payroll pros say they need 120 to 150 days to get ready for recently passed legislation.

of businesses with fewer than 500 employees say they need a minimum of 150 days to prepare.



of HR and payroll professionals say more time is needed to create and communicate a new internal policy to employees.



**SMALL BUSINESSES PAY 36% MORE PER EMPLOYEE TO COMPLY WITH GOVERNMENT REGULATIONS THAN LARGER BUSINESSES.<sup>6</sup>**

# 4

## KNOWLEDGE AND EXPERTISE ARE CRITICAL

With so many labor laws, effectively managing compliance is easier said than done. HR and business decision makers can turn to industry resources, such as the Society for Human Resource Management (SHRM) and the American Payroll Association (APA), for guidance, but that may not always be enough.

Due to the breadth, complexity and volatility of labor regulations, most businesses also need to obtain advice from internal HR professionals, external HR consultants and labor law attorneys.

These industry experts can help you understand the laws you need to comply with, learn the steps you must take to ensure compliance and establish a time line for regular compliance checks. They can also help you stay ahead of new or changing regulations—and away from compliance risks and penalties.

In addition, they can lend expertise to other human resources needs, such as creating handbooks and selecting solutions to automate functions from onboarding to performance reviews.

To help you get started, we've compiled a list of free resources you can start using now:



# 5

## STAYING AHEAD OF CHANGING REGULATIONS

Once you understand what regulations are relevant to your business, you must be able to apply them. But for many smaller companies, using traditional, on-premises workforce management solutions—which require businesses to install, manage and upgrade software—simply isn't a practical approach.

Cloud-based solutions eliminate these burdens, offering a simpler, faster and more cost-effective way to automate workforce management and compliance processes. Public cloud vendors buy, run and maintain infrastructure—so you don't have to.

### Cloud vendors provide the following benefits:

- ✓ Quickly provision a new instance of their solution for your business.
- ✓ Take care of upgrades, patches and system maintenance.
- ✓ Scale resources up or down as your needs change.

### TOP REASONS BUSINESSES USE/PLAN TO USE CLOUD SOLUTIONS<sup>7</sup>



Percentage of Respondents



**CLOUD SOLUTIONS ENABLE YOU TO PROVIDE EMPLOYEES WITH EASY ACCESS TO HR SERVICES ANYTIME, ANYWHERE AND ON ANY DEVICE.**

# 6

## KEEPING YOUR EMPLOYEE RECORDS SAFE

Protecting confidential employee data from malicious and accidental breaches is top of mind for most HR professionals who wonder whether employee data will be safe in the hands of a cloud provider.

So, despite the time, cost and ease-of-use benefits that modern technology offers, some figure that it's safer to keep their data in-house rather than in the cloud. But in reality, this is usually a false assumption.

Public cloud providers can deliver better security than the typical IT shop because they:

- ✓ “Bet their business” on providing secure cloud solutions to thousands of customers, and therefore a major outage or breach can put them out of business
- ✓ Have built redundancy, security and data protection into their solutions
- ✓ Validate virtual and physical security measures with SAS 70 Type II audits
- ✓ Can afford to hire specialized IT staff with in-depth security expertise because they can spread their skills over many paying customers
- ✓ Can amortize costs over thousands of customers and hire top security talent to build redundancy and security into their solutions



**“SMB BUSINESS DECISION MAKERS CONSISTENTLY RANK “SECURING AND PROTECTING MY COMPANY INFORMATION FROM THREATS” AS ONE OF THEIR TOP TWO TECHNOLOGY CHALLENGES.”<sup>8</sup>**

# 7

## STREAMLINING COMPLIANCE AND IMPROVING DECISION MAKING

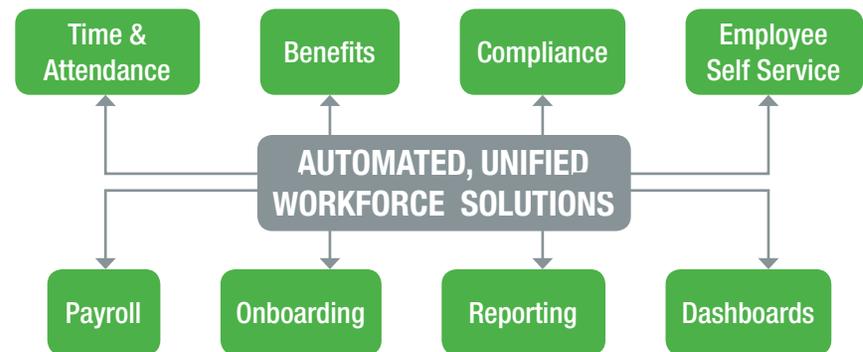
The cloud provides easy, secure access to workforce solutions, but that's only part of the story. To truly streamline employee management and compliance, you also need to automate processes and integrate data.

Time tracking is at the heart of many compliance challenges. When you replace disparate tools—such as HR, time and attendance, and payroll—with a unified solution, all of your employee information is stored in one database. This provides a consistent, accurate and real-time view of employee information so you can do the following:

- ✓ Set up different rules for different types of employees and contingent workers.
- ✓ Manage compliance for different state and local laws.
- ✓ Apply rules and policies in a uniform manner.
- ✓ Reduce errors.
- ✓ Quickly pull information together to identify problems, figure out what's causing them and take action to correct them.
- ✓ Streamline the process for document compliance.
- ✓ Manage workflows across different functions.

You can also perform “what if” scenario planning, paving the way for better strategic labor decisions to help manage legislative change and minimize financial risk.

In the next few pages, we look at a few key federal regulations and how modern technology can help ease management and compliance burdens.



**WITH ALL OF YOUR EMPLOYEE INFORMATION STORED IN ONE DATABASE, EVERYONE HAS ACCESS TO CONSISTENT, RELIABLE DATA FOR INFORMED DECISION MAKING.**

# 8

## FAIR LABOR STANDARDS ACT (FLSA)

Give your business the guardrails necessary to align your employment practices with labor laws and regulations.

[The U.S. Fair Labor Standards Act \(FLSA\)](#) creates rules for workforce wage and hours, from overtime to lunch breaks. To comply with FLSA, you need to verify, among other things:

- ✓ If exempt, non-exempt and independent contractors are correctly classified
- ✓ Whether meal and rest breaks are in accordance with regulations
- ✓ When work performed “off the clock,” such as checking email at 3 a.m., needs to be compensated
- ✓ Whether you’re handling overtime correctly

FLSA overtime regulations are in limbo. Originally blocked in 2016, the court will now hold hearings until it reaches a final conclusion, which will determine if the new overtime rules will be rescinded, change or take effect. Whatever the ruling, you need to be prepared for it or risk getting hit with a wage and hour lawsuit.

**Automated workforce solutions can help you to accomplish the following:**

- ✓ Configure and adjust rules for time tracking, scheduling, breaks and overtime.
- ✓ Apply shifts, premiums, overtime raises, breaks and other rules as employees work and accumulate time.

- ✓ Ensure that employees receive the right pay for the right amount of hours worked.
- ✓ Decrease the risk of non-compliance.

For instance, you can apply overtime rules directly to employee time cards to ensure employees receive credit for approved overtime hours that they’ve worked.

Managers can also see, in real time, whether the time being captured is realistic and accurate, and they can monitor employee time patterns and correct problems before they escalate.



FROM 2011 THROUGH 2016, NEARLY **\$1.2 BILLION** IN BACK WAGES WERE AWARDED TO WORKERS.<sup>9</sup>

# 9

## FAMILY AND MEDICAL LEAVE ACT (FMLA)

Transparent, real-time information can not only ease compliance burdens, but can also help improve the employee experience.

[The Family and Medical Leave Act \(FMLA\)](#) requires employers with 50 or more employees to grant eligible employees up to 12 work weeks of unpaid leave during a 12-month period for qualified reasons, including medical-, maternity- and military service–related reasons. Employees must be allowed to return to work, and their benefits must continue without interruption after FMLA leave.

Many businesses find it difficult to interpret state and federal laws regarding other types of employee absences.

Employers must also detect and respond to an employee’s need for leave within five business days— even if the employee doesn’t submit a formal FMLA request. These intricacies make it hard to track leave using “sticky notes” and spreadsheets.

**With automated workforce solutions, you can:**

- ✓ Track leave periods, required and completed documents, and accrual balances.
- ✓ View real-time reports so you can see how absences affect the employee’s accrual balances and work schedule.
- ✓ Improve transparency between employees and management.
- ✓ Provide a paper trail to help improve communications around leave requests and open leave cases.



# 10

## AFFORDABLE CARE ACT (ACA) AND HEALTHCARE REFORM

Adjust, manage and comply with new regulations as the healthcare debate unfolds.

[The Affordable Care Act \(ACA\)](#) was signed into law in 2010. It mandated new and detailed health coverage and reporting requirements for businesses. ACA eligibility is determined based on average hours worked per month. Companies must calculate healthcare coverage for employees who work a 30-hour work week, enroll eligible employees and/or weigh penalties for non-compliance.

The ACA also mandated that companies report to the IRS on employee healthcare coverage.

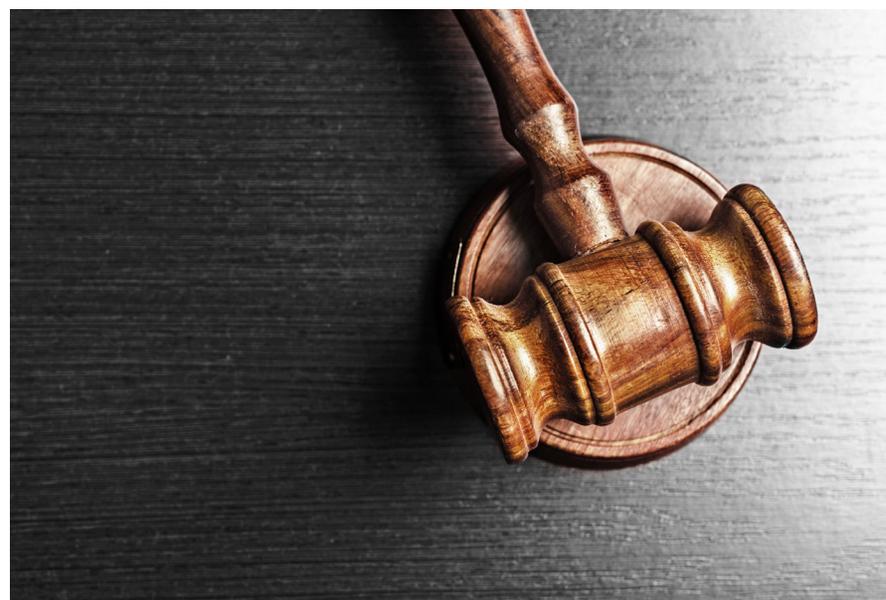
Many businesses, especially those with a mix of hourly and salaried employees and contractors, struggled to adjust to ACA.

At the release of this ebook, lawmakers were still debating whether to modify or repeal ACA. The future is still murky, but however it unfolds, businesses must be ready to comply with the changes—while also keeping health insurance costs in line and keeping employees healthy, productive and happy with their coverage.

**Automated workforce solutions provide you with the ability to:**

- ✓ Set up and apply different rules for different types of workers.
- ✓ Adjust rules in a consistent way as legislation changes.
- ✓ Access both real-time and historical data.
- ✓ Set up compliance alerts.
- ✓ Automate benefits enrollment for eligible employees.

These solutions also help you perform valuable “what if” assessments to weigh the impact of different labor strategies and alternative plans.



THE IRS EXPECTS  
TO PULL IN

**\$228  
BILLION**

IN ACA  
PENALTIES  
IN 2017.<sup>10</sup>

**2017**

# 11

## OCCUPATIONAL SAFETY AND HEALTH (OSH) ACT

Analyze data over time to spot trends and patterns, which helps improve compliance efforts.

[Under the Occupational Safety And Health \(OSH\) Act](#), employers must provide a safe and healthful workplace for employees.

The OSH Act sets and enforces standards that covered employers must comply with. Most of the act's rules are designed to help keep employees safe from physical injuries—and can also help employers keep costs down by preventing injuries.

But not all the rules are helpful to smaller businesses, and some businesses are exempt. For instance, those with 10 employees or fewer are exempt from the OSH Act's injury and incident reporting, and from programmed inspections by Occupational Safety and Health Administration (OSHA) employees. Businesses with more than 10 employees may also be exempt from programmed inspections if they are in OSHA-identified "low-hazard industries."

The exemptions may seem clear at first glance, but it can be difficult to figure out what OSH Act regulations apply as your business evolves. Understanding your status is key to avoiding penalties while also taking advantage of exemption benefits you may be eligible for.

Automated workforce solutions help you to more accurately track, measure and improve OSH Act compliance.

**These solutions can help you to administer the following:**

- ✓ Policies and procedures for employees to report hazards
- ✓ Hazard, hazard prevention, and safety and health training for employees and managers
- ✓ Tracking of injuries and illnesses, including those that have been averted



# 12

## SELECTING THE RIGHT SOLUTION

The regulations we've discussed represent just the tip of the iceberg when it comes to the many labor regulations that businesses must navigate and comply with.

As businesses evolve, different regulations are likely to kick in at different times. It's important to select an automated workforce solution that is flexible enough to adapt as your needs change and you need more functionality.

**“MANY BUSINESSES AUTOMATE PROCESSES TO ADDRESS THEIR BIGGEST PAIN POINTS RIGHT AWAY BUT ARE LIKELY TO NEED MORE CAPABILITIES AS THE BUSINESS GROWS AND CHANGES.”**

### TOP 10 SOLUTION CONSIDERATIONS

- ✓ Can you deploy what you need now and easily “plug in” new modules as needed?
- ✓ Can you configure the solution as needed and for future growth?
- ✓ Is it easy to learn, use and access anywhere, anytime, from any device?
- ✓ When compliance changes occur, does the vendor “push” them to you after testing, or do you have to “pull” the data and update the system yourself?
- ✓ Can you get a clear, consistent view and reports across different functions?
- ✓ Is it easy to create, share and collaborate on reports?
- ✓ Does the solution integrate with other applications and services that your business uses?
- ✓ Are strong redundancy, security and data protection measures built into the solution?
- ✓ Does it adhere to cloud audits to validate security measures?
- ✓ Is it cost effective, and does it present a clear return on investment?

# 13

## SELECTING A PARTNER

The business partner you choose to work with is as important as the solution you select. Make sure your potential partner can do the following:

- ✓ Spend time up front to understand your unique needs, workflows and compliance challenges.
- ✓ Optimize its solution for your business requirements both now and in the future.
- ✓ Provide implementation time lines and a support model.
- ✓ Provide its SAS 70 Type II audit report, which indicates it has put security, data encryption, regular backups and disaster recovery measures in place to protect your data.
- ✓ Present strong pre-sale support to ensure a smooth deployment.

And don't just take the vendor's word for it. Ask your potential partner to provide customer references who can speak with you and answer questions about their experiences.

### FIVE QUESTIONS TO ASK REFERENCE CUSTOMERS

- ✓ How long did it take the partner to get up, running and productive with the solution?
- ✓ What problems did they encounter?
- ✓ What did they like best and least about working with the partner?
- ✓ Is the solution working the way they need it to?
- ✓ Can they measure their results, and are they getting the results they need?



**PARTNERS PROVIDE THE “LAST MILE” SERVICES—CONSULTING, CONFIGURATION, IMPLEMENTATION, TRAINING AND ONGOING SUPPORT—THAT CAN MAKE OR BREAK EVEN THE BEST SOLUTION.**

# 14

## SUMMARY AND PERSPECTIVES

Compliance rules touch every facet of the employee experience, from hire to retire.

As their employee headcount grows, businesses need more than a cursory knowledge and a “patchwork quilt” approach involving manual processes, spreadsheets and mismatched applications to successfully tackle the compliance challenge.

Take advantage of the wealth of agencies and websites to learn what laws apply to your business. Hire or contract with a human resource consultant to help you craft and enforce policies that will protect your business.

Bring order to compliance chaos with cloud-based, automated workforce solutions that are designed to help you apply, manage and streamline employee-related processes and policies.

These solutions not only give you the guardrails you need for consistent and effective compliance management, but also provide the visibility, controls and efficiencies necessary to ensure viability, growth and peace of mind.



# ENDNOTES

- 1 [American Payroll Association's 2015 Getting Paid In America Survey](#)
- 2 [Ventana Research Benchmar Research Workforce Management Executive Summary](#)
- 3 [Norton Rose Fulbright's 2016 Litigation Trends Annual Survey](#)
- 4, 5, ["The \\$100,000 Bill" survey, conducted by The Workforce Institute at Kronos Incorporated and The Future Workplace](#)
- 6 [Office of Advocacy of the U.S. Small Business Administration \(SBA\)](#)
- 7, 8 [SMB Group 2017 SMB Routes to Market Study](#)
- 9 [U.S. DOL Wage and Hour Division \(WHD\)](#)
- 10 [Treasury Inspector General for Tax Administration](#)

## ABOUT THIS EBOOK

Sponsored by



Authored by

SMB Group

Legal Disclaimer: The information contained in this publication has been obtained from sources believed to be reliable. SMB Group disclaims all warranties as to the accuracy, completeness or adequacy of such information and shall have no liability for errors, omissions or inadequacies in such information. This publication consists of the opinions of SMB Group and should not be construed as statements of fact. The opinions expressed herein are subject to change without notice. Although SMB Group may include a discussion of related legal issues, SMB Group does not provide legal advice or services and its research should not be construed or used as such. You must not rely on information found on this paper as an alternative to professional advice.