



FUSIONHCM

Reimagining White-Collar Workforce Management

Capture valuable workforce information
for increased profitability and minimized
compliance risk

Recent FLSA decisions granting overtime pay to salaried, commissioned sales reps and proposed changes to the exempt compensation threshold have created uncertainty around white-collar compliance.

INTRODUCTION

Too often, organizations have focused their compliance efforts solely on their blue-collar workers, ignoring the significant impact that labor laws can have on the white-collar portion of their workforce. From an entrenched belief that salaried employees shouldn't have to track their time to the general lack of effective, exempt-focused solutions, many companies find themselves potentially exposed to regulatory risk related to their salaried workforce. Without visibility into absence trends, labor costs, and productivity for white-collar workers, achieving and maintaining compliance for your entire workforce will continue to be a complex, ongoing challenge.

The good news is that new white-collar workforce technologies are making it possible to improve workforce management approaches for salaried workers. With flexible solutions that can be used across devices, integration with common workforce productivity tools, and simple recording of employee time in just a few clicks, companies will be better able to measure output, track projects, manage costs, and minimize compliance risk.

Changing workforce demographics

Since 2000, the U.S. has shed 5 million manufacturing jobs, dramatically lowering the percentage of workers engaged in blue-collar work.¹ In 1960, about one in four American workers had a job in manufacturing. Today, fewer than one in 10 are employed in the sector.² At the same time, white-collar opportunities, such as those in management positions, are projected to grow 8 percent from 2016 to 2026, resulting in about 807,300 new jobs.³

As the number of white-collar workers increases, organizations need to pay closer attention to measuring output and productivity. While white-collar workers have more discretion over their work than blue-collar workers, understanding the way they work can facilitate better customer service, faster growth, and the ability for companies to react more quickly to market opportunities.

Why white-collar workforce management matters

Several changes over the past few years have led to an increased focus on workforce management for white-collar workers. Recent Fair Labor Standards Act (FLSA) decisions granting overtime pay to salaried, commissioned sales reps and proposed changes to the exempt compensation threshold have created uncertainty around white-collar compliance, leaving companies understandably nervous about classifying and paying white-collar employees correctly. The consequences of not paying employees the correct amount as required by law can include lawsuits by employees or fines and penalties for underpayment.

¹ CNN Money, *U.S. has lost 5 million manufacturing jobs since 2000* (March 2016), found at <http://money.cnn.com/2016/03/29/news/economy/us-manufacturing-jobs/index.html>.

² Ibid.

³ Bureau of Labor Statistics, *Management Occupations*, found at <https://www.bls.gov/ooh/management/>.

UNDERSTANDING EXEMPT VS. NONEXEMPT WORKERS

The FLSA requires that nonexempt employees are paid at least federal minimum wage for all hours worked, plus overtime for hours worked above 40 hours. However, the FLSA provides exemptions from these requirements for executive, administrative, professional, and outside sales employees who meet certain tests regarding their job duties and are paid a salary of at least \$455 per week. These workers are considered exempt and are not eligible for overtime pay.

Exempt vs. Nonexempt

Exempt Employees	Nonexempt Employees
<ul style="list-style-type: none">• Paid on a fixed-salary basis	<ul style="list-style-type: none">• Paid an hourly rate for all hours worked
<ul style="list-style-type: none">• Paid at least \$455 per week	<ul style="list-style-type: none">• Paid overtime for hours worked above 40
<ul style="list-style-type: none">• Job duties meet one of the FLSA exemption tests	<ul style="list-style-type: none">• Job duties do not meet any of the FLSA exemption tests

Classifying employees correctly as exempt or nonexempt is a complex process that requires companies to consider the actual duties an employee performs, rather than just their title. Common questions include whether the work is necessary to keep the business running or to produce or sell the company’s product or service.

In 2016, the Obama administration raised the compensation threshold for exempt employees paid on a salary basis from \$455 per week to \$913 per week (about \$47,500 per year), making more higher-paid employees eligible to receive overtime pay. A federal judge in Texas struck down that change in August 2017. The resulting uncertainty has made proactive compliance even more important for salaried workers earning \$913 per week and under who are now getting paid overtime.⁴

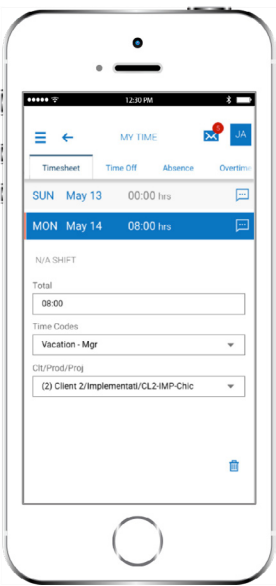


FIGURE 1: Today’s white-collar workforce management mobile technologies make it easy to report time against projects or PTO.

Because misclassifying employees can cost an employer thousands (or even millions) of dollars in unpaid overtime and penalties, it’s important for organizations to have a working understanding of the different types of exemptions and how to apply them. The rapid changes that have been occurring in wage and hour regulations over the past few years have significantly complicated the compliance picture, and have the potential to cost organizations valuable time, money, and productivity as they seek to manage multiple roles, pay rates, and other rules. Organizations have every reason to believe that change and uncertainty will continue to dominate white-collar workforce management, making it more critical than ever to have workforce technologies that easily track white-collar activity in place (see figure 1).

⁴ SHRM, *Federal Judge Strikes Down Obama DOL’s Overtime Rule* (August 31, 2017), found at <https://www.shrm.org/ResourcesAndTools/legal-and-compliance/employment-law/Pages/Judge-Strikes-Down-Obama-DOL%27s-Overtime-Rule.aspx>.

It can be very costly to miscategorize an employee as exempt. **Under federal law, an employer can face liability for back wages, taxes, penalties, interest, and attorney fees.** Plus, aggrieved employees can seek unpaid wages or overtime for a period going back two years.

AVOIDING THE COMMISSION-ONLY COMPENSATION TRAP

The FLSA exemption for highly compensated employees can also present a compliance danger for employers with highly paid workers whose job functions may be perceived as being exempt. When a worker's compensation is received exclusively in the form of commissions or fees rather than salary, they may still be eligible for overtime pay, even if their compensation significantly exceeds the \$455 per week threshold.

Highly compensated employees can still be eligible for overtime, even those earning more than \$100,000 per year.

A recent ruling against Wyndham Vacation Resorts found that its commission-only sales representatives were not exempt from overtime under the executive exemption. The court noted that the FLSA regulations provide that a highly compensated employee's total compensation must include at least \$455 per week paid on a salary or fee basis and may include commissions and other nondiscretionary compensation — thus making a distinction between fees and commissions. Moreover, although it was not critical to the decision, the court was also skeptical of Wyndham's claim that the employees actually performed executive duties. "To the contrary," said the court, "it appears to the Court that ... [Wyndham] did not provide a guaranteed salary and that these Sales Representatives were just that — Sales Representatives whose primary duty was sales, not management."⁵

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WHITE-COLLAR WORKFORCE MANAGEMENT: AVOID A BLANKET APPROACH

It's important to bear in mind that introducing or expanding time tracking to white-collar workers can be a delicate matter. Many exempt white-collar workers feel they have earned freedom from tracking and reporting their time and activities. And in reality, tracking all activities for all salaried workers is probably not necessary. It's best to concentrate your efforts on those positions and activities that lend themselves to measurement and for which these measurements will allow your organization to increase productivity.

Look for positions that have repetitive tasks that can be augmented with technology to speed up productivity and keep workers focused on human-specific skills. It's not realistic to expect salaried employees to punch a clock after every activity; once a day entry can be sufficient. But getting employees in the habit of tracking and recording their time and activities can pay dividends for your organization, particularly in situations where billed hours need to be tracked for clients.

White-collar workers can resent being required to track their time. Focus your efforts on those areas that allow you to boost productivity.

⁵ Wolters Kluwer, *Wyndham Resorts altered timecards, prohibiting class of sales reps from receiving overtime*, found at <http://www.employmentlawdaily.com/index.php/news/wyndham-resorts-altered-timecards-prohibiting-class-of-sales-reps-from-receiving-overtime/>.

⁶ Joshua Robert Dale, *Misclassifying exempt employees can be costly* (March 31, 2015), found at <https://www.linkedin.com/pulse/misclassifying-independent-contractors-can-costly-joshua-dale/>.

Look for solutions that are built specifically for exempt salaried employees.

KEEPING MORALE IN MIND

Companies should also remember that increasing productivity is not the only potential impact from using workforce management solutions to track time and activities. With any new process, it's important to take employee morale into account and ensure that you aren't inadvertently increasing employee dissatisfaction and burnout. Since white-collar workers have more discretion over their work activities than their blue-collar counterparts, many can come to feel that they have too much on their plate and experience burnout.

A recent survey showed that 27 percent of salaried workers feel they are approaching burnout if their workload doesn't change.⁷ This is important for employers to be aware of because 45 percent of salaried workers report that burnout has caused them to change jobs or careers in the past.⁸ You don't want your efforts around white-collar workforce management to cause you to lose valuable, experienced employees.

FINDING THE RIGHT SOLUTION FOR SALARIED WORKERS

While there are many simple project tracking systems available in the market today, few of them are a good fit for the complexities of salaried workers. These tools have difficulty handling different pay codes, job codes, and billing codes, and the level of manual entry they require isn't compatible with the work habits of salaried workers. Lacking effective solutions, too many companies have given up on understanding the activities of white-collar employees.

Instead of forcing white-collar workers to use an hourly timecard that is too feature-rich for their needs to report time, companies should look for solutions that are built specifically for exempt salaried employees.

Some of the features of a white-collar focused solution include:

- The ability to complete frequent tasks from the home page
- A simple user experience that takes a project-centric view of work so that salaried workers simply pick the project and enter the amount of time they've spent on it
- Projects defined in terms salaried workers understand — not lengthy data strings
- Previous projects are stored, allowing users to quickly and easily copy them forward, add, or select from a drop-down list
- The ability to properly categorize and capture nonwork time such as vacation and sick time
- Integration with tools like Microsoft Outlook for easy leave management entry, team messages, and calendar management

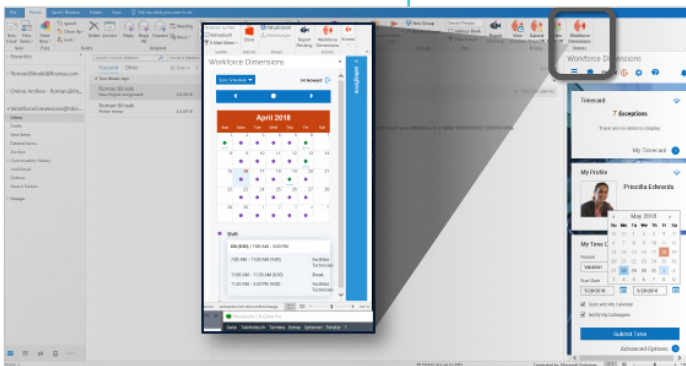


FIGURE 2: Microsoft Outlook integration allows easy leave management entry, team messages, and calendar management.

⁷ Coleman Parkes Research, *Automation and New Technology Study* (conducted on behalf of Kronos), 2018.

⁸ Ibid.

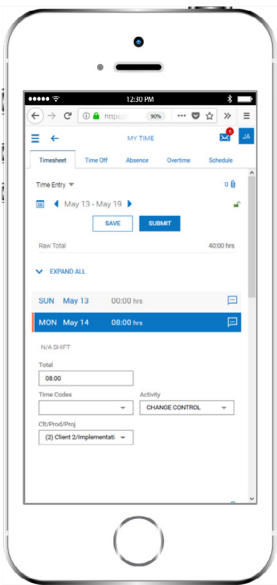


FIGURE 3: The field employees at a major retail consulting firm were able to capture their activities whether they were in the field, in the office, or at home on the couch.

In an age when the power of technology is making our lives easier, salaried employees quickly become frustrated with outdated, clunky systems. By embracing the architecture of consumer-style solutions, enabling access across mobile devices, and integrating with other commonly used productivity tools, organizations can better ensure white-collar adoption of time and activity tracking solutions.

PROJECT TRACKING: A SUCCESS STORY

One of the most beneficial areas for implementing white-collar workforce management is that of project tracking, which allows organizations to track hours against clients and projects, bill clients accurately and promptly, and access accurate data for assessing project productivity and profitability.

For a major retail consulting firm, tracking its white-collar workforce was an error-prone, manual process that failed to deliver real-time insight into costs. Working with three separate systems, the company’s workforce, which was 90 percent salaried, submitted their hours against clients and projects. Errors were commonplace and manual adjustments were frequently required. Worse, the company couldn’t see its actual costs until after payroll was processed — far too late to make timely, necessary adjustments.

With its new workforce management solution for salaried workers, the company is able to achieve advanced project tracking. As soon as employees submit their time, that information is available to managers, allowing them to better track and manage the profitability of client projects. Paid time off is automatically tagged as nonclient activity, preventing this time from being charged to clients. The company is able to see actual rates of pay, accurately forecast project costs, and improve efficiency throughout the time and attendance and payroll processes.

2:00 PM (CDT)Timesheet Edit

Back

Home

Manage Time

Manage Timesheets

All

Timesheet Edit

Employee: Julie Adams (Default) (1000)Time Sheet: May 13, 2018 - May 19, 2018

Timesheet

Calc. Detail

Calc. Summary

Counters

Summary By Day

Sunday, May 13, 2018 - Saturday, May 19, 2018

Activity	Clt/Prod/Proj	Time Codes	Sun 13	Mon 14	Tue 15	Wed 16	Thu 17	Fri 18	Sat 19	Raw Total
CHANGE CONTROL	(2) Client 2/Implementati/CL2-IMP-Chic	TW		8:00	8:00	8:00	8:00			32:00
Holiday	000 NOT CLIE/000 NOT PROD/000 NOT PROJ	HT						8:00		8:00
Raw Total			0:00	8:00	8:00	8:00	8:00	8:00	0:00	40:00
Notes										

1

Add Rows

FIGURE 4: Automated workforce management solutions simplify the entry process for white-collar workers with drop-downs, built-in logic, auto-population of data strings, and a significant reduction in manual entry.

CONCLUSION

Finding the right solution for tracking the time and activities of your salaried workforce can significantly increase the adoption and impact these solutions have on your organization's productivity and profitability. Knowing when salaried employees are working, what projects and activities they're working on during those hours, and how that time affects your bottom line is critically important information that your organization should be capturing.

With the rapidly changing nature of wage and hour regulations and enforcement, companies cannot afford to manage their white-collar workforces with manual, inadequate processes that are not designed and built specifically for salaried workers. The compliance risks and potential costs that could occur when organizations are not prepared to respond promptly to changing regulations are simply too high.

New white-collar workforce technologies are delivering professional, efficient workforce management solutions to salaried workers. With the flexibility to work across devices, integrate with workforce productivity tools like Microsoft Outlook, and easily record employee time in just a few clicks, companies will be better able to measure output, track projects, manage costs, and minimize compliance risk.

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