

Managing Key Compliance Issues



A more human resource.™

Business owners everywhere put their efforts into balancing the key factors that make a business successful. While they are busy focusing on expense control, revenue growth, customer satisfaction and employee engagement, there's another factor that's equally critical: human resource compliance. Simply ignoring it can be a costly mistake.

Businesses today face more human resource compliance issues than ever before. While keeping up with the changes is both time-consuming and costly, failure to comply can lead to expensive fines and penalties. And some compliance issues can have ripple effects on other parts of your business, such as revenue and growth. Your ADP TotalSource® Human Resource Business Partner (HRBP) can help you understand current compliance issues and how they affect your business, as well as help you stay in compliance.

New Overtime Rules Effective ~~December 1~~ ON HOLD

Changes to the pay threshold for exempt employees under the Fair Labor Standards Act (FLSA) are effective December 1, 2016. The Department of Labor estimates these changes will affect about 40% of workers nationwide and cost U.S. businesses \$1.2 billion. Depending on your strategy for implementing the changes, this may be more than just a payroll issue for your business.

- **What effect will the rules have on your payroll?** You may be increasing the amount you pay some employees to maintain their exempt status, or you may begin paying overtime to formerly exempt employees. These shifts can increase your payroll, affecting your budget for 2017.
- **How will the changes affect your benefits budget?** The changes could result in more employees being eligible for benefits or for different benefits than before. This can change the number of employees covered by your plans and, as a result, the amount of your company's contribution toward their coverage.
- **Does your current benefits program need updating in light of the changes?** Changes to your benefits budget, the number of employees covered and what plans they are eligible for could all mean it's time to review coverages to ensure they still make sense for your business.
- **Do you now have to track time and attendance?** If your previously all-salaried workforce will now include some hourly, non-exempt employees, you will need a system to track their time and attendance. Is your business ready? A poorly implemented system can cost your company in the form of productivity, payroll errors that result in increased payroll costs, and increased overtime.

Opponents Challenge FLSA Rules

If you find the new FLSA standards problematic, you're not alone. Lawsuits seeking to block the regulations from taking effect were filed in September 2016, and in late November a federal judge issued a preliminary injunction. Further court proceedings will be held to determine whether the Department of Labor exceeded its authority in finalizing the regulations. ADP TotalSource compliance experts are closely following the proceedings to provide clients with current business impact information.

Talk with your ADP TotalSource HRBP about how you are implementing the FLSA changes. Together, you can discuss how these may affect your benefits for next year, and what changes, if any, make sense for your

Managing Key Compliance Issues

business. Don't forget: ADP has experts, tools and resources (such as Navigator OT, to name just one) to help you with FLSA compliance, and this service is available to you as part of your partnership with ADP TotalSource.

ACA Compliance Means More Paperwork

The impact of the Affordable Care Act (ACA) continues to send ripples through companies as they work to comply with its requirements and paperwork. Beginning in 2015, large employers (those with over 50 employees) were required to complete forms 1094-C and 1095-C to report their employer-provided health care. While the reporting sounded simple in theory, it proved more complicated than most companies expected, taking resources away from running their businesses. According to the IRS, the 1094-C should take about four hours to complete, while each 1095-C should take about 12 minutes to complete. For a company employing 75 workers, the entire process should take just under 20 hours, in addition to the time needed to compile the data that goes into the forms.

Companies are now wrestling with corrections. Because of the complexity of completing forms 1094-C and 1095-C, many businesses are finding that they completed them incorrectly, which can result in tax penalties. The penalties may be reduced for corrections made quickly or waived for "reasonable cause." Still, the burden of identifying and correcting errors is challenging companies' resources.

As part of our partnership, you and ADP TotalSource work together to ensure your company stays ACA-compliant. Our approach is designed to make the process as streamlined and easy as possible for your business. Our team of ACA specialists understands the law, the steps that need to be taken by your business, and how to complete those steps. This service saves you time and money, adding important value to your partnership with ADP TotalSource.

Your Changing Workplace

Flexible work arrangements are increasingly attractive to employees. In fact, a recent study¹ identified a flexible work environment as number 3 (behind rewards and fun) in a list of top 10 workplace differentiators in 2016. It is especially attractive to younger workers, who now are the largest part of the workforce. Many businesses are also realizing that to attract top talent, they need to take the work to their employees, not their employees to the work. So, if you're looking for a way to set your business apart from your competition, as well as attract and retain employees, creating a flexible work environment may make sense.

Global Workplace Analytics estimates that **unscheduled absences cost businesses \$1,800 per employee per year.** And many times, employees aren't sick – they need time for personal/family issues. How much are inflexible work rules costing your business?

It can make sense for productivity too. Global Workplace Analytics² reports that "78% of employees who call in sick, really aren't. They do so because of family issues, personal needs, and stress." And those unscheduled absences cost employers plenty – \$1,800 per employee per year. While a flexible workplace may not be right for every employee and every business, there are also impressive productivity results for many companies that use a virtual workforce, as "over two-thirds of employers report increased productivity among their telecommuters." Don't forget that you can save on real estate costs too, with many virtual employees working from their homes.

¹ Aon Hewitt, 2016 Workforce Mindset™ Study

² globalworkplaceanalytics.com/resources/costs-benefits

Managing Key Compliance Issues

However, a flexible work arrangement can create additional business complexities. For example:

- Many state and local taxes are based on where the employee works – not where the home office is located.
- Some locations (such as New York City) double-tax home-based workers. That is, workers pay taxes for New York City as well as for the city where they reside.
- If your flexible workforce is located outside your home office geography, you may need to adjust your benefits to accommodate their needs. For example, you may need a regional or national provider network for your medical plan to ensure appropriate coverage for your entire workforce.

Your ADP TotalSource HRBP can help you determine if your current benefits need some updating to meet the needs of a geographically diverse workforce. And ADP TotalSource can help you with payroll and tax issues associated with a flexible workforce.

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