

Measured Success! Raising the Bar in HR

Issue III, September 2004

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MOVING FORWARD: FLSA Implementation Steps

Unless you have been hiding under a rock for the past several months, you are well aware that the revised Section 541 Regulations of the Fair Labor Standards Act were implemented on August 23, 2004. However, your to-do list may have prevented you from attending to this issue or you may have been overwhelmed by the anticipated results and employee perceptions of the revised regulations. To make the process of coming into compliance more manageable, take these ten steps.

STEP ONE - IDENTIFY CURRENT STATUS

Obtain a report of all employees along with job title, salary, and current exempt/non-exempt status.

Locate all documents or policies as well as any electronic systems that include exempt/non-exempt information.

STEP TWO - IDENTIFY APPROPRIATE GROUP

Narrow the list of employees by removing those holding Blue Collar jobs.

STEP THREE - APPLY SALARY LEVEL TEST

Identify those positions that meet the salary level test of \$455 per week.

Also note those positions that meet the highly compensated test of \$100,000.

STEP FOUR - COST/BENEFIT ANALYSIS

Determine an annual overtime estimate for those positions that were previously classified as exempt but will not qualify for exemption under the final regulations based on the salary level test.

Then determine the annual cost of increasing the salary for those positions to a level that will meet or exceed the salary level test.

STEP FIVE - DUTIES REVIEW

Review job descriptions or other job documentation and measure against final regulations.

Categorize as non-exempt or exempt as Executive, Administrative, Learned Professional, Creative Professional, Computer Professional, or Outside Salesperson.

STEP SIX - DETERMINE FINAL FLSA STATUS

Create a new document outlining the exempt/non-exempt status of each position and the exemption that is being claimed for each position.

Determine the cost of the final status change and use to finalize decisions.

STEP SEVEN - ANALYZE PAY PRACTICES

Review policies to ensure improper deductions are not being made and audit your payroll system.

Determine if all employees regardless of FLSA status will be required to track time.

STEP EIGHT - SAFE HARBOR

Ensure policies are developed and implemented to address improper deductions, safety practices, and the 12-month period that will be used for Highly Compensated positions.

STEP NINE - ROLL OUT CHANGES

TO MANAGEMENT TEAM

Provide supervisors with a list of changes that will be occurring in their area of responsibility and train supervisors to ensure their understanding of exempt/non-exempt status and ways they can support the claimed exemption.

Provide detailed training on any policy or record keeping changes.

TO EMPLOYEES

Determine the method of roll out - the number of employees affected by the changes will determine the method (be prepared for emotional issues).

Educate employees as to the elements of the job that support a particular exemption. Provide training to all employees on policy changes and record keeping practices.

STEP TEN - FOLLOW-UP

Schedule informal follow-up for three month, six month, or nine month intervals as appropriate based on the number of changes that are occurring.

Thereafter, periodically audit record keeping practices, job descriptions, and policies/ procedures.

We have talked with some employers who have conducted an audit of their organization simply to ensure minimal compliance while others have used this opportunity to facilitate a complete overhaul of their administrative processes to include job analysis, compensation review, exempt/non-exempt review, employee training, etc. Regardless of the approach you take, using the steps outlined above will get you started on the road to compliance.

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## **MEASURING SUCCESS! Cost/Benefit Analysis**

A cost/benefit analysis can be an extremely useful tool when deciding whether to implement a change. This widely used analysis involves a relatively simple technique - add up the value of the financial benefits of a change and subtract the costs associated with it.

### **EXAMPLE:**

An HR Director is deciding whether to purchase an HRIS system that would automate current processes to track all employee information, attendance, performance appraisals, manage benefit information, COBRA administration, and FMLA tracking. His company has 120 employees; he and his assistant currently track all information through spreadsheets and maintain hard copies. The company is planning on expanding and he will need to hire an additional employee but wants to consider the purchase of an HRIS before proceeding.

**COSTS\* SOFTWARE/INSTALLATION** \$4,630 - HRIS Software 1,225  
- One network-ready PC to support software 700 - Installation of  
Software/New PC 1,500 - Sales Support Software

**TRAINING AND OTHER COSTS** \$1,000 - Software Training 240 -  
Set-Up Time (2 days) 600 - Lost Time During Installation (5 days)  
900 - Lost time through inefficiency during first three months (20 hrs per  
month)

**TOTAL COST: \$10,795 BENEFITS\*** \$39,000 - Savings of Additional  
Full Time Employee (Salary and Benefits) 3,240 - Administrative  
Savings (Benefit, compensation, and COBRA administration)

(18 hours per month)

1,620 - Data Management Savings (employee information, time and  
attendance)

(9 hrs month)

2,880 - Reporting Savings (census, eligibility, and other monthly reporting)

(16 hrs month)

900 - Reduction of Data Entry

(5 hours per month)

3,000 - Reduction in Response Time to Questions/Improved Employee Satisfaction

**TOTAL BENEFIT: \$50,640/year**

**PAYBACK TIME: \$10,795 / \$50,640 = 0.21 OF A YEAR = APPROX. 3 MONTHS**

\*An average hourly wage of \$15.00 was used to calculate all figures.

The example shows both actual amounts as well as estimates for intangible items such as lost time, increased satisfaction, etc. Estimating a value for these inevitably brings an element of subjectivity into the process. Despite this, the HR Director would likely purchase the software instead of hiring a full-time employee given the short payback time.

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WHAT DOES THAT MEAN?

Ever wonder what all those initials mean that follow the names of many professionals? The following list identifies some of the more common certifications (of course this list is not all inclusive of all existing certifications/designations).

CBP - Certified Benefits Professional	CCP - Certified Compensation Professional
CEBS - Certified Employee Benefit Specialist	ChFC - Chartered Financial Consultant
CFP - Certified Financial Planner	CHFP - Certified Healthcare Financial Professional
CMC - Certified Management Consultant	CMP - Certified Meeting Professional
CPM - Certified Purchasing Manager	CRP - Certified Risk Professional
CS - Certified in Sales	CSP - Certified Safety Professional
GPHR - Global Professional in Human Resources	GRP - Global Remuneration Professional
MOUS - Microsoft Office User Specialist	PE - Professional Engineer

PMP - Project Management Professional PHR - Professional in Human
Resources SPHR - Specialized Professional in Human Resources

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THANK YOU!