

Labor Law Compliance Mitigates Big Risks

Manual and disparate HR and workforce management systems are your Achilles' heel.

by Matt Pillar

California's strict and complex labor laws are no trivial matter. Just ask the retailers who have shelled out millions of dollars to settle labor law disputes there. As other states cast labor law legislation in the California mold, more retailers will be challenged to develop systems that ensure labor law compliance and therefore mitigate the risks associated with committing erroneous violations.

As payroll and project manager at San Diego State University's Aztec Shops, Leah Messenger is familiar with the laws governing California's workforce. Aztec Shops employs 140 full-time and up to 900 part-time associates who staff the University's bookstores, c-stores, dining facilities, arena concessions, and that staple of large college campuses, Starbucks.

Like most retail operations of its size, Aztec Shops once handled payroll with a homegrown system that grew more complex as the years went by, requiring a significant degree of expertise on the part of its "handler." Messenger says the company's dependence on a single payroll programmer wasn't good for Aztec Shops, nor was it good for the programmer. "She could never go on vacation longer than a week, and even if she was gone for a few days she'd have to be on call in case something happened," Messenger explains. "Over the years, she had manually entered every state and federal legislative update and configured the system to accommodate each one." As if placing so much pressure on a single programmer wasn't enough, the same programmer also had responsibility for the POS and retail software at Aztec Shops.

Its "siloed" approach to HR and payroll also created compliance concerns for Aztec Shops. Without sound integration of HR, payroll, and timekeeping, there was no central and complete view of employee information. This posed a risk in the form of inaccuracy around tax, benefit deduction, and accrual information. And because employees had limited access to their time and pay information, the risk of discrepancy disputes was great.

"With the complexity and rate of change associated with labor laws, we knew our in-house approach wasn't sustainable, and we wanted to focus the efforts of our payroll systems programmer on more profit-enabling projects," says Messenger. With that clarity began the search for a modern HR and payroll management system.

Integrated Solution Creates Efficiencies, Removes Risk

After an RFP process that included solicitation of vendors at the American Payroll Association's Annual Payroll Congress, Aztec evaluated 12 providers and quickly landed on Kronos as its solution of choice. Messenger admits that when she previously thought of Kronos, she associated the company only with the manufacture of time clocks. Today, Aztec Shops runs the Workforce Timekeeper, Workforce HR, Workforce Payroll, Workforce Absence Manager, and Workforce Scheduler applications from Kronos and has also implemented Kronos 4500 Touch ID biometric terminals. "The all-in-one aspect of the solution was particularly valuable to me," says Messenger. "The interface is much more efficient, and there's far less chance for miscommunication and error." Specific compliance issues addressed by the new integrated solution include:

California laws require a 60-minute meal break after five hours of work. Aztec's homegrown solution required the manual addition of an hour to the payroll of those who missed that break, leaving the company open to error and risk of noncompliance. The new system automates this function and includes a feature that alerts associates to the break requirement.

The new system features an attestation statement at the time clock, which allows associates to approve their time cards at the device, minimizing payroll discrepancies.

Before implementing Kronos, Aztec Shops used a paper-based system to manage employee leave time including vacation, sick time, and FMLA (Family Medical Leave Act). The process was prone to error and, thus, labor law compliance risk. The Kronos module streamlined the retailer's system.

Messenger credits the solution with saving managers half a day per week in administrative and scheduling time as compared to the old system. Schedules that were previously built two weeks out by managers are now created through associate interaction with the system. Smarter scheduling has resulted in a 30% decrease in part-time labor expenses. And that programmer who now works on profit-enabling projects can finally take an uninterrupted vacation. ■



Modern workforce management applications should help retailers mitigate labor law compliance risk. California retailers like **Aztec Shops** must comply with the most rigorous labor laws in the country.

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