

Paid Sick Leave: From Perk to Priority

Growing Legislative Trend Puts Pressure on Payroll

Paid sick leave laws are gaining traction in cities and states around the nation.

In September, California became the second state to enact a paid sick leave law. Scheduled to take effect in July 2015, the Healthy Workplace, Healthy Families Act of 2014 grants covered employees one hour of paid sick leave for every 30 hours worked. Employees are compensated at their normal hourly rate (the state provides guidance on calculating hourly rates for salaried employees and employees who work at different pay rates), and portions of unused time can roll over to the following year.

Legally mandated paid sick leave is a growing trend. In 2011, Connecticut was the first state to enact a paid sick leave law, and cities including Portland, Seattle, New York, San Francisco, and Washington, D.C., passed paid sick leave ordinances. Although the rules vary, at the time of this writing four commonalities arise.

1. **Regulations around accrual, usage and carryover:** Many paid sick leave laws regulate how leave is accrued and can be used, and how unused time can carry over. For instance, California bases accrual on hours worked and gives employers the option to designate “reasonable minimum increments” of leave. The state also allows a portion of unused time to roll over into the next calendar year.
2. **Pay calculations during sick leave:** Sick leave pay rates are generally straightforward (California makes them equivalent to employees’ normal hourly rates), but this is more difficult to determine for salaried employees and employees that work at different pay rates. In those instances, the law specifies how an employee’s hourly sick leave rate should be calculated.
3. **Provisions around “making up” missed time:** Some laws clarify that employers cannot ask (or require) employees to make up for missed time when paid sick leave is used. In California, employers cannot require employees to find a worker to replace them while using leave; in Connecticut, employers cannot require workers to pick up extra shifts to



compensate for missed time (and employees cannot volunteer for this option, either).

4. **Administrative obligations that fall on employers:** Many paid sick leave laws impose administrative obligations on employers in terms of tracking and recordkeeping. For example, California requires employers to regularly provide employees with available sick leave balances, track how much paid sick leave has been used by each employee, rollover qualifying unused time to the following year, reinstate accrued leave for rehired employees, and maintain sick leave records on individual employees for up to three years.

Streamline Paid Sick Leave Compliance

From an administrative standpoint, incorporating and meeting these specific requirements can sound like a headache. Payroll professionals don’t need a laundry list of paid sick leave compliance tasks on top of regular responsibilities. Instead, streamline your paid sick leave strategy with basic best practices:

Familiarize Yourself With the Law

Taking the time to understand the law is the best way to start developing a solid strategy. Many paid sick leave laws include “carve-outs” that exempt certain types of employees from paid sick leave and excuse businesses that already provide paid sick leave, as long as their policy meets certain criteria.

Compare notes with colleagues in similar organizations. See how other organizations plan to handle potential issues the law creates for your businesses or your industry. Also, consult with legal counsel on questions about the law itself as well as exemptions and exceptions to ensure you’re fully aware of your legal obligations. This increases your ability to spot opportunities to tailor your paid sick leave policies in beneficial ways or potentially exempt your organization altogether.

Automate Administration as Much as Possible

Automation provides a powerful way to streamline sick leave administration. Not only can it ensure accuracy, but automation also removes manual data collection and reporting tasks from your to-do list. Look for opportunities to automate tasks with a reliable management system already in use by your organization. Many administrative tasks, like tracking hours worked, calculating sick leave pay rules, and tallying and reporting accrual and available balances, can be easily automated by existing technology, such as a time and attendance system, ensuring consistency and minimizing administrative time and costs.

Some systems come with preset rules that may no longer meet your needs (such as leave accruals based on seniority instead of hours worked). If that’s the case, talk with your vendor about reconfiguring your system to automate calculations the law requires. Ask about new rules for accruing sick leave based on hours worked, capping leave accrual once it reaches a certain number, and carrying over unused leave to the new year.

Unsure which existing system fits the bill? Chances are, the choice boils down to using either a payroll system or a time and attendance system. A payroll system works if your goal is simply after-the-fact reporting. If your strategy focuses more on proactive management, a time and attendance system is a better fit if it captures and reports in real time, allowing for flexible decision-making and adjustments.

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Maintain Accurate Records

Recordkeeping obligations are an increasingly common requirement in all types of labor regulations. And in almost every case, they fall directly on the shoulders of employers. For paid sick leave, important records include hours worked, amount of leave accrued, and amount of leave taken for every individual employee. Additionally, the law may mandate a length of time these records must be kept.

Find out if these types of records can be maintained by the same system automating administrative tasks. If the system is already collecting and calculating data related to these records, any existing reporting capabilities will bring this information together quickly and accurately. If needed, talk with your vendor about creating custom reports to further automate the reporting process, and learn how to share and export the results. Proactive recordkeeping not only ensures compliance, it demonstrates due diligence on the part of your organization and makes information accessible in the event of a dispute.

Prioritize Your Sick Leave Strategy

Ultimately, a streamlined sick leave strategy will help your organization meet its obligations while minimizing administrative investments. Taking time to understand the law, automating leave tracking and calculations, and prioritizing accurate recordkeeping make compliance contagious. ■