

Round Up: Court Rules Rounding Payroll System Permissible Even When (A Slight) Majority Of Employees Lose Time

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A California state appeals court recently held that two California hospitals' practice of rounding all employee time punches to the nearest quarter-hour was allowed, even when a majority of employees lost time. California law permits employers to round time entries when the payroll rounding system is neutral on its face "without an eye toward whether the employer or the employee is benefiting from the rounding," and when it does not "systematically undercompensate employees over time." In this case, one hospital's rounding payroll system subtracted time from the pay of 49.5 percent of the workforce (713 employees) and added time (9,476 hours) to the pay of 49.3 percent (709 employees) of the workforce. Only 1.2 percent (17 employees) were unaffected by the rounding procedure. In this hospital, a minority of employees lost time, while the remainder either gained time or broke even. Overall, the rounding credited employees with 1,378 more hours than they actually worked. At the other hospital, the rounding payroll system subtracted time (13,588 hours) from the pay of 52.1 percent of the workforce (953 employees), and added time (17,464 hours) to the pay of 47.1 percent of the workforce (861 employees). There, just 0.8 percent of the workforce (14 employees) were unaffected by the rounding procedure. Unlike the first hospital, a slight majority of employees (52.1 percent) actually lost time due to the rounding. Still, the remainder either gained time or broke even, leading to employees being compensated 3,875 more hours than they worked as a result of the rounding. In reaching its decision, the court was not persuaded by the fact that the average number of employees lost time due to the rounding. The fact that "a bare majority at one hospital lost minor sums during a discrete period" did not create an issue of fact as to the validity of the system. Although rounding payroll systems generally favor employees, employers must ensure that their system is free of bias; it should not single out certain employees. For example, even when a system looks neutral and fair on its face, a system that in practice overcompensates lower paid employees at the expense of higher paid employees could unfairly benefit the employer, and the courts are less likely to uphold such system. The case is *AHMC Healthcare, Inc. v. Superior Court*, 2018 Cal. App. LEXIS 581

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