GIFTING: A PRACTICE MORE COMMON THAN THE HOLIDAYS

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DOES GIFTING HAPPEN IN MY WORKPLACE?

Gifting practices often hide or become embedded in the system, so it can be difficult to quickly locate or distinguish. Education is the first step toward solving the problem.

In this paper, learn about these common gifting issues:

- Pay codes and punch edits
- Clock abuse
- Preferential shifts
- Non-productive time
- Excused absences

Knowledge leads to recognition, and once we learn to recognize it as a problem, we can begin to change it.

WHAT IS GIFTING?

While formal holiday bonuses seem to be a perk of the past, informal *gifting* may continue unabated. *Gifting* is not part of a Secret Santa program or other gift holiday exchange. *Gifting* happens when employees or managers purposefully manipulate or cheat the system for monetary gain. Let us discuss five gifting abuses that might even occur in your workplace today.

IMPROPER PAY CODE APPLICATION AND PUNCH EDITS

Pay codes define the type of payment an employee receives. They can relate to a certain pay rate (e.g., SalReg = regular salary), zone (e.g., NS2 = night shift 2), or activity (e.g., On-CallReg). Punches are the times employees arrive and depart their place of work. There is a variety of ways pay codes and punches can be gifted.

Kevin and Joe were buddies in nursing school and both ended up as fulltime nurses at HealthTwo. Kevin works four night shifts a week at the night shift premium rate. His hard work quickly pays off and he becomes a floor manager. Joe works the day time shift so that he can help out at night with child care. This year, Joe's family grew with the birth of his fourth child. Now he needs to make more money, but working three shifts a week is already a challenge. As a manager, Kevin has access to employee pay history and pay codes. He tells Joe that he could start applying the night shift premium to his day shifts in the timecard and Joe could be making almost double his base rate. Joe gratefully accepts.

In this example, Kevin gifts a special rate (pay code) to Joe, even though Joe does not meet the requirements for that rate. If no one else but Kevin runs an internal audit, this behavior could go on indefinitely. To control this type of gifting, organizations can restrict managers' edit access to pay code editing. Only in rare situations does a manager need to change the pay rates for specific employees. Also, as in this example, personal ties complicate the issue and managers may be too invested to make objective edits. Instead, have a timekeeper or payroll administrator make these changes.

In another example, Annette and Maria both work at Polly Pie Bake Shop. Maria is the shop's supervisor and Annette is a cheerful employee, an excellent baker, and great with customers. However, every so often Annette arrives fifteen minutes late. This happens less than once a month, and Annette always has a good reason – car trouble, babysitter was late, forgot to punch the clock, or doctor's appointment ran over – so Maria doesn't have a problem adjusting Annette's punch time. Historical edits can be changed or erased in the time and attendance system, so the owner would never notice anyway. Recently though, Annette's tardiness has become routine. Maria finds herself retroactively clocking Annette in twice a week now. Worse yet, other employees caught on to this and are now also coming in late expecting a retroactive punch.

In this example, if Annette is fifteen minutes late twice a week and makes $10.00/hour, it means she gets paid an extra $20.00 per month for non-worked time. Although the wage loss seems small, that time is also nonproductive. Other employees have to perform Annette's duties when she is absent, but they do not receive any wage increase or bonus. By enabling this behavior, Maria created a culture of entitlement among all employees and an off-the-books gifting policy. If Maria denies one employee a retroactive punch, the courts may view this as discrimination and inconsistent policy enforcement.

To correct this, keep an audit trail of edits or changes, especially with employee time. This not only protects the employer from time abuse, but also protects the employee from incorrect time adjustments (i.e., a manager erases unapproved overtime from timecard). Organizations may also require a signature on edits to identify who made the change. Do frequent internal audits of time data, analyzing punch times and signatures for any inconsistencies or patterns of abuse.

OVERLOOKING CLOCKING ABUSE

Similar to editing and applying pay codes or punches is the passive gift of overlooking time abuse. Sometimes it is simply a mistake or error in the system, or an isolated occurrence unlikely to happen again. However, chronic abuses of time or patterns of error become a real cost and compliance problem.

For example, Elizabeth works three overnight (12-hour) shifts a week at HealthTwo for an average of 36 hours a week. Workweeks run Sunday at 12 A.M. to Saturday at 11:59 P.M. Elizabeth worked two other shifts this week, and her final shift is on Saturday. When scheduled for a Saturday shift, Elizabeth clocks in at 11 P.M. Saturday and works until 11 A.M. Sunday. In this scenario, all 12 hours count toward the Saturday shift. Next week, a car accident causes Elizabeth to arrive late to her shift, Elizabeth clocks in for her Saturday shift at 12 A.M. Sunday. At the end of the pay period, Elizabeth notices that she has eight hours of overtime this week. Because she clocked in late for her shift on Saturday, the hours counted toward the next pay cycle, giving her 48 hours that week. Elizabeth begins requesting that her Saturday shift start at 12 A.M. every week. The manager doesn't check which week the hours are assigned to and never realizes the difference. Elizabeth shows up for all her shifts and does the work. Payroll just receives total hours worked, so they do not question the overtime. Although Elizabeth still works 36 hours a week on average, she splits them into 48 hour workweeks and 24 hour work weeks.

In another example, a manager at G-Tell discovers that Jim has not been clocking out for lunch. After talking to Jim, the manager discovers that Jim works through lunch so that he can leave work thirty minutes early to care for his young daughter. However, G-Tell is in Tennessee and state law requires a 30-minute meal break within a six hour work period. But Jim *wants* to work through lunch. So the manager sets up an automatic meal deduction for Jim, but the understanding between them is that Jim can leave early because he works through lunch.

In the first example, because managers do not investigate overtime or track cost centers and payroll lacks visibility, Elizabeth may continue to receive undue overtime. In the second example, G-Tell's manager exposes the company to serious compliance risk by allowing Jim to work through lunch. Also, Jim may take a lunch *and* leave work early, causing productivity problems.

To avoid overlooking clocking abuse, design dashboards that highlight areas of potential abuse for managers, such as high or frequent overtime, missed meal or break periods, or inconsistent punching. Automated workflows should enable cost and risk-averse behaviors, not loopholes or questionable practice. Organizations should always keep track of edits to avoid managers or employees altering records. Organizations with more security concerns can limit edit access rights for more control.

PREFERRED SHIFTS, BETTER SCHEDULES

Schedules are a form of compensation that do not show up on budgets, reports, or hiring documents, but are well-known to the employee. Whether it means receiving preferred shift times, more hours, or more schedule consistency, some employees see the schedule as a gift, while others view it as a curse.

At We-Haul-That, LLC employees work around the clock to deliver packages and shipments across the United States. Derek recently joined the team and his schedule includes six shifts this week. However, all of them are local/short hauls (100 miles or less from home base), meaning that Derek will comes into work almost all week, but won't receive enough hours (pay) to cover his rent. A co-worker, Raul, has worked for We-Haul-That for almost ten years. He received four shifts this week, but they are all long haul trips which can be more profitable. After Raul finishes his four shifts, he will have three days off.

Sometimes contracts, regulations, and culture constrain the schedule, making an even distribution of hours difficult. Employers often see advantages to gifting veteran employees with more or better hours, but this can lead to higher turnover among new recruits. Schedulers should be cognizant of the employees frequently receiving weekends off or working excessive overtime hours. In the transportation industry, schedule gifting can lead to more than just low employee morale. There are caps and limits on the number of hours employees can work per week or per shift and requirements on how much rest they must receive. Be sure to reference individual state and industry requirements and regulations to configure specifics and reminders in the scheduling and timekeeping systems.

SCHEDULING PAID NON-PRODUCTIVE TIME

Many industries and organizations experience down time, or non-productive time, but some schedule it as a gift. Paid non-productive time typically occurs unintentionally as a product of doing business. For example, Jackie is paid to wait for a shipment to arrive before unloading it, or Terrence is paid to stay on-call and on-base on his day off in case of an emergency. However, there are circumstances where employees abuse the on-call policies or managers use special pay rates to reward certain employees.

Matt is an outstanding employee at Kart Manufacturing, Inc. A veteran worker for over fifteen years, Matt is a certified forklift operator and has his commercial driver's license. Since there are very few employees with his level of experience and skill, Matt is in high demand. However, Matt not only makes good wages during work, but also off-the-clock. On any day that Matt is not working the forklift, Matt's manager puts him on on-call pay for forklift operator. However, some days Matt works the line *and* receives on-call pay for forklift shifts and delivery driving. If Matt was ever called in while working

DOES GIFTING REALLY COST US THAT MUCH?

In some gifting scenarios, employees may be stacking, or "pyramiding", pay to charge a much higher rate.

To avoid this, explicitly limit stacking and pyramiding in contracts and employment policies. Language such as "no adding or stacking together overtime and premium rates" or "only the higher of the rates apply" clearly defines the expectation.

Within the system, set controls or rules to limit the number of concurrent pay codes for each employee. Do not allow front-line manager overrides or edits to pay codes.

the line, then he could not fill the forklift or driving position, but that has never happened.

In this gifting scenario, Matt may receive up to three concurrent wages for performing only one job. While bonuses are acceptable forms of reward, this gifting policy is unfair and causes Kart Manufacturing significant losses. If Matt was *not* working, he might receive on-call pay for the forklift shift *or* delivery driving, but not for both, and not when he is already scheduled for another shift. Matt's manager does not pay other employees for non-productive time, proving that this is an inconsistent practice.

In another example of scheduling and paying non-productive time, Renee is a new employee at G-Tell. Typically, employees do not receive time-off or vacation time until after a 90 day probation period. Renee had an excellent first two months, but she gets the opportunity of a lifetime when she wins tickets to France on her favorite radio station. She asks her manager for the time off as an advance on her vacation, promising that she won't take the vacation she would receive after next month. Renee's manager grants this vacation request because of the circumstance and because he wants to keep Renee as an employee. He manually edits the time and attendance system to show *paid time off* for Renee's absence.

This example of gifting can be especially dangerous because of its inconsistency and failure to follow policy. For example, if another employee, Lucy, asks to have the same treatment to care for a sick relative and the manager refuses, Lucy might sue G-Tell for unfair or discriminatory treatment.

Performing audits may uncover these inconsistencies, but to be more proactive set controls and limits within the time and attendance system. Limit the number of shifts an employee may sign up for concurrently so that an error message comes up when the manager tries to schedule Matt for two shifts. Have a time and attendance or payroll system administrator set all new employees' accrual banks at zero so that the system cannot be overridden by a manager. Run frequent reports on top earners and vacation time to track use and abuse.

CHANGING UNEXCUSED ABSENCES TO EXCUSED

Although the difference between an excused and unexcused absence might appear minor in the workforce management system, it can cause major differences in cost and risk for the organization.

For example, back at Polly Pie Bake Shop, shift supervisor Maria struggles with turnover and no-shows during the holiday season. The bake shop believes that customers should recognize workers in the shop, and workers should be familiar with regular customers. Strong employee retention and attendance are central to Polly Pie's mission, but with a strict *three strikes, you're out* attendance point policy, Polly Pie loses many of their employees. The holidays bring longer store hours and more volume, and Maria needs all the help she can get. The owner tells Maria that she must improve retention and attendance. Maria cannot change the attendance policy, but she can create a workaround. She goes into the time and attendance system and changes employees who are marked as having an *unexcused absence* to *absent without pay*. Therefore, the employees do not receive pay, but they do not receive points either (which would lead to their dismissal).

In this example, Maria alleviates some of her stress with this workaround, but now *gifts* certain employees with absence privileges. Maria allows some employees to keep their jobs even though they technically violated the attendance policy. However, the attendance records would not show this. If she does this for all of her employees it may be fair locally, but not for those in other stores. It reflects a larger problem with the attendance policy expectation and enforcement.

Sometimes gifting is the easy way out. All organizations experience absence, but not all track or manage them well, and few routinely quantify the real cost of absence. The Family Medical Leave Act (FMLA) further complicates absence approval. Unexcused absences become excused with valid medical documentation or FMLA qualifier, but the rules are not always clear. In some cases, HR or the manager may not know how to qualify the absence and, in a hasty effort to stay compliant, they mark all absences as excused. Some believe the cost of absence is better than the cost of non-compliance. But tangible, financial costs are not the only costs.

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Failing to track absences is also problematic from a staffing perspective. Absent salaried employees may not experience change in pay, but their workload now shifts to other employees, causing stress and fatigue among those picking up the slack. If the organization pays from schedule and the schedule lacks the updates to reflect the absence, an employee may still receive wages for that time. Absences in an hourly population typically require that the supervisor finds a replacement (which costs them in time), or has the present team take on the additional work, lowering the quality of work and increasing safety risks. Uncaptured, extra duty work is a hidden but real cost.

Passive absence management and documentation are part of the reason poor attendance behavior and system abuse persist, but features in the timecard may offer a solution. Self-service functionality or timecard comments give employees ownership and autonomy; they handle time off requests and absence on their own, helping to relieve managers of these administrative tasks. Consider having multiple sign-offs on timecards to capture absences (employee and supervisor, supervisor and payroll/HR coordinator, etc.) for improved accountability and visibility. Use multiple levels of control to create transparency and limit the opportunity to use gifting as a crutch or under the radar.

CONCLUSIONS

Organizations should invest and reward employees, but not in the form of inappropriate edits, overlooking abuse, favoring certain employees, or enabling bad behaviors. Incentives and pay should be based on performance, not on system savvy or personal connections. These gifting policies and practices threaten to negatively impact cost, compliance, productivity, morale, and turnover, among others. Because they are often hidden, gifting behaviors may already be entrenched in your organization, but that does not mean they have to stay that way. Organizations can use workforce management technology to uncover gifting practices using data, and a workforce asset management professional can organize and execute a course of action in response. To make a change, evaluate who and what are on your *Naughty List;* don't let gifting get out of hand. Exchange old, unmanaged gifting practices for improved compliance, equity in the workplace, and savings for the New Year. Mutual benefit for both employer and employee creates *good tidings for all!*

"The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency."
-Bill Gates

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