

# Top 5 Wage & Hour Risks Strategies & Solutions

**\$1B+**

PAID ANNUALLY IN WAGE & HOUR SETTLEMENTS

**#1**

MOST COMMON CLASS ACTION LAWSUIT TYPE

**3-4x**

PENALTY MULTIPLIER FOR WILLFUL VIOLATIONS

**2-3 yrs**

STATUTE OF LIMITATIONS (3 YRS IF WILLFUL)

Wage & hour violations are among the most expensive and preventable risks facing employers today. These five risks happen every day — often without managers realizing it. Use this as your operational action guide.

**RISK 01**

**Misclassification of Employees**

**THE EXPOSURE**

Exempt status requires BOTH a salary test (≥\$684/wk) AND a duties test. Titles carry no legal weight. Incorrect classifications trigger back pay + liquidated damages for the entire class — going back 2-3 years.

**ACTION STEPS**

- › Conduct a full classification audit — document the legal basis for every designation
- › Apply the duties test, not just the salary threshold
- › Build a written classification protocol requiring HR & legal sign-off
- › Train managers to flag role changes that may affect status
- › Re-evaluate every time a role materially changes

**RISK 02**

**Off-the-Clock Work**

**THE EXPOSURE**

Employers must pay for all hours they "suffer or permit" an employee to work — authorized or not. Auto-deducted breaks, "finish up" cultures, and after-hours messages create systemic, silent liability.

**ACTION STEPS**

- › Create a written OTC policy — prohibited AND how to report discrepancies
- › Train every supervisor: they cannot instruct or knowingly allow OTC work
- › Audit timekeeping auto-deduction rules and rounding configurations
- › Build confidential channels for employees to report missed time
- › Compare clock records against actual work patterns regularly

**RISK 03**

**Overtime Violations**

**THE EXPOSURE**

OT must be calculated on the "regular rate" — which includes bonuses, commissions, and shift differentials. Unauthorized OT must still be paid. Comp time is illegal for private employers. Multi-role hours must be combined.

**ACTION STEPS**

- › Audit payroll to include all non-discretionary pay in the OT calculation
- › Train managers: comp time is not a legal substitute for OT pay
- › Implement a process to combine hours for employees in multiple roles
- › Require written OT pre-approval — but always pay first, discipline separately
- › Audit OT calculations quarterly, especially after payroll system updates

**RISK 04**

**Improper Salary Deductions**

**THE EXPOSURE**

One improper deduction can strip exempt status retroactively for an entire class. Docking for slow days, weather closures, partial-day absences, or equipment damage are all prohibited — even if written in policy.

**ACTION STEPS**

- › Publish a written salary deduction policy listing only permissible reasons
- › Require HR approval before any deduction from exempt salaries is processed
- › Train managers on what they cannot do — most violations are unintentional
- › Use FLSA's "window of correction" if an improper deduction occurs
- › Run quarterly payroll audits confirming exempt employees received full salary

**RISK 05**

**Work Time Mistaken for Non-Work Time**

**THE EXPOSURE**

FLSA requires payment for all time an employer "suffers or permits" work. Breaks under 20 minutes, restricted on-call time, cross-workday travel, and "optional" required training are all compensable — regardless of how they're labeled.

**ACTION STEPS**

- › Audit every on-call and travel policy for compensability requirements
- › Never label required training "optional" — if needed, it must be paid
- › Fix timekeeping to correctly distinguish paid breaks vs. bona fide meal periods
- › Establish written work-hour policies for remote employees
- › Route all new work arrangements through HR for a compensability review

**FREE RESOURCE**

**Take the CORE Score™ Assessment**

Not sure where your organization stands? This **free, 5-minute assessment** asks 13 targeted questions designed to surface real operational and leadership risk — then delivers a personalized compliance report specific to your organization. Identify your gaps before they become claims.

**TAKE THE FREE ASSESSMENT →**

**COMPLIMENTARY CALL**

**Schedule a CORE Compliance Strategy Call**

Ready to close the gaps in your wage & hour compliance? Book a complimentary 30-minute strategy call with Katrice to review your specific challenges and explore the right path forward. **No pressure. Just clarity.**

**BOOK YOUR STRATEGY CALL →**