

Time Clock Rounding in California Continues to Evolve



Rounding time was once viewed as a necessity by many employers before the use of modern timekeeping and payroll technologies.

Timekeeping devices have evolved to a point where employers can track time to the minute without much manual work. With those changes in technology, courts and agencies are focused on assuring that employees are paid for all time worked – to the minute. Thus, the best practice in tracking time is not to engage in time clock rounding for nonexempt employees.

What are the rules for time clock rounding?

Although federal regulations and various state laws currently permit time clock rounding (because they were issued or enacted when time-tracking technology was not generally available), an employer must be able to show that rounding is neutral in its impact on the employee and demonstrate that employees are fully compensated for all time worked. In reality, rounding is not always neutral in its application and employers often fail to adequately audit their pay practices to confirm neutrality and compliance. And even neutral time-rounding policies have increasingly become the target of scrutiny at the federal and state level. For this reason, as we have for years, ADP continues to recommend against rounding time in all jurisdictions.

Is time clock rounding allowed in California?

Courts in California have become increasingly critical of rounding policies. In 2021, the California Supreme Court ruled in *Donohue v. AMN Services, LLC*, that employers in California cannot use rounding policies for employees' mealtime entries. Further, there is another case currently pending before the California Supreme Court, titled *Camp v. Home Depot U.S.A., Inc.*, through which the

Court will decide whether employers may use neutral time-rounding practices to calculate employees' work time for purposes of paying wages or whether such practice is unlawful under California law.

In addition to determining whether the practice of rounding is lawful, the Court will determine whether its holding applies prospectively or retroactively. California courts have applied other wage and hour holdings retroactively, leading to greater potential liability for employers. Thus, we recommend that you review your timekeeping practices and make any changes you deem necessary to help you limit any potential exposure related to time-rounding practices.

Preparing for the future of time clock rounding

The best way to limit liability (prospectively) is to remove all rounding configurations in all jurisdictions (or, at the very least, in California) and pay employees to the minute. Rounding time was once viewed as a necessity by many employers before the use of modern timekeeping and payroll technologies. However, the days of employers manually calculating time entries have largely passed and tracking time to the minute is now more easily accomplished. **For these reasons, ADP reiterates the best practice of paying employees to the minute for all time worked.** You should review your current practices with your legal counsel to ensure compliance with state and federal laws and greater accuracy in your timekeeping practices.

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