

Incorrectly Rounding Employee's Time Can Be Costly for an Employer

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In 2024, a \$9.3 million verdict was issued against Providence Health & Services in Washington for improper time rounding practices. This case serves as a critical reminder that employee time rounding must be neutral—it cannot unfairly favor the employer. An example of rounding that is not neutral occurs when, an employer determines on a case by case basis whether an employee's time should be rounded up or down depending on whether it benefits the employer.

Acceptable "Rounding" Practices:

In some industries, particularly where time clocks are used to record employee work time, a practice is used of recording the employees' starting time and stopping time rounded to the **nearest 5 minutes, or to the nearest one-tenth or quarter of an hour**. Presumably, this arrangement averages out so that the employees are fully compensated for the time they actually work. **For enforcement purposes, this practice of computing working time will be accepted, provided that it is used in such a manner that it will not result, over a period of time, in failure to compensate the employees properly for all the time they have actually worked.** (29 CFR 785.48) and (N.J.A.C. 12:56-5.8).

Employers must maintain a consistent and even-handed rounding policy and continue to comply with minimum wage and overtime requirements.

Therefore, an employer should:

1. **Document Your Policy:** Clearly outline your rules and policies in your employee handbook.
2. **Train Supervisors and Payroll Staff:** Ensure your team understands and correctly applies the rounding policy.
3. **Use Reliable Time Tracking Systems:** Invest in systems that accurately record time and apply rounding rules automatically.
4. **Regularly Review and Audit Practices:** Conduct periodic reviews to ensure your policies remain neutral and compliant with federal and state laws.

If an employer rounds incorrectly, it could lead to a wage theft claim. Wage theft claims are particularly costly because they may result in 200% of the wage loss awarded against the employer as a penalty, as well as the employer having to pay the employee's attorneys' fees.

To ensure that your rounding practices comply with state and federal law, reach out to our [Employment Law Team](#).

Attorney

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Practice

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