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Employee brand risk: The hidden cost of mismanaging an increasingly complex regulatory environment

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The world of work is transforming at a rapid pace with a number of industries and sectors grappling with change as they work to manage disruption. The adoption of digital technologies has altered the way we access information, buy goods and services, connect with each other and live in our communities and cities. According to the International Data Corporation (IDC), 60 per cent of global gross domestic product (GDP) will be digitized by 2022, and the World Economic Forum estimates that 65 per cent of the children entering primary school today will end up working in job types that do not yet exist.

While technological change represents the lion's share of disruption, regulatory and compliance complexities also loom large, increasing both costs and risk of non-compliance for businesses of all sizes. The public sector is not immune from this disruption – the pressure to increase productivity, while delivering better outcomes by doing more with less, is rising.

On Sept. 1, sweeping changes to Canada's labour code led to more than 18,000 federally regulated companies being affected. The changes were designed to make it easier for federally regulated workers – a total of 900,000 employees or approximately 6 per cent of Canada's total work force – to request more flexible working conditions. However good the intentions, decision-makers and compliance officers within the public sector – specifically in the human resources department – have been tasked with ensuring a quick and seamless transition to comply with the new code.

In total, there are 47 changes to the Canada Labour Code, of which three stand out:

- Shift scheduling: Employers are now required to give employees 96 hours written notice of their schedule and at least 24 hours notice of a shift change.

- Overtime refusal: Employees have the right to refuse overtime for family reasons; provided the employee has first taken "reasonable steps" to carry out the family responsibility by other means.
- Flexible work hours arrangement: Employees with at least six months of continuous service will be entitled to formally request changes to their work conditions (hours, schedule, location).

These are just a few of the changes and the impact could not be clearer: federally regulated employers need to update their policies and practices to ensure compliance. While this can be a costly and resource-consuming process, the alternative could result in material fines and reputational risk. Employers must also consider employee satisfaction as a catalyst for quickly complying with these new regulatory changes. Non-compliance and poor scheduling practices can create a more strenuous work environment, which may lead to lower productivity, potentially more stress and work-family conflict. Low productivity and absenteeism are both hidden non-monetary costs employers may have to pay. Employers who are not compliant are also at a competitive disadvantage for attracting talent.

With this in mind, how can affected companies best position themselves to avoid non-compliance, minimize the cost of adapting to these new regulatory changes and maintain high levels of employee satisfaction? A few considerations:

1. Address regulatory compliance as a strategic HR initiative: Adopt pro-active best practices to avoid potentially damaging issues, complaints or fines. When HR teams treat compliance as a transactional or tactical HR responsibility, compliance challenges tend to be more substantial. As well, treating compliance as an ongoing strategic responsibility leads to more effective practices.
2. Strive to make compliance issues less complex, time-consuming and confusing: Look for solutions that are both efficient – in terms of time and money – and effective. There are various possible solutions, such as adopting better information services, leveraging outsourcing and embracing new technologies designed to deal with a changing regulatory environment.
3. Use HR technology solution partners to enable compliance: High-quality HR solution providers must stay up-to-date to deliver effective services. Since these partnerships are already in place in many firms, it makes sense to turn to and/or rely on a trusted partner for information and help.
4. Implement a cloud-based tool for payroll processing and accuracy: Implement cloud-based solutions to provide turnkey payroll management, including the complexities of paying remote employees and unionized workers. Cloud-based solutions may offer improvements in efficiencies and accuracy for tax reporting, payroll deductions and legislative and regulatory updates, while reducing back-office burden and paper-based processes.

In addition to the impact it can have on employees, the rise of regulatory complexity poses significant legal and compliance risks. As federally regulated companies think about how to adapt, leveraging technology to manage change and embracing a people-first approach will be the winning strategy moving forward.

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