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RESEARCH NOTE AUTOMATING TIME AND ATTENDANCE: LOW HANGING ROI

THE BOTTOM LINE

Automating time and labor management with a solution from vendors such as Kronos and ADP enables companies to improve productivity, increase payroll accuracy, and eliminate costs related to obsolete and paper-based time and attendance management systems.

Nucleus Research has performed dozens of interviews with companies that have used solutions from companies such as Kronos, ADP, and Workbrain to replace time and attendance workflows that were either fully manual or poorly automated. All companies benefited from the deployments. ROIs tended to be particularly high for companies that had migrated from a manual environment.

In the absence of an automated time and attendance system, companies lose productivity, overpay employees, and become distracted by the manual tasks of time and attendance.

The primary benefits of an automated time and attendance system are improved productivity, reduced payroll error, reduced payroll inflation, lower overtime costs, and the elimination of paper costs.

Improved productivity

Many companies use highly complex and manual processes in order to compile and certify their time and attendance information. When these workflows and processes are replaced by systems from best-of-breed time and labor management vendors, a variety of workers become more productive:

- Employees, who are able to more rapidly provide their time and attendance data over the Web, at their PC, or at time clocks.
- Managers, who become more productive because they are able to more rapidly view, approve, and submit attendance information from employees.
- Payroll administrators, who no longer have to manually collect, check, and transmit data from time sheets.

Time and attendance systems can also automate workflows in the areas of leave and activities. By providing PC or Web-based ways for employees and managers to efficiently exchange information about requests, absences, vacation time, and the projects they are working on, these solutions enable people to become more productive.

TOPICS

Employee Management
Applications
Human Resources

Reduced payroll error

Simplifying time and attendance workflows and eliminating the use of paper time cards and time sheets means that data is manually transferred less frequently, reducing the amount of human error that can increase payroll costs. This increases accuracy, reduces rework, and reduces payroll overpayments. Nucleus finds that companies have an average payroll error rate of 1.2 percent of total payroll.

Without an automated time and attendance system, companies tend to over pay their employees by an average of 1.2 percent.

The level of payroll error at a company will vary based upon factors such as:

- Rule environment complexity. The more pay rules that a company has to adhere to as a result of union agreements, as well as federal, state, and local regulations, the more likely there are to be payroll errors that result in overpayments to employees.
- Number of locations. The more stores, offices, or plant locations your company has, the more likely errors are to occur as the data is exchanged in manual workflows.
- Workflow complexity. The more time and attendance data is manually exchanged from one person to another — including employees, managers, and payroll administrators — the greater will be the amount of payroll error.

Reduced payroll inflation

With time and attendance workflows that are semi-automated or manual, the accuracy of attendance data provided by employees cannot be assured. There are a number of ways that this can inflate a company's payroll:

- Buddy punching. Employees can fraudulently increase the number of hours they get paid for by having a coworker punch them in even though they are not at the work site.
- Clock rounding. If an employee clocks in before they begin their assigned shift, some attendance systems will pay them for that extra time even though they were not working.
- Inconsistency. Attendance and pay rules can be applied inconsistently or even with favoritism, which increases payroll.

Reduced overtime

In the absence of reporting from an automated time and attendance system, managers typically do not know how many hours their employees have worked. This can be a problem when managers want to allocate work or shift time, but want to give that time to employees who have worked the least hours, so that overtime costs can be minimized.

Without the standardized reporting available in time and attendance applications, managers are far less able to assign work to their employees based on who is least likely to incur overtime rates.

Solutions from the best-of-breed time and attendance vendors include standardized reports that tell managers who is approaching overtime, which enables managers to more cost effectively assign work and cut overtime costs.

Retirement of legacy systems

Automating time and attendance with a best-of-breed solution typically enables companies to retire existing time and labor management systems that — compared to time and attendance solutions from best-of-breed vendors — are more difficult to maintain, costlier to service, and have limited functionality. This also enables managers to improve workflows and reduce costs. When retiring a legacy system, benefits will include both the elimination of annual license maintenance fees and the cost of internal and external staff to maintain the system to be retired.

Elimination of paper costs

Automating the collection and processing of time and attendance data with a solution from a best-of-breed vendor eliminates the costs of paper time cards and time sheets. This can result in a significant savings for organizations with large workforces and bi-weekly pay periods. Companies considering a automation can estimate their cost savings by using a cost of \$0.03 per time sheet and multiplying by the number of time sheets based on the numbers of employees and pay periods. The costs of storing and archiving time sheets and time cards will also be eliminated.

On demand or on premise?

Companies that decide to deploy a time and attendance system will also need to decide whether the application will be accessed over the Web or from a system deployed on their own hardware. ADP's solution is typically accessed over the Web, which results in lower up-front costs, since the majority of costs are in the form of subscription fees paid over the life of the solution. On-premise solutions have more upfront costs as a result of the need to purchase and deploy software. In deciding which way to deploy time and attendance, companies should consider how much in-house staff they want to dedicate to the system — the less that can be made available for a time and attendance solution, the more a company should go with an on-demand deployment.

CONCLUSION

Companies that have not automated their time and attendance workflows should consider automating them with a solution from a best-of-breed vendor such as Kronos, ADP, or Workbrain in order to improve productivity, reduce payroll error, and decrease overtime costs. In considering a solution, companies should be prepared to think about whether it would be deployed on premise, as Kronos and Workbrain offer their solutions, or over the Web, which is how the majority of ADP deployments are completed.

Nucleus Research is a global provider of investigative technology research and advisory services. Building on its unique ROI case study approach, for nearly a decade Nucleus Research has delivered insight and analysis on the true value of technology and strategies for maximizing current investments and exploiting new technology opportunities. For more information or a list of services, visit NucleusResearch.com, call +1-781-416-2900, or e-mail info@NucleusResearch.com.