



Time Collection: More than Just Clocks

Prepared by: Jessica Morency
Date Prepared: 08/17

With payroll being the single largest line item on most businesses' P&L statement, it's important to keep careful track of employee attendance and productivity which is the goal of an automated time and attendance system. The most common time systems have an interface that allows employees to clock in and out via time clocks, a web portal or mobile devices, but time collection is more than just clocking in and out. Many modern time collection systems also have self-service functionality that allows employees to review their hours worked, schedules, and time off among other things. They also provide managers or business owners with valuable insight so they can better manage their workforce.

Let's review the top 5 benefits of an automated time collection system.

1. Greater accuracy

Many organizations still rely on a manual timekeeping process using hand-written time cards or spreadsheets. Employees fill in the time card at the end of the day, week or pay period which can increase the likelihood of inaccurate time tracking. A manual process that relies heavily on the honor system can be abused and inaccurate hours documented by employees can result in time theft. But even honest employees can make mistakes on timesheets, especially when they can't remember details days after the fact. Let's do the math. Assume a 150-employee organization that is paid weekly with an average pay of \$15/hour. If each employee adds even 15 minutes of time each pay period that adds up to 13 hours per year per employee or 1,950 hours across the entire organization. Multiply that by the average hourly rate and you get \$29,250. What else could you use that money for?

Another risk of potential inaccuracies is human error when the payroll professional enters the time into the system. Illegible handwriting can cause errors, and it's easy to make data entry typos. The human error factor alone accounts for up to 3% of over and/or under pay. When you consider that employee salaries are often an organization's largest expense, a 3% margin of error of your annual payroll can really have an impact on the bottom line.

Improved accuracy comes from having a system that can prevent users from entering inaccurate information, as well as require employees to follow policies. Employees time is collected via electronic means and then transferred to the time and attendance system in real time alleviating the potential for human error and guesswork. And most systems allow supervisors to be alerted to early or late in/out punches as they happen which gives them the opportunity to address workforce attendance issues before they become larger problems.

2. Increased productivity for HR and payroll

At the end of each pay period, it begins. Timecards must be collected, supervisors need to be tracked down for approvals, time off needs to be reconciled (yet another potential round of approvals), and then each time card

has to be entered into the system with likely a few calls to clarify illegible handwriting. And THEN you can start to process payroll. Does this sound familiar? It is not uncommon for organizations with a manual timekeeping process to spend upward of five hours running payroll which can add up to a lot of direct expense.

The amount of time required to run payroll can be drastically reduced with an automated and integrated time and attendance system. It avoids duplicate data entry, minimizes the day-to-day upkeep of data, decreases the likelihood of error and streamlines the data management process. So, instead of the manual process described above, employees could track their time electronically in real-time and at the end of a pay period, time and attendance information is routed to supervisors for approval and transferred to the payroll system for processing - no data entry required. Reducing the time it takes to run payroll while also increasing the data accuracy by automating the transfer of timekeeping information can lead to increases in both productivity and cost savings.

3. Improved regulatory compliance

Federal and state wage and hour laws require that employees be paid for every minute that they work, including overtime. Fine and penalties from wage and hour lawsuits can be costly. By having an automated system, you can remove the hassle of trying to calculate overtime hours which can be a bit complicated if you have employees that receive different rates of pay for different types of work.

Many organizations also need to track total hours worked by employees for benefit eligibility and, if applicable, Affordable Care Act reporting. While using a time and attendance system won't guarantee your organization's compliance with employment laws, they can help ensure you comply with ACA and labor regulations. Consistency in your timekeeping and the ability to quickly pull reports and review punch-by-punch employee time tracking data from your time and attendance system can be your best tools should your organization ever be audited by the U.S. Department of Labor, your state labor board, or IRS.

4. Insight into true labor costs

A time and attendance system provides advanced tracking for job costing and labor distribution which makes it much easier to get accurate and detailed reporting. It also allows for greater insight into your employees' and organization's key performance indicators i.e. hours and wages, employee counts, scheduled vs. working status, overtime expenses, FMLA leave and excessive absenteeism to name a few. Without this insight, an organization will struggle to get a clear picture of labor costs and the health of the business which is vital to success. A detailed look at labor costs and where changes can be made can also be a cost-saving tool. Businesses can save up to 5% of their payroll costs by automating their time and attendance systems. Not only in

administrative time, but also in indirect cost savings related to workforce management such as time spent on their work and the return on investment of their work.

5. Employee Self Service

Most time and attendance systems allow employees access to check their hours, request time off and view their schedules among other things. It not only empowers them to be more accountable and responsible for their time, but it can also reduce calls to the managers and the human resources or payroll department and cut down on the bottle-necking of requests which ultimately reduces the frustration levels of not just employees, but managers, payroll staff, human resources professionals and owners.

Conclusion

Automated time collection systems not only reduce errors and improve efficiency, but can ensure compliance with labor regulations, give greater insight into labor costs, control over overtime expenses, increase productivity for the HR and payroll departments, provide more accurate employee timekeeping, eliminate time theft, and more. Implementing an automated time and attendance software solution makes good sense for most organizations and the return on investment is rapid and measurable.