ROI Opportunities for Automated Time and Attendance Systems

Insperity™

Time and Attendance

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Executive Summary

The thousands of organizations that have benefited from automated systems by Insperity™ Time and Attendance have implemented the solutions to resolve a great variety of problems or to achieve their business goals. Payroll is most often an organization's largest cost center, and proactive management of those costs can have a significant impact on the bottom line. Simple manual employee actions, such as time recording, can create enormous costs if performed thousands of times a year by every employee in the workforce.

Automating the most frequent employee actions yields the greatest cost savings and efficiency improvements. This white paper will bring to light some of the most frequent areas of return on an organization's investment in a time and attendance solution.

Areas of Return

- Duplication of Efforts
- Data Integrity and the Payroll Error Rate
- Proactive Overtime Control
- Payroll Processing Time
- Elimination of Manual Time Card Costs
- Employee Time Card Preparation Time
- Supervisor Time Card Review Time
- Easier Report Creation
- Cost Savings from Employee Turnover
- Reduction in Employees Paid for Unproductive Time
- Decreased Calls to Human Resources and the Payroll Department
- Advantages of a Web-based Solution
- Improved Workforce Scheduling
- Rounding Errors (The "Close Enough" Factor)
- Labor Allocation

Duplication of Effort

In many organizations, employees fill out a time card or a time sheet. This is done in a variety of ways. Oftentimes, hours are captured on a physical sheet of paper that is submitted to supervisors or timekeepers, who then physically check, verify and often enter the information into various systems for labor tracking, attendance and job costing purposes. The information must typically be re-entered into payroll solutions.

Having a system that allows you to capture accurate punch time detail, as well as position, location and department transfers, eliminates the need for "double keying" timekeeping information into multiple systems. This system can then populate data into all programs, which often frees up expensive administrative staff to focus on other responsibilities.

Data Integrity

Any time you have an individual or group of individuals entering information into multiple systems, there is an opportunity for human error, thus compromising the integrity of vital organizational data. A quality human resources employee with an accuracy rate of more than 95 percent will, by definition, have an error rate of up to 5 percent. It would be fair to say that half of the errors are made in the employees' favor, so companies with quality human resources employees are likely overpaying their staffs up to 2.5 percent of the time. Also consider that few employees enter a payroll department with complaints of being overpaid. How much is 2.5 percent of your organization's labor cost?

By using an electronic data collection terminal or a Web PC time clock screen, your company will be able to eliminate opportunities for errors at their point of origin. By eliminating the possibility of human error in data transfer and arithmetic by moving from a manual entry method to an electronic data transfer method, you'll know with 100 percent certainty that the data integrity is maintained during information flow.

Pay period payroll cost
x *Error rate for team handling time data*
x *Number of times the data is handled in the pay period*
x *Pay periods in the year*

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= *Annual Cost of Human Errors*

Here is a series of questions to ask about data integrity to help identify the opportunity for savings:

- Do you ever have to adjust payroll for employees who say they are underpaid?
- Do you know how much, in dollars, employees were underpaid for last month, last quarter or last year? What is that as a percentage of that period's payroll?
- Isn't it reasonable to assume that for every employee that your organization underpaid, there are probably an equal number of employees who are overpaid?
- Can you agree that overpaid employees are much less likely to report overpayments?
- As demonstrated, if a certain percentage of your payroll required correction because of underpayments, would this indicate that significant revenue is being lost by your organization through overpayments?

Proactive Overtime Control

Without an automated solution, overtime costs, if separately reported at all, have historically been reported after the end of a pay period when it is too late for a supervisor to take action on the problem. Overtime costs can be greatly reduced if supervisors who are responsible for staffing levels and scheduling can be alerted proactively to employees approaching overtime prior to an employee's working extra hours. If possible, employees approaching overtime can be replaced on the schedule by employees who have fewer accumulative hours for the pay period. If overtime is unavoidable on a regular basis, the organization may be better served by increasing staffing levels. These decisions can be made only when information is available in a timely manner.

Payroll Processing Time

Implementing an automated solution will dramatically reduce a company's payroll processing time. Insperity Time and Attendance customers have experienced a noteworthy reduction in payroll staffing and a virtual elimination of overtime from the payroll department's employees once they implemented Insperity TimeStar. It is common to have a decrease in headcount, as well as a reduction in the time payroll employees dedicate to the payroll process, allowing them to do other tasks. With consistent, automated payroll processing procedures, payroll administration becomes a smooth process that takes a fraction of time compared to manual processing.

Elimination of Manual Time Card Costs

If an organization is using a mechanical time clock or paper-based time tracking system, there are savings associated with the elimination of these media. Right away, all costs associated with paper time cards are eliminated, including storing them, distributing them, manually collecting them, routing them for exception checking and, for organizations with multiple locations, shipping them to central locations.

Employee Time Card Preparation Time

In a manual system, it takes an average of two to five minutes for each employee to fill out a time card for each pay period. If preparation is done very quickly, employees are more likely to have expensive inaccuracies. This expensive process can be virtually eliminated with an automated solution, such as Insperity TimeStar, because automated badge swiping or PC time entry ensures accuracy while taking mere seconds to perform.

Supervisor Time Card Review Time

In a manual system, it takes the average supervisor up to five minutes to review each time card for exceptions. With Insperity TimeStar, employees without any exceptions do not need to have their time cards reviewed. Additionally, the amount of time supervisors spend conducting time card reviews can be greatly reduced since the exceptions needing attention are presented in advance via e-mails or Insperity TimeStar alerts.

Report Creation

In a manual system, employee reports that include time information are prepared manually – if at all. Many companies using a manual system never create management reports and, as a result, never receive insight into real-time labor information. The only information obtainable is often compiled days or weeks after a pay period has ended. Creating these reports by hand can be very time intensive, and the information is often too outdated to be useful. Insperity TimeStar can eliminate this problem with its reports, which provide management with labor data in real time during the current pay period, empowering them to make labor decisions when they can still impact the current period costs.

Cost Savings From Employee Turnover

In a manual system, employee accrual balances are very difficult to keep up to date. When employees leave the company, it is very common for an organization to play it safe and overpay them for the amount of unused time off they had available. An automated solution can create instant savings by virtually eliminating these sorts of mistakes.

Reduction in Employees Paid for Unproductive Time

When employees come in late, leave early or take a long lunch, they may enter their time as if they were working when using a manual system. They may also be prone to rounding off their start and stop times in alignment with expected work hours, no matter what their actual start and stop times are.

Insperity TimeStar is able to eliminate a lot of this unproductive time. If employees are instructed to punch in and out when they are actually working instead of using general start and stop times, this can save the company money. Automation also reduces overtime that occurs from employees, including unproductive, rounded time. Conservative estimates show that the average employee may have about 30 minutes of unproductive time of this nature each week. Studies can be conducted for your specific organization. This savings goes two ways: employees are not paid for unproductive time, and it encourages employees to be on site per your business' requirements.

Reduced Calls to Human Resources and the Payroll Department

Without a self-service solution, such as one that allows employees to view their accrual balances and time cards online, they have no option other than to call the human resources or payroll department to have someone look up the requested information. Automation reduces the amount of time your human resources and payroll professionals take to answer these calls and gives them back that time to handle important business matters.

Advantages of a Web-Based Solution

The Web-based architecture of Insperity TimeStar does not require client software to be loaded and maintained on your supervisors' and employees' computers. This greatly reduces the specifications required for operating Insperity TimeStar on your company's computers and eliminates the need for costly IT resources to manage software installations.

Improved Workforce Scheduling

Insperity TimeStar will allow you to manage your workforce more efficiently. By assigning employees to a schedule, you create the basis for attendance rules and policies, rounding rules, shift management and even security. Many organizations have the situation where an employee arrives early in an effort to gain some unapproved overtime. While this infraction can range anywhere from a few minutes to even entire hours per week, the collective impact to your organization is enormous.

Assuming an hourly rate of $10, just 10 minutes a day of unapproved overtime clocked in by 10 percent of the workforce of a 200-employee company translates to $13,000 per year. By utilizing TimeStar's internal scheduler, supervisors can be notified when employees try to work unscheduled overtime. In fact, your system can even be configured to prevent employees from being able to make time punches outside your company policies. You'll also be able to better manage multiple shifts, departments, shift differentials, bonus pays and more. Tracking attendance against the schedule can also be used to reward employees who have excellent attendance.

Rounding Errors – The "Close Enough" Factor

It is very common in many organizations that use manual time cards to employ rounding techniques, or the "close enough" factor. Consider an example of a busy supervisor who views 20, 50 or even 100 time cards every week. Trying to calculate the actual hours from the following punch data can be an arduous task, at best:

In Day	8:08
Out Lunch	11:54
In Lunch	1:07
Out Day	4:56

The actual number of hours the employee was on site is eight hours and 47 minutes, with a one hour and 13 minute lunch break. For the ease of calculation, and to avoid employee confrontation, supervisors often mark eight hours with a one-hour lunch, feeling that the time worked is "close enough." Keep in mind that this example shows only one employee's punch data for one day. So a supervisor with 20 employees would need to make 100 of these calculations every week.

Organizations where employees are allowed to fill out their own time sheets also have a great opportunity for labor cost savings. When given this kind of autonomy, employees rarely mark less than a 40-hour work week, unless a vacation or other absence is involved. As a result of such scenarios, many organizations are throwing away thousands of dollars every year on overpayment and lost productivity. In fact, the American Payroll Association suggests that up to 5 percent of a company's annual payroll can be recovered by eliminating "close enough" factors.

The most efficient way to do this is to implement an electronic timekeeping system. For an organization of 200 hourly employees who make $10 per hour, the annual cost savings range from $83,200 to $208,000.

Conclusions

There are many other areas where organizations can save money leveraging Insperity TimeStar; however, they tend to be very specific to each organization's business processes. For example, automating your organization's timekeeping system allows policies to be applied and enforced consistently across the enterprise and controlled by the specific manager(s) whom you grant access. This eliminates favoritism, discrimination issues and inconsistencies in policy adhesion, as well as morale issues associated with these problems. Improved morale often decreases expensive employee turnover, an indirect benefit that numerous Insperity TimeStar customers have experienced.

The opportunities for return on investment provide a starting point for exploring how Insperity TimeStar's labor management solution will help your organization. The solutions offered by Insperity TimeStar impact every department within an organization. Through extensive conversations with an Insperity TimeStar labor management consultant, specific areas of return for your organization can be identified, thus making the time it takes to uncover a gold mine of increased efficiency very short.

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