ROI Considerations of Automated Time and Attendance Tracking

It's a given that for most businesses, payroll eats up as much as 50% of their total budget. The current global economic environment has resulted in cutbacks across every type of industry. To remain viable and maintain productivity, managers are confronted with difficult choices. While many businesses have been forced to cut payroll costs by resorting to layoffs, there is compelling evidence to show that overall payroll costs can be reduced by increasing productivity through streamlining the payroll process with an automated solution for time and attendance tracking.

The fact is that manual time and attendance tracking, coupled with weak timesheet controls and compounded by human error, result in hidden costs that add up quickly. This is particularly true when companies are spread across multiple sites, or have a mix of employees ranging from remote and on-premise, exempt and non-exempt, or have multiple clients and projects. With such complex workforce attributes, it is not surprising that managers may be unable to properly optimize scheduling and allocation due to lack of insight into their workforce, which in turn affects overall productivity.

Fortunately, an automated, cloud-based solution for time and attendance tracking can address these problems and increase productivity. Let us look at several ways in which deployment of an automated time and attendance tracking solution can mitigate high payroll costs and improve overall productivity in an organization.

Manual Processes Lead To Higher Payroll Costs

Traditionally, time and attendance tracking has been a labor-intense and manual process, with employees punching time cards or filling out timesheets by hand and turning them in to the payroll department. Payroll staff would then re-enter the information into payroll systems for processing and issue checks. This method of time tracking and reporting is fraught with error, because it relies on the accuracy of individual employees who manually transcribe information from one system to another.

Weak timesheet controls and manual processes make companies vulnerable to payroll errors, overtime errors, and scheduling inefficiencies. These are the "hidden" costs of payroll, which are often overlooked. Other hidden payroll-related expenses include timesheet fraud, labor law compliance audits, and in some cases, lawsuits.

Human error: People may calculate hours incorrectly, round up or down, or misplace a decimal. According to studies by the American Payroll Association (APA), errors resulting from manual processing of time and attendance alone can account for 1%–7% of total payroll costs.[1]

Manual processes: APA research shows that employees spend considerable time filling out timesheets manually, and reviewing a single timesheet can take as long as 7 minutes. When multiplied by the number of employees in an organization, and again by the number of timesheets submitted per month, the costs add up significantly.

Salary overpayments: In APA's 2010 Global Payroll Performance Study,[2] researchers found that significant amounts of money are wasted annually in overpayments. The annual amount of overpayments was $375,968 among what the study labeled "Top Performers," and the collection rate was only 68% or $255,658. Even more troubling is the fact that many companies don't track salary overpayments as part of the standard payroll process.

Poor scheduling: A lack of insight into employees' time and attendance data can hinder efficient scheduling, leaving some of them on the bench while others are overworked. Companies lose money every day that resources aren't fully utilized, and risk losing talent by overloading employees. Poor scheduling can have an impact on productivity and result in revenue leakage from costly overtime payments.

Time theft: "Buddy punching"— the act of clocking someone in when they're not actually there — affects approximately 75% of businesses in the United States and can cost up to 7% of a company's gross payroll annually. If a business' payroll is $500,000, that's a loss of $35,000 per year.[3] Moreover, in project-based organizations, hourly billing practices can lead to over-charging clients and timesheet "padding."[4]

Noncompliance and lawsuits: Without proper documentation, organizations may spend significant resources preparing for compliance audits. Poor time tracking leads to duplicated efforts, poor project execution, and audit failures. The US Department of Labor estimates that 7 in 10 companies are failing to comply with wage-and-hour regulations, mostly due to inaccurate time tracking, employee misclassification and a lack of accurate workforce data.[5] According to the National Employment Lawyers' Association, there has been a 77% rise in FLSA lawsuits tied to wage-and-hour disputes since 2004.[6]

How Automated Solutions Increase ROI

Automated time and attendance tracking solutions eliminate errors by creating accountability and transparency. They reduce labor-intense processing of payroll and help eliminate costly overpayments. Many solutions provide robust reporting and help create a reliable audit trail to simplify compliance tasks. Let us examine the impact automation has on the hidden costs of payroll, and the ways an automated solution can cut costs and improve productivity:

Do away with manual tasks

Automated time and attendance tracking dramatically reduces the time it takes to fill out, submit, and approve timesheets. If the solution is cloud-based and information is stored in a central location, there's no need to consolidate information from multiple timesheets and perform the associated manual data entry. Automated reporting further reduces administrative burden by eliminating the need to export data into reporting software or create reports from scratch. All these factors add up to large productivity gains in any organization.

Reduce overpayments by creating accountability

Implementing an automated system for time and attendance tracking lets employees know that they are being monitored and cannot get away with long breaks and early departures. The savings from accurate time tracking not only prevents revenue leakage, but also encourages increased productivity.

Improve scheduling for better workforce utilization

With no centralized access to employee work hours and time off requests, managers lack visibility into how effectively they are utilizing their workforce. Increased insight into employees' schedules through a real-time automated time tracking solution is proven to reduce payroll costs through elimination of unnecessary overtime costs caused by an unbalanced distribution of work.

Eliminate fraud

Curbing "buddy punching" and fraudulent clock-ins with a manual time and attendance tracking system is nearly impossible. However, advances in photo auditing capabilities are allowing companies to keep a close watch on their time clocks. Some cloud-based time clock solutions maintain a photographic record of clock-ins, so that employees cannot clock each other in.

Others use biometric controls. All of this data can be made accessible to managers in real time and as historical data, discouraging employees from cheating on their timecards. Even if time clocks are not used, an automated time and attendance tracking solution can be configured with internal controls and policies on the back-end, which helps minimize policy violations like missed lunches and unauthorized overtime.

Leverage historical data

Automating timesheet reporting and submission enable access to historical data, which offers a number of benefits to an organization, including the ability to forecast for future projects. Managers can examine the time spent on similar projects and make more accurate predictions about how many hours will be required for various tasks, or how many employees need to be assigned to a project. Second, historical data can be used to determine the ideal time for completion of a particular task, and monitor the time employees actually take to complete such tasks. This level of insight is necessary not only for compliance purposes, but for projecting training requirements and grooming employees to be more productive, as well. Finally, managers can look at historical data to identify time thieves—those that buddy punch or abuse time and attendance policies regularly—and take corrective action.

The ROI of Automated Time and Attendance Tracking

Best-of-breed solutions help minimize payroll errors with easily configured business rules to help managers automatically apply overtime, time off, meal breaks, rounding rules, and other attendance policies. All attendance and payroll data should be securely and easily accessible from the cloud, providing managers with the information they need to achieve labor compliance across their organization. Our sample calculations show conservative estimates of savings from automating time and attendance are between 4%–6% of payroll, most of which is gained through improved productivity, streamlined processes, and adherence to internal and external policies.

Company Specific Data Section	Value	Units
Number of Employees completing timesheets	50	
Standard weekly work hours	40.00	hours
Average wage of employees	10.00	$ per hour
Average time taken by an employee to fill in a weekly timesheet	7.00	minutes
Average time taken by a manager to review each weekly timesheet	4.00	minutes
Time taken by a Payroll Manager to reconcile, audit & process timesheets for a week	12.00	hours/ week
Daily "lost time" in minutes for an employee?	6.00	minutes
Human error rate in manual timesheets?	3%	% of payroll
Buddy punching	2%	
Overtime as a percentage of payroll	3%	
How many CloudClocks would be needed?	4	

Table 1: *Shows the time spent on various payroll processing activities in a company of 100 full-time employees with varying pay rates.*

Calculation of Total Savings	Time Attend	TimeAttend + CloudClock	
Total Weekly Savings	804	1,237	$/week
Total Monthly Savings	3,216	4,949	$/month
Total Yearly Savings	41,807	64,340	$/year

Table 2: *Shows the potential savings related to those activities that result from implementing automated time and attendance tracking solutions, such as Replicon's TimeAttend and CloudClock.*

*Totals represent gross savings. To arrive at net savings, deduct the cost of the solution.

What to Look For

When selecting a time and attendance tracking solution, it's important to look for some essential attributes:

Cloud-based: A 100% cloud-based solution offers numerous benefits, including easy implementation, fast adoption, and anywhere, anytime access. Additionally, it removes the hassle and cost of periodic upgrades and maintenance, because everything is delivered efficiently and transparently through the cloud.

Ease-of-use: Any method for time tracking has to be easy to use, or employees will use it incorrectly, inconsistently, or not at all. Automated, cloud-based solutions enable employees to quickly and easily report time from anywhere — on a PC or mobile device — making it more likely they'll be consistent and timely about submitting timesheets.

Simple integration: The solution you choose will need to integrate seamlessly with existing payroll and accounting systems, whether third-party or proprietary. Support for bi-directional data transfer will eliminate the need to manually enter time and attendance data into multiple systems.

Conclusion

When it comes to boosting productivity and increasing ROI, moving away from manual and spreadsheet-based time and attendance tracking makes sense for organizations of all sizes. Automated, cloud-based systems pay for themselves within a few months, and provide considerable savings on an ongoing basis by eliminating errors, compliance violations, time theft, and other time-related issues that lead to revenue leakage.[7]

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3. M2SYS Blog on Biometric Technology, http://blog.m2sys.com/workforce-management/top-5-reasons-paper-time-sheets-suck-and-why-you-should-replace-them

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5. "Trends in Wage and Hour Litigation Over Unpaid Work Time and the Precautions Employers Should Take," Laurent Badoux, Esq.1 , HR. Payroll. Benefits.

6. http://www.uwlaw.com/flsa-wage-and-hour-lawsuits-are-on-the-rise/

7. "Cloud Applications Multiply ROI by 1.7 Times Over On-Premise Solutions," Nucleus Research, http://nucleusresearch.com/news?newsid=448

About Replicon

Replicon is the leading provider of cloud-based time tracking software. Our award-winning solutions are used by more than 1.5 million people in over 7,800 organizations across 70 countries. We help customers to better manage workforce attendance, expenses, projects, professional services teams, and shared services resources.

Our diverse customer base — from start-ups to Fortune 500 companies — trusts Replicon to help reduce compliance risk, keep costs down, and provide greater insight into business performance. Clients include: FedEx, MetLife, New Zealand Transport Agency (NZTA), Novartis, Orbitz, and Xerox. Replicon is a global company with employees in Australia, Canada, India, the United Kingdom, and the United States.

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