



Choosing the Right Time and Labor Management Solution

This white paper outlines the critical features and criteria recommended in selecting an effective time and labor management system.

Executive Summary

Gaining the Competitive Edge

Increasing efficiency. Decreasing costs. Almost any executive will confirm that these two areas are critical in becoming more competitive both here and abroad. One of the most significant—and controllable—places to begin is labor expenses.

In order to control employee costs, you must first track and understand them. That's where a time and labor management system can help. Not only will you have the data you need to make cost-effective decisions, but you'll be able to determine the best way to optimize your workforce.

The challenge is in choosing the right time and labor management system for your business.

- What are the critical features of a time and attendance product?
- What other factors should I consider during my evaluation?
- What questions should I ask to uncover the true cost of ownership?

This paper intends to provide executives with a high level overview of critical time and attendance management features and explain the need to explore the cost of ownership in an effort to uncover potential hidden costs.

Payroll is typically an organization's largest expense. When automation and improved accuracy reduce this cost by even a small percentage, there is a significant impact on the bottom line. . . . Companies should consider investments in time and attendance applications as a low-risk, low-cost way to reduce payroll costs and improve productivity.

- Nucleus Research, *"Why Time and Attendance Makes Sense in a Down Economy."*

Why time and labor management?

The business case for implementing a time and attendance solution involves regulatory compliance, achieving greater accuracy, realizing higher efficiency, and improvement of cost control.

Regulatory Compliance

Large companies are being fined for failing to comply with Fair Standards Labor Act regulations. One of the biggest violations involves overtime. Employers can be held liable for not paying their employees properly when working overtime. Properly applying pay policies consistently to employees and also having archived records of time and hours worked can help defend a company against noncompliance issues. In addition, corporate financial and accounting practices are being examined more closely as a result of the Sarbanes-Oxley Act. An effective time and attendance management solution is a powerful tool in becoming and remaining compliant with local, state and government regulations.

The Employment Standards Administration's Wage and Hour Division (WHD) recovered more than \$185 million in back wages for over 228,000 employees in fiscal year 2008 to put the eight-year cumulative total of back wages collected by the agency at over \$1.4 billion. The agency concluded 28,242 compliance actions and assessed employers over \$9.9 million in civil money penalties.

Greater Accuracy

A time and attendance system automates the process of tracking employees as they check in and out for work. You get accurate time data for each employee and fewer payroll processing errors. Such records are invaluable when companies are audited because they provide a detailed trail of employee exceptions and supervisor approvals.

Increased Efficiency

Time and attendance systems enable managers to monitor employee hours in real-time, track hours and unauthorized overtime, and create detailed reports about individual employees. Benefits include better schedule and workforce management and less human error in the payroll cycle. As a bonus, employees are generally delighted to know that they are being paid accurately.

Cost Control

Time and attendance systems can reduce payroll costs significantly. Depending on the number of employees, some systems can pay for themselves in less than a year. Better labor tracking can eliminate thousands in overpayments and significantly lessen the work load of the payroll department.

In fiscal year 2008, more than 197,000 employees received a total of \$140.2 million in minimum wage and overtime back wages as a result of Fair Labor Standards Act (FLSA) violations. WHD collected over \$123 million in back wages for FLSA overtime violations and more than \$16 million for FLSA minimum wage violations. Back wages for overtime violations represented approximately 88 percent of all FLSA back wages collected, and the number of employees receiving overtime back wages represented about 93 percent of all employees due FLSA back wages. WHD also assessed employers \$3.1 million in FLSA civil money penalties.

- U.S. Department of Labor,
Employment Standards
Administration Wage and
Hour Division.

Time and Attendance Features: A Checklist

Asking the right questions is half the battle. Here are a few topics to cover as you examine time and attendance solutions for your company.

Data Collection

Collecting time and attendance information is the backbone of any system, and it must be done efficiently and accurately. Standard data collection options include the Internet, terminals, biometrics, kiosks, and telephony.

Verify that the system:

- ☐ Captures and monitors real-time employee data.
- ☐ Automatically collects employee hours and approvals for payroll processing.
- ☐ Enforces work rules and regulations.
- ☐ Eliminates problems such as buddy-punching and time-rounding of punches.
- ☐ Applies consistent pay rules across the enterprise.
- ☐ Captures and edits punch data efficiently.
- ☐ Provides payroll with accurate information.

Historical Reporting

Historical reporting features allow managers to track exceptions and employee compliance to policies over long periods of time. By identifying unfavorable cost and staffing trends, managers can better plan for the future.

Ask if the system:

- ☐ Collects exceptions defined within the payroll rule assigned to each employee.
- ☐ Enables supervisors to view exceptions by employee in a calendar format.
- ☐ Shows the number and type of exceptions recorded by the system.
- ☐ Allows system operators to access time card archives and hourly data at the end of each pay period.

Employee Self Service

A time and attendance system should be accessible to employees as well. Human Resources managers can save time by not having to research employee vacation and sick time, plus employees enjoy fast and direct access to secure, personal information.

Check if the system:

- ☐ Enables employees to view job-related time and employee information on the Web. This may include schedules, time cards, accrued or used benefits, and exception history.
- ☐ Allows employees to review important job statistics and plan future job and personal activities accordingly.

According to Robert Half and the American Payroll Association, time theft amounts to more than \$120 billion a year in the United States. The average worker “steals” four hours and eighteen minutes a week by coming in late, goofing off, long lunches and breaks and leaving a few minutes late to get overtime.

With a proper data collection device like a time clock, the amount of lost time can be significantly reduced therefore lowering overtime costs.

Functionality to discuss as you examine solutions for your company:

- Data Collection Options
- Historical Reporting Features
- Employee and Manager Self-Service
- Payroll Interfaces
- Reporting
- Scheduling

Payroll Interfaces

The payroll interface transfers employee hours to payroll.

Confirm that the system:

- ☐ Provides an interface directly to payroll, human resources, and/or enterprise resource planning software (ERP) programs or services.
- ☐ Develops its own payroll interfaces rather than relying on a third-party vendor.
- ☐ Transfers the hours worked, overtime, department, holidays, sick time, and vacation time.
- ☐ Enables you to quickly set up or change the configuration as dictated by payroll policy changes.

Reporting

Determine if reports:

- ☐ Provide comprehensive employee statistics, from badge listings to overtime calculations.
- ☐ Can be viewed in multiple ways.
- ☐ Can retrieve up-to-date data quickly.
- ☐ Can be created ad hoc

Scheduling

Schedules are used to ensure accurate exception reporting and help managers plan.

Verify that employee schedules:

- ☐ Can handle your full range of conditions.
- ☐ Conform to corporate, union, and government requirements.
- ☐ Can be created with a different start and stop time for each day of the week.
- ☐ Can be automated with cyclical, recurring start times.
- ☐ Apply employee skill levels and availability against set standards.
- ☐ Can be viewed in advance to assist managers in “what-if” analysis.

Vendor Stability

Your vendor relationship should be another factor to consider in your decision. Make sure that the company is financially stable and has a successful history of installing and supporting large customers.

Check if the vendor:

- ☐ Has a strong financial background.
- ☐ Has been in the industry for more than 10 years.
- ☐ Can provide multiple customer references.

Cost of Ownership

Evaluating a time and attendance system is more than just looking at the features. In addition, you must look closely at the total cost of ownership, including what it will cost to use it, maintain it, repair it, and upgrade it.

Vendor Topics

Consider discussing the following topics with vendors when you evaluate time and attendance systems:

Implementation costs and schedule. Implementation – the ongoing installation of the solution – should be an upfront, fixed price cost. Some vendors charge an initial implementation fee but charge more if the work exceeds their initial estimate.

A typical implementation can take from 8 to 12 weeks. Ask vendors to provide a realistic implementation schedule so that you won't be "back-burnered" if a vendor gets busy. If implementation costs aren't fixed, your system installation can run weeks or months past the deadline, and you might be handed an itemized bill of additional charges.

New product development. Vendors should want you to have the latest version of their product. Make sure you understand how often a vendor discontinues products and if they charge for product upgrades when they do. You may hear the terms 'discontinuing,' "sunsetting," or "not supporting"; they all mean the same thing. Be wary of vendors who ask you to pay again for products they are discontinuing.

Ongoing training costs. Does the vendor offer free training to current customers as they add employees? Does the vendor charge for training on upgrades? Charging for training only adds to the cost of ownership.

Maintenance fees. Typical maintenance fees, including technical support, can add 20% to the annual cost of a time and labor management system. Ask what's included in the maintenance charge. Vendors should provide a toll-free number for product support.

Does the vendor provide a dedicated technical account representative who knows the configuration and pay rules of your system? If not, you may be spending a lot of time explaining your problems to new service reps.

Return on investment. Can the vendor calculate your anticipated return on investment (ROI) for implementing a time and attendance product? Ask for an ROI study that shows how much you'll save by implementing a system.

References. Ask the vendor if they can provide references specific to your industry. Speak to at least one and even do an onsite visit with a current customer.

Total Cost of Ownership (TCO) Modeling is a tool that systematically accounts for all costs related to an IT investment decision. TCO models were initially developed by Gartner Research in 1987 and are now widely accepted. Simply stated, TCO includes all costs, direct and indirect, incurred throughout the life cycle of an asset, including acquisition and procurement, operations and maintenance, and end-of-life management . . . While the specifics of TCO calculations vary, they generally show that the initial procurement price is a relatively low percentage of TCO.

*-Total Cost of Ownership
Guidance, Federal
Electronics Challenge.*

Conclusion

A time and attendance solution not only automates data collection; it also helps you better manage your employees. Evaluating both the features within the software and hardware along with the total cost of ownership is critical when evaluating a vendor for time and attendance.

Paychex time and attendance solutions simplify labor management, provide a low cost of ownership, and deliver the exceptional return on investment that you demand. We are committed to helping you control the costs that impact the bottom line allowing you to optimize the management of your workforce.

Sources

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