

Automating Time and Attendance:

Upgrading from a Manual Employee Attendance System

EXECUTIVE SUMMARY

This White Paper was written for businesses that are manually collecting employee attendance data, and need to know if the time has come to automate the process.

For many businesses, automating the collection of employee attendance data—when employees begin and end their shifts. is still a manual process. Even businesses that have automated or computerized processes such as scheduling, inventory, purchasing, general ledger and payroll processing still use manual methods. such as time cards or attendance sheets. to collect time and attendance data.

Manually tracking employee attendance is not just inefficient, it is a highly labor-intensive process that is error-prone and susceptible to rampant cheating by employees. There are several immediate and long-range problems created when manual collection of employee time and attendance is not replaced with an automated system:

- Data entry errors
- Payroll errors that need to be reversed and corrected
- Cheating by employees
- Unauthorized overtime
- Potential violations of several state and federal laws
- Inability to track workforce productivity
- Inability to determine true labor costs

Consequently, automating the collection of employee attendance data offers many immediate and long-term benefits:

- Accurate raw data is fed into payroll processing
- Diminish paycheck errors that need to be addressed
- Dramatic decrease in time cheating by employees
- Fair and uniform application of work rules and overtime authorization
- Ensure compliance with all state and federal regulations
- Accurate data on employee productivity
- Tracking of true labor costs right down to a specific product, project, task or process

Best of all, automating the collection of time and attendance is not a major investment, but one that pays for itself in just a few weeks or months!

Typical Problems with Manual Collection of Time and Attendance Data

Managers of employees who use time clocks know that the practice of one employee clocking in or out for another employee is rampant An under-paid employee immediately wants the error corrected, while an over-paid employee may not get around to bringing it to your attention!

Most businesses that use either software or a payroll processing service to produce paychecks for their employees mistakenly believe they have computerized and automated the process of

tracking their employees actual labor. Turning raw payroll data into paychecks is just the second half of a very important process. Automating the attendance process, thereby ensuring accurate collection of raw data which is then sent to payroll, is the first half of the process . and by far the more important half! How accurate can the finished payroll be if the data used to compute the payroll is not as accurate and unbiased as possible?

While a time clock is technically a machine, so is an electric typewriter. Time clocks and time cards are in no conceivable way an automated data collection system! The time clock, which was invented by Thomas Edison over 100 years ago, served its purpose for the first 70 or 80 years of its existence. The problem with time cards is that the data from them has to be manually entered into the payroll processing software or manually collected for the payroll processing service.

Doing so is a labor-intensive and error-prone task fraught with many inherent problems:

Who Actually Clocked In or Out? One employee clocking in or clocking out for another employee is, unfortunately, a common practice at businesses that still use time clocks. At some businesses, the practice is so widespread and institutionalized that employees do not think twice about clocking in or out for fellow workers.

How Do You Catch the Cheaters? Short of accusing an employee of dishonesty, which is not good for employee morale, and it takes time and energy away from far more important tasks, the only way to end such cheating with a manual time collection system is to eliminate the time clock and automate the system.

How Do You Stop or Prevent Cheating? You could have a manager or security guard play %time clock cop+and watch employees clock in and out. While this may work in the short term, it is certainly not conducive to positive morale and an atmosphere of trust and mutual respect.

What If You Cannot Read the Time Card? The time stamped on the time card by a 70-year-old time clock is often too faint to be read, it is printed over another entry so it is illegible, the card has an oil or dirt smudge on it, or the time entry is in some way not clearly discernible by the employee assigned to input that data. At this point, there are two options, both of which are undesirable and inefficient. The first option is to guess when the employee clocked in or clocked out, perhaps based on when he or she was supposed to or likely to be working. Alternatively, you can ask the employee when he clocked in or clocked out and take his word for it. Clearly this may lead to an inequitable situation whereby accuracy and fairness may both be questioned.

What Happens When an Employee Is Underpaid? You can either pay the employee what he or she claims he is owed (and that's what most employers do), or you can dig through stacks of time cards to try to determine if the employee's claim is valid, and in the process burn up valuable manpower that could be better used elsewhere. You then must issue a separate check to make up the difference (more time and expense), or add it to the employee's next check (even more time and expense)!

What Happens When an Employee Is Overpaid? Every employer knows that for every employee who is legitimately underpaid there is probably another employee who was accidentally overpaid, but when was the last time an employee showed up complaining that he or she was paid too much?

How Do You Control Unauthorized Overtime? Once an employee puts in an hour or several hours of overtime, and that overtime is on his or time card, how do you now tell the employee that overtime was not authorized and he will not be paid? And how does the person manually processing the raw payroll data know which employees were authorized to work overtime and which were not?

What Did the Employee Actually Do Over the Course of the Shift? For an employee with a

single task to do, this is not terribly important. However, for employees who move from task to task, operation to operation or project to project. an increasingly more common practice in today's complex workplace. how much time each worker spent at each task, operation or project is valuable data? And without this information (called Applied Labor Data), how do you accurately determine your real labor costs?

WHAT IS NOT AUTOMATED TIME AND ATTENDANCE?

If you are still manually entering data, that's NOT automated time and attendance!

Some businesses replace their electro-mechanical time clocks with electronic time clocks, and mistakenly believe they have automated their time and attendance function. That's like replacing IBM Selectrics with electronic typewriters, and calling it office automation! You have not automated your time and attendance until many diverse factors are addressed:

Raw Payroll Data Is Entered Manually: You may want to review and, if necessary, edit the raw data the automated system produces, but if manual entry of data is still required, the system is NOT automated, and you still have a labor-intensive and error-prone process.

The System Can Be Circumvented: While no automated time and attendance system is 100% iron-clad and cheat-proof, if one employee can easily clock in or out for another employee, that's NOT automated time and attendance!

Rules Are Not Applied Automatically and Uniformly: If the payroll staff is not immediately aware of who's authorized to work overtime and when, you have NOT automated your time and attendance.

Managers Don't Have New Tools and Real-Time Data: If your managers do not have new scheduling and management tools, and instant access to employee schedules and labor data, you failed to truly automate your time and attendance.

Payroll Errors Have Not Been Eliminated: If the number of paychecks that need to be corrected has not dropped by 90% or better, the primary objective of automating time and attendance. producing a more accurate payroll. has not been met, you haven't really automated anything!

Payroll Processing Time Has Not Been Reduced: The second major objective of automating time and attendance . producing the data required to process your payroll in less time with less manpower. must be a reality, or your time and attendance is NOT automated!

What Does a Truly Automated Time and Attendance System Look Like?

An automated time and attendance system is not hardware. It should offer an unlimited selection of clocking options. In addition to providing more accurate raw payroll data, and doing so in less time, automating your time and attendance will produce new budgeting, scheduling and management tools. Automated time and attendance applies work rules and company regulations fairly, consistently and in a totally unbiased manner to employees in all departments and locations.

While no two automated time and attendance systems are identical, they all share common characteristics, strengths, benefits and tools.

NOT a Hardware-Centered System: A printer is not a word processor and an automated time and attendance system is not based on a piece of hardware. It is a sophisticated but user-friendly

software-based system that supports an unlimited variety of hardware, and seamlessly interfaces with other software packages.

Multiple Clock-In and Clock-Out Possibilities: Automated time and attendance creates unlimited clocking opportunities for your hourly and exempt employees, including swiping an employee ID card, logging in on a keyboard or numeric pad, clocking in or out from remote locations via telephone, logging in and out via the Internet or LAN, biometric clocking using a fingerprint or voice recognition, passive log-in and log-out that requires no action on the part of your employees, and dozens of other methods. Truly automated time and attendance offers virtually unlimited options to you and your employees.

Scheduling, Budgeting and Other Management Tools: An automated time and attendance system is one that gives your supervisors management tools they did not have with a manual system. These include easier, more efficient scheduling of employees, and better and more accurate data on issues such as employee attendance, productivity and return on the human capital investment.

Applied Labor Costing and Data: Automated time and attendance doesn't just track when an employee started work and went home, but how the employee's time was distributed across different tasks, jobs, work areas, products or projects.

Uniform, Unbiased, Non-Arbitrary Application of Work Rules and Company Regulations: Automated time and attendance virtually eliminates all unauthorized overtime and other abuses, but does so in a professional, unbiased and totally non-arbitrary manner so no supervisor and manager has to be the bad guy to insure that work rules and company policies are enforced.

Always Current Who's-In List: Should you need to know if a specific employee is at work, or where he or she is within the facility, an automated time and attendance system can do that immediately. In the event of an emergency, you can produce a list, even from an offsite location, of who is in the building in a matter of seconds!

Telescoping Capabilities: As your workforce expands or contracts, whether seasonally or over a period of years - an automated system has the ability to grow and adjust with your changing needs. This allows all aspects of data collection, scheduling, budgeting and management needs to be met on a consistent basis.

Data on Both Hourly and Exempt Employees: You may only need to track attendance of your hourly employees, but an automated system also permits you to schedule your exempt employees, keep track of their benefit days, and apply their labor costs by location, customer, project, product or other criteria.

More Accurate Payroll: An error in a paycheck will become a rare event once your time and attendance is automated!

Faster Pay Roll Data: An automated time and attendance system will dramatically reduce the time it takes to produce the data your payroll software or payroll processor needs to prepare paychecks.

Seamless Integration: A state-of-the-art automated time and attendance system integrates seamlessly with all of your application software, as well as any payroll software or payroll processor that you use.

New Management Tools: Automation of your time and attendance will also produce multiple benefits in terms of new tools for managers who are now able to better schedule and deploy their workforce.

Human Interface: A truly automated time and attendance system is employee friendly, allowing for quick and simple implementation and adoption and use. It is easy to manage and modify at all various levels of interaction.

Selecting a Time and Attendance Automation Partner

Is the company you are talking to trying to sell you what they have, or do they offer a package of flexible solutions that can be tailored to your organization's specific needs?

Automating your time and attendance, and doing it right the first time, requires that you partner with the right vendor. **Partner** is the key word, because the company you select to automate your time and attendance is far more than a supplier of hardware or software. Here are a few of the qualities to look for in a partner to automate your time and attendance:

Understanding of Your Business: There is no such thing as a one-size-fits-all automated time and attendance product. You want a partner who takes time to learn the nuances and unique aspects of your business, then configures a unique time and attendance automation solution to your organization's needs.

Different Software and Hardware Options: If the company you are talking to has just one piece of software or just one line of hardware to offer, they are trying to sell you what they have, not what you need!