The Value of Time & Attendance in an Integrated Human Capital Management Solution
Integration Yields Greater Accuracy, Lower Cost and Enhanced Productivity

A growing body of research from industry analysts shows how automated time and attendance can significantly help improve the accuracy of workforce management data – and how that accuracy, in turn, helps to lower labor costs while substantially improving compliance to labor regulations.

This research also yields an interesting insight: integrating time and attendance data with payroll, HR, Benefits, and Talent Management data helps drive greater workforce productivity and correlates with superior employee engagement and revenue growth.

An integrated human capital management (HCM) solution brings Payroll, Time & Attendance, HR, Benefits, and Talent Management functionality into a single platform, providing a consistent user experience in a task-oriented framework that enables managers, practitioners and employees to access information and complete tasks in the most efficient manner. This consistent user experience extends to the mobile platform, where a single app gives employees access to the broadest range of human capital management functions from recruitment to retirement.

Once detailed, accurate time and attendance data is integrated with Payroll, HR, Benefits and Talent Management, greater benefits emerge. "Top performers use time and attendance in tandem with business performance, which enables decision makers to optimize staff deployments and improve business processes," explains the Aberdeen report, Time and Attendance Strategies: Beyond Compliance and Payroll Accuracy.

Given these benefits, it is surprising that more organizations have not yet pursued that integration. According to the 2011 Aberdeen “Strategies” study, less than half (49%) of surveyed companies even integrate their time and attendance systems with payroll; and only 36% integrate time and attendance with scheduling.

This executive brief explores how the benefits of automated time and attendance systems can result in more significant enhancements in productivity, engagement and revenue when time & attendance is part of an integrated HCM solution.

Time & Attendance 101:
Accuracy & Training Helps Lower Labor Costs

There are several ways in which automated time and attendance integrated within broader HCM suites – and the accuracy improvements it brings – can help lower workforce costs.

- It can substantially lower the costs associated with payroll errors.
- It can help reduce or eliminate overtime and cut down on abuse, such as “buddy punching,” that can occur under an honor system.
- When the time and attendance data is integrated with payroll, HR, benefits and talent management, headcount may be reduced because less staff is needed for data entry and workforce oversight.
- Accurate data helps reduce the number of employee disputes, resolve those that do arise more quickly, and prevent costly litigation.
- Finally, time and attendance solutions deployed “in the cloud” as software-as-a-service (SaaS) can significantly reduce information technology (IT) costs.

In the Aberdeen “Strategies” research mentioned above, companies that integrated automated time and attendance systems with payroll saw a 63% decrease in error rates over companies with no automation (2.4% vs. 0.9%; see Figure 1). Similarly, the companies with integrated systems enjoyed a 67% lower error rate for paid time offf accrual calculations and a 63% lower error rate for tracking actual time worked.

According to a benchmarking survey from The Bureau of National Affairs, Inc. (BNA), the average cost of resolving any kind of payroll inquiry is $28.10 per inquiry. That cost per inquiry, multiplied by the higher error rates that result without automated and integrated time and attendance data, adds up to hundreds of thousands of dollars annually for medium- and large-size companies.

Of note, when respondents to the BNA survey were asked what approaches were most successful in the past year at helping them reduce or control payroll department costs, nearly a quarter (24%) said it was automated time collection. Even more (30%) reported that training was most successful at helping reduce or control costs.
In recognition of the knowledge required to get maximum value from automated time and attendance, more than a dozen industry vendors to date have come together to sponsor the **Workforce Educational Organization (WEO)**, the first non-profit organization dedicated to increasing the understanding, utilization, and impact of time and labor management systems from an operational, strategic, and financial standpoint.

Looking beyond the payroll department, however, even greater cost savings are possible. Another research report found that companies deploying time and attendance systems and focusing on overtime achieved an **average** overtime reduction of 88%.\(^3\) Time and attendance data gives managers information about which workers are approaching overtime and which aren’t; managers can use that knowledge to schedule work more cost efficiently and more productively, as is described in a later section.

One ADP client in the healthcare industry reports after implementing ADP’s scheduling capability, they were “able to reduce our overtime expense by about 1,300 hours per pay period. For us, that equates to about $500,000 in annual overtime cost savings.” Another manufacturing client that has integrated its time and attendance system with Payroll, HR, Benefits and Talent Management reports that while ADP has helped them to minimize overtime costs, “it has also helped reduce payroll administration time, across the board, by at least 50 percent.”

Finally, companies that take advantage of cloud-based SaaS deployments of time and attendance systems can save on the up-front capital costs of purchasing hardware and software, which typically run about $250,000.\(^4\) Additional savings occur because in-house IT staff is not required to support another business application. SaaS also generates advantages that go beyond cost savings: because SaaS companies are more experienced with their own software, they typically get deployments up and running faster than an on-premise deployment; and they often bring domain expertise from years of experience overseeing the applications they host.

When all these cost savings are tallied together, organizations that outsource to a SaaS-based integrated suite of time and attendance, payroll and workforce administration applications have a 12% lower total cost of ownership (TCO) than those that use an integrated on-premises solution, according to research from PricewaterhouseCoopers.\(^5\) What’s more, they enjoy a 32% TCO advantage over organizations that use disparate in-house platforms for those three applications.

**Time & Attendance 102: ‘Best-in-Class’ Compliance**

It may be surprising to learn that of all state and federal class or collective actions filed in the United States, 90% are wage and hour claims.\(^6\) Even more alarming is that 73% of wage/hour investigations result in findings.\(^7\) Since the recession began, the number of such suits is skyrocketing: up 32% in 2011 compared with 2008.\(^8\) The same source reports that the 2011 total of 7,006 wage-and-hour suits was nearly quadruple the 2000 total; and in the same year, the U.S. Labor Department recovered $225 million in back wages for employees, up 28% from 2010.
Accurate, consistent application of pay policies and adherence to rules stipulated by the Fair Labor Standards Act (FLSA) and the Family and Medical Leave Act (FMLA) are critical to avoiding these costs. For union shops, just as important is adherence to union rules, for example, around overtime equalization and paid time off.

In addition, certain states add specific rules of their own: California, for example, stipulates the time and duration of rest breaks and meal periods, and companies must pay a penalty if these are not provided as required. In a landmark case, the California Supreme Court ruled that companies are not responsible for preventing employees from working during these times as long as the breaks are appropriately offered.

SaaS-based time and attendance systems can incorporate rules based on the very regulations required by a given organization. For example, ADP’s solution can help provide FSLA-compliant overtime calculation, and can be configured to account for individual state rules as well. Automated time & attendance systems can also provide expiring skill and certification warnings, which are critical to industries such as healthcare, where clinicians should not be allowed to work without current certification. When all these rules are applied automatically, consistent application of pay policies is virtually assured.

Perhaps most critical to improved compliance, though, is integration with paid time off and leave management. Of note, the Aberdeen “Strategies” research identifies such integration as a critical behavior of those organizations it considers “best-in-class” users of time and attendance systems. That integration is the key factor in helping the best-in-class organizations achieve extremely low error rates in payroll, time tracking, and earned time/paid time accruals (see Figure 2). Those low error rates, in turn, lead the best-in-class to a 9% improvement in compliance scores, compared with a 1% decline for those organizations that are laggards in their time and attendance deployments.

An organization with different unions provides an instructive compliance example. An automated time and attendance system can prove particularly successful in addressing frequent requests for documentation of compliance with each union’s complex rules. With a manual time tracking method, providing adequate documentation is an extremely time-intensive process of gathering physical evidence in order to dispute contradictory claims from union employees. With its time and attendance system, an organization can quickly provide unions with virtually indisputable time documentation in an electronic format.

Complying with the FMLA is another major compliance challenge, especially when leave tracking becomes intermittent due to an employee’s changing situation. Intermittent leave tracking becomes critical for the protection of both the employee and the employer. By integrating time and attendance with payroll and benefits, records can be kept of every request, of doctors’ documents and other triggers that come into play, all of which enables employers to stay on top of the paperwork and other necessary administrative details.

### Healthcare Reform:
#### A New Compliance Burden

Soon, healthcare reform will add to HR departments’ compliance burden when it comes to time and attendance. For organizations employing 50 or more full-time workers (including full-time equivalents), the Patient Protection and Affordable Care Act (ACA) requires tracking each employee’s full-time or part-time status every month and keeping that information as part of employee tax records beginning in 2014. The law defines full-time employees as those working 30 or more hours per week or 130 hours or more per month.

The intent is to enable the Internal Revenue Service (IRS) to determine the amount of an organization’s Shared Responsibility Assessment, if any, based on the law’s requirement that all full-time employees be offered health coverage. The assessments start at $2,000 annually per employee (not counting the first 30 employees) for companies that offer no health coverage, even if just one employee receives coverage from a subsidized state or federal Health Exchange. For companies that do offer health coverage, the assessment is $3,000 annually per employee actually receiving coverage from a subsidized state or federal Health Exchange.
Organizations that integrate time and attendance with Payroll, HR, and Benefits can put themselves in a better position to comply with the new regulations that take effect in 2014. Integrating these solutions will enable companies to track actual hours paid (including worked hours and non-worked hours paid such as vacation, sick, personal time off, etc.), report total hours paid by date range, and automatically share this information with Payroll, HR and Benefits to help simplify compliance with reporting and administration.

**Time & Attendance 200: Increasing Productivity**

Many of the examples already cited also serve as productivity examples, as they often amount to doing the same work (or more) with fewer people. Industry research has uncovered more powerful examples of productivity derived from time and attendance data when integrated with Payroll, HR, Benefits and Talent Management.

For example, in the Aberdeen “Strategies” study, top-performing organizations also achieved nearly twice the rate of employee engagement: 70%, versus 39% for all others. Thus, these best-in-class users of automated time and attendance systems made an extra effort to take a tool that is perceived by many as a transactional way to “control” employees, and instead used it to empower employees – resulting in far better employee engagement.

Automated time and attendance solutions provide organizations with multiple ways to improve their overall workforce productivity while reducing labor costs. For example, some organizations incorporate criteria such as employee preferences into their workforce scheduling. Others eliminate premium pay for undesirable shift times by finding employees who actually prefer those times.

An ADP client in the financial services industry reports, “Here in payroll, it is taking us half the time to do payroll. Employees, managers, and the payroll department are all spending far less time on time and attendance issues. Because we are able to identify and address certain tardiness issues, we are now seeing that employees overall have become much more conscious of being on time.”

**Time & Attendance 300: Productivity Through Analytics**

When time & attendance is integrated with Payroll, HR, Benefits and Talent Management, organizations can use “big data analytics” to gain better insight into their most productive employees and link that information back to HR for recruiting purposes.

**Advanced Time & Attendance: Business Agility and Optimization**

While it may be difficult to know with certainty the relationship between time and attendance data and improved business performance, there are many clear correlations.

Interviews with ADP clients tell us that a big benefit of the integration of time and attendance with Payroll, HR, Benefits and Talent Management is the emergence of a single source of data; a so-called “single source of truth” that makes it far easier to find the information you need when you need it. Further, such rich sources of workforce data enable cross-product analysis and reporting that makes it easier to identify dependencies and impacts across other areas of the business. This enables companies to be far more agile in their ability to ensure that the right person is at the right place at the right time (and at the right cost) to optimize their business opportunity.

One of the most interesting research findings is the impact of mobile access. Aberdeen Group found that best-in-class organizations were 67% more likely than all others to enable “punch in” via a wireless...
mobile device (25% vs. 15%). It also found that 87% of best-in-class organizations give employees access to timesheets and 50% actually enable real-time self-service access via kiosks, PCs, or mobile devices compared to only 32% of all others.

Figure 3 illustrates further findings regarding the impact of mobile time and attendance applications. Workers’ ability to access their timesheets in real time via mobile devices resulted in a 26% greater likelihood of improved customer satisfaction over other forms of real time self-service, and a 42% greater likelihood over those respondents with no automation or self-service. And mobile access had a far more dramatic impact on the number of costly manual transactions, such as issuing a special check to resolve an error. Organizations providing mobile access experienced an 8% reduction, while those with no automation or self-service actually saw a 1% increase.

Apps for tracking payroll and time and attendance are expected to catch up or surpass recruiting for the first time next year — further proof of the maturing market, according to the CedarCrestone 2012-2013 HR Systems Survey.

The Aberdeen “Strategies” research also makes a direct connection between revenue growth and the improved employee engagement enjoyed by those organizations with best-in-class time and attendance deployments as described above. According to Aberdeen, 83% of the best-in-class organizations “directly attribute positive changes in revenue to improved engagement.”

**Figure 3: Mobile Self-Service Improves Key Metrics**

[Bar chart showing the impact of mobile self-service on employee satisfaction and manual transaction reduction.

### Conclusion

As customer demands continue to spur organizations to pursue greater productivity, the challenge is to do more with less: lower your workforce costs while improving your product or service.

SaaS-based automated time and attendance systems help organizations to address this challenge. At the foundation, such systems help reduce labor costs and enhance regulatory compliance by automating and documenting time and attendance transactions. But when organizations build on that foundation by integrating time and attendance data with Payroll, HR, Benefits and Talent Management, they can achieve more significant improvements in worker productivity, employee engagement, and even revenue growth.

### About ADP

Automatic Data Processing, Inc. (Nasdaq: ADP), with more than $10 billion in revenues and approximately 600,000 clients, is one of the world’s largest providers of business outsourcing solutions. Leveraging over 60 years of experience, ADP offers a wide range of integrated human resource, payroll, time & attendance, tax, talent management and benefits administration solutions from a single source. ADP’s easy-to-use solutions for employers provide superior value to companies of all types and sizes.
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