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What's Your T&A System Telling You?

BY JAYSON SABA

Payroll professionals depend on time and attendance systems to ensure accurate data capture, which results in higher-quality payroll. Like it or not, time and attendance systems put the gross in gross-to-net; and ensuring the accuracy of this input makes it easier to tackle weekly, biweekly, or semimonthly chores of making certain employees are paid accurately and on time. From business rules to overtime and absences, time and attendance systems and processes are essential to ensuring compliance and alleviating the tactical burden on payroll professionals. However, according to a 2011 report conducted by the Aberdeen Group, a surprising one-in-three companies still rely on spreadsheets or other manual input to track this function rather than automated time and attendance systems.

Organizations that invest in automating workforce management processes, specifically time and attendance, are being driven more by economic pressures to reduce cost than they are by regulation and compliance. The top goal cited by nearly half the sample in the Aberdeen report is the ability to make better labor deployment decisions.

TIME AND ANALYTICS

As with most HR functions, the maturity curve to maximize the impact of payroll on the business begins with the process.

Once processes and policies are vetted and standardized, automating time and attendance and integrating it with the payroll system is a logical next step. Most organizations are currently grappling with these two fronts—process and technology. Just over a quarter of them, however, have taken the next step of implementing analytics and reporting tools in order to better leverage the data.

For the purposes of this article,

analytics are defined as the tools used to find, retrieve, and report on workforce data, such as payroll, time, labor, and attendance. Examples can include template reports, custom ad-hoc reports, charts, dashboard meters, and indicators (e.g., overtime as percentage of total, minimum hours required, etc.).

Those employers that are adopting analytics find that it is paying off on several fronts:

Labor costs. By the time it is received by the payroll function, time and attendance data is an invaluable information resource that can impact the bottom line. Payroll managers are in

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position to be an objective observer of the time data submitted.

For example, at an aggregate level time data reveals which units, regions, or departments are controlling their overtime costs. While in an ideal world, managers are operating within one or two percentage points of planned labor—that is rarely the case. This is where workforce analytics can place payroll in a strategic position. In fact, best-in-class companies in Aberdeen's report are 58% more likely than laggard performers to have a formal process for payroll to review time data before submitting to process the run cycle. This data allows decision makers to implement objective and educated decisions that improve agility and drive value.

Compliance. Let's face it, operating managers, who are the main stakeholder in scheduling employees, are understandably focused on the core business—production, customers, revenue, etc. While managers may know they cannot schedule employees for a certain number of consecutive hours or shifts, most are not fully aware of the ever-changing regulations.

For instance, the Department of Labor has recently reclassified certain roles (such as assistant managers in a retail environment) as nonexempt employees. This means those managers now must receive overtime pay. While most modern timekeeping systems account for such considerations, manual processes and some legacy solutions do not.

It is also important to note that while the payroll function doesn't own this and should not be accountable for it, payroll managers and professionals can act as a first line of defense and mitigate risk associated with such events.

Equity and fairness. This is another area where payroll managers can act as a buffer. In several cases, frontline managers have been unscrupulous in favoring particular employees over others when it comes to awarding time off, overtime, and preferred shift assignments. While there needs to be a mechanism—usually an HR effort—for employees to escalate

these issues beyond the immediate scheduling supervisor, payroll managers can have real-time access to these occurrences.

The data available can protect the organization in case of frivolous complaints or grievances and justify discipline or reprimand decisions in case of violations. Data provides transparency and consistency in the treatment of employees—an increasingly meaningful tool in these litigious times.

Productivity. In addition to optimizing labor costs, time and attendance data can help the organization impact productivity in a more direct fashion. By examining time and labor data, one European company highlighted in the Aberdeen report found that their absence policy was so generous it impacted productivity due to excessive sick days. The data showed that there was a direct correlation between output and sick time. Armed with the facts, they were able to use this data to negotiate a better collective bargaining agreement that rewarded employees who took less sick time. This action reduced sick time absences by 64% (from 3.77% to 2.3% of total time) and, consequently, improved productivity by 9.8% and revenue per employee by 6%.

RECOMMENDATIONS

Time and attendance data helps payroll managers gain a strategic impact that is vital to a company's success. Aberdeen found companies that use analytics for time and attendance data reduce unbudgeted overtime costs by 25%. In addition, if that data is integrated into the scheduling process (or system)—i.e., it becomes actionable—companies can achieve a 62% reduction. The business case has been built, which is in large part why leading payroll providers continue to innovate and build analytics and reporting tools for time and labor (gross) data within the payroll function.

However, by themselves these applications are merely tools. In order for companies to ensure that this data is usable and validly actionable,

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> — 2011 Aberdeen Group report

companies must build a foundation that is founded on the following:

- *Training.* While data is true and as close to accurate as it can be at the payroll level, companies must empower each department manager by providing training on how to use these tools to ensure maximum returns.
- *Collaboration.* Time and labor data can empower payroll staff to be the catalyst for business outcomes. Working with operational managers and communicating data about overtime and absence, as well as providing this data to use in scheduling, will drive efficiencies and mitigate compliance risk.
- *Automation*. Technology and reporting tools have evolved to empower stakeholders with several off-the-shelf real-time capabilities. But not everything must be measured. Begin with overtime and absence, and juxtapose these with business metrics such as revenue per employee or output.

Whether your company outsources its payroll function or performs it in-house, what the data reveals cannot be ignored. Payroll professionals can use this data to drive business outcomes as a result of efficiencies, better policies, and less risk. It can help payroll play a vital role for a thriving, growing company or support an organization that needs to increase its competitiveness in an uncertain economic landscape. ∎