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## Calculating the Value of a Time and Attendance System

~ by Tracy Parzych ~

**T**imekeeping software systems have been around for years. With the web becoming a convenient method of researching and shopping for software, Canadian companies now have a multitude of options, with a whole range of features. But before getting caught up in the chase for more features, make sure you understand why you are automating your timekeeping process, so that the value you derive from implementing meets your expectations.

In the early 80's when time and attendance software was introduced to the Canadian market, large businesses were interested, but small businesses were left out of the loop. Solutions proved cost efficient mainly for companies with more than 100 employees. Considering more than 90 per cent of the Canadian business landscape employ fewer than 100 employees, many companies could not justify the cost of automating.

### **Scaleable software, a decrease in prices and biometric technology offer different forms of value**

The emergence of scaleable software, the decrease in prices in the marketplace, accompanied by the introduction of biometric data collection have brought many different forms of value to both small and large companies choosing to automate. Time and attendance systems no longer only automate the time consuming tasks of employee punch card collection and tabulation—

a savings that is easy to cost justify. Today's systems bring tangible and intangible value to different areas of a company including HR, payroll, labour costing and even security. But before you can quantify the value that a system may bring you, you need to know what return you expect to achieve. Don't assume that the benefits are the same for each system you analyze. Lower costs systems probably don't have as many features, and therefore deliver fewer benefits than a higher cost system.

### **Highlight problem areas, identify time saving functions, and develop a long-term plan**

Knowing your selection criteria up front will also allow you to monitor your actual progress. If the expected savings are not being recognized, you can analyze the cause and take any corrective action necessary. In order to review the benefits of a system, you have to know what to look for. As mentioned earlier, timekeeping systems can help you in different areas, and depending on your company's size, corporate culture, environment and industry, the value fluctuates. A company needs to highlight problem areas, identify possible time and money saving functions—as well as develop a plan for future automation which fits with their chosen time and attendance technology. By choosing to automate the payroll process, organizations will recognize a return on investment in many areas:

### Targeting Problem Areas....

#### **Reduction of Paper and Paper Transfer**

The most obvious savings of automating are the costs associated with purchasing, preparation and distribution of time cards. Furthermore, companies recognize an indirect savings from eliminating the time spent by supervisors and other managers who handle paper timesheets.



#### **Improved Accuracy and Data Quality**

Calculation errors are made during tabulation of time

cards. After timecards are calculated, usually the hours totals are keyed into a computer for payroll processing, where once again there is opportunity for errors to be made. This impacts in direct and indirect ways. Even if the errors are discovered, it takes time for payroll to find the error and then correct the error. Payroll statistics available indicate that incorrect pay costs companies anywhere from one to three percent of their payroll.

#### **Reduction of HR Inquiries**

A good system will provide useful historical information for supervisors, HR and the employees. This alleviates the task of historical tracking of sick days, absences etc, and provides instant info to management and employees.

Some systems now offer Employee kiosk options, where employees are able to log in and view hours worked, vacation time, sick day balances, or even update their only personal information such as change of address. This results in direct time savings for HR, and indirectly boosts employee morale by giving them better access to their hours/pay and HR information.

**Integration of employee hours with labour costing**

Time and attendance software enables organizations to use hour and wage data to pinpoint and understand production costs. You can allocate employee hours by department, cost center, job, process, etc for budget analysis, determine unit costs, as well as to find ways of better controlling costs and operating more efficiently.

**Central database/ integration of remote sites**

For companies that have multiple locations or even a few remote sites, a system can help integrate employee data in to one central database, which gives better control and security. Data collection can be set up at small remote sites that may not be connected by a WAN, but still the site can transfer employee punch data via modem or over the Internet.

**Reduction of time theft and increased security**

Regular style data collection by employees swiping a card through a data collector accurately records employees in and out punches. However, many corporations are adapting to biometric technology within time and attendance to eliminate chronic buddy punching, reduce the cost of plastic style employee badges which are easily lost, as well as increase the level of security in regard to accessing a company's premises or individual areas within an organization. Biometric devices are becoming an integral part of the time and attendance process. Companies are continually surprised to discover the money saved due to the hidden cost of time theft.

By implementing a system you can save \$18,000 per year. If you add in the savings of the payroll operator's time, supervisors, and time card cost savings, you could save at least an additional \$5,000. Increased reporting and reduction of time theft is less tangible but would significantly add to this savings too.

**What "Only 5 minutes" of lost time each day costs**

Hourly Rate	25 Employees	50 Employees	100 Employees	250 Employee
\$7.00	\$7,583	\$15,167	\$30,333	\$75,833
\$8.00	\$8,667	\$17,333	\$34,667	\$86,667
\$9.00	\$9,750	\$19,500	\$39,000	\$97,500
\$10.00	\$10,833	\$21,667	\$43,333	\$108,333
\$11.00	\$11,917	\$23,833	\$47,667	\$119,167

\*\*Based on 8 hour days, 5 days a week, 52 weeks a year. Overhead cost taken equal to hourly rate.

**How to quantify the return on investment**

There is a quick formula to figure out the return on investment for your company. For example suppose your organization fits this profile:

- 150 employees
  - Bi-weekly pay (26 pay periods)
  - Average wage of hourly employee is \$12 per hour including benefits
  - Assumption that payroll errors are approximately ½ of a percent
- (\$12 per hour x 2080 hours annually x 150 employees)**  
**x .05% error factor = \$18,720 per year or \$720 per pay period**

**Automation impacts your bottom line**

Implementing a system can yield a big pay back. Given the rapidly growing state of current technology combined with continued enhanced software features available, the quantifiable savings of implementing a system will only continue to grow. Scalable software enable companies to slowly build their system as time allows or their own growth requires, and offer a return of investment in as little as 3– 6 months Recapturing even 1% of your labour costs can significantly impact the net income of your organization. The bottom line is simple—time and attendance systems are good investments because they save money.



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