

## *Executive Briefing #18 – What To Buy First: Payroll Software or Time and Attendance?*

### Can You Pay Accurately Without Proper Time and Attendance?

Hourly workers are on the move. We ask them to do more, train more, and adjust to changing demands. It is how we stay competitive. However, in this environment offering little visibility and a lot of variability, paying employees accurately is close to an impossible task without the right tools. More specifically, your payroll system has no chance for true accuracy without the right time and attendance solution. Therefore, when looking at what to buy first, time and attendance solutions lay the groundwork for other applications to follow.

#### **Getting The Fundamentals Right First**

The word fundamental is often seen as synonymous with basic or easy, but in this case it applies to foundational and critical. As companies across a wide range of industries work on their own version of lean and just in time, employees are being asked to take on larger tasks and move across multiple areas of the organization. Accounting for these hours has never been more important or more difficult. This great shift in complexity is one of many factors driving the purchase of time and attendance before payroll tools. Other key reasons include the ability to do the following:

- Collect accurate inputs to run a successful payroll
- Analyze employee behaviors for forecasting future trends
- Perform accurate budgeting
- Determine actual vs. budgeted
- Capture and calculate time off allowances and identify abuse
- Monitor compliance issues surrounding breaks, lunches, and other periods of time off
- Avoidance of wage-and-hour litigation

These points do not negate the value of payroll software, but there is a logical order for implementation and time and attendance must come first for these reasons. Remember, without the right inputs no payroll solution can be successful.

#### **Process Efficiency**

Although a small number of our clients still account for time manually, even they are making the change to automation. This is due to process efficiency. Manual time cards are not only incredibly time consuming, but the effort they consume comes from some very expensive and valuable resources - managers and supervisors. Although one of our clients found manual time cards “charming” and personal, even they acknowledged they were riddled with errors and often caused their leaders to fill an administrative role. They made the change to time and attendance software for two big reasons:

1. Accurate accounting of time is mission critical and too costly to get wrong.

Core Practice is a leading provider of operational and labor strategy consulting services with over 20 years of experience designing, developing, and implementing innovative labor solutions. Core Practice’s labor strategies combine the best people with the right equipment at the right time and provide clients with a competitive advantage. Core Practice has worked extensively with clients in manufacturing, distribution, contact center, and mining industries. To learn more about Core Practice and what we do, please contact:

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2. More face time with company leaders freed from the manual process drives morale is higher and overall confidence in the process is improved.

This gain in process efficiency translates into a better work experience for everyone. This is why time and attendance is being purchased first over payroll technologies at such a high rate.

### **The Cost of Getting It Wrong**

A clear understanding of cost is often the biggest factor our clients make in purchasing technology. We cannot stress how valuable both time and attendance and payroll software can be in any organization. The push to prioritize time and attendance first comes from multiple cost considerations.

1. HRLab.com, an objective human resources site, had the following to say, “For any industry or organization with a larger percentage of hourly-wage workers though, this is a solution that allows for accurate prediction, and increased success in labor planning and management—often reducing overall labor expenditures by up to 10%.”
2. James Holincheck from Gartner said, “This money ends up being well spent.” His point is that there is too much at stake to not measure and monitor employee time.
3. Employees are expensive and even small amounts of deviations from the plan can cost large amounts of money. If employees cost \$25.00/hour (fully loaded with all benefits including healthcare, time off benefits, and taxes) even a 10 minute addition in cost each day adds up over the course of a year. If an organization has 1,000 employees working 260 days each year and adding 10 minutes each day to their time, this equals over \$1,083,000 year over year. This time could come from taking a few extra minutes at breaks and lunches or coming in a little early or staying a few minutes late. It all adds up and it must be tracked and kept in check.

In the end, the effectiveness of your payroll system muted if you do not have the right time and attendance solution to feed accurate data into it. Build a strong data foundation before leveraging that information to calculate pay.

Strategic thinking is a priority in a world of shrinking talent pools and more highly educated employees. Do you have the raw data needed to do accurate analysis, forecasting and then comparison to actuals to continually improve? Can you track employee time so they can be paid accurately? Get the fundamentals right before venturing into other strategic initiatives. If you do not, it is likely, without accurate data, those initiatives will fail. If you understand where the challenges are, they can be fixed. The right labor strategies and tools can make this a reality. If any of this topic interests you, we can help. To find out how we can actively help your organization navigate the WFM landscape, contact Core Practice at 212-534-0539.

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