

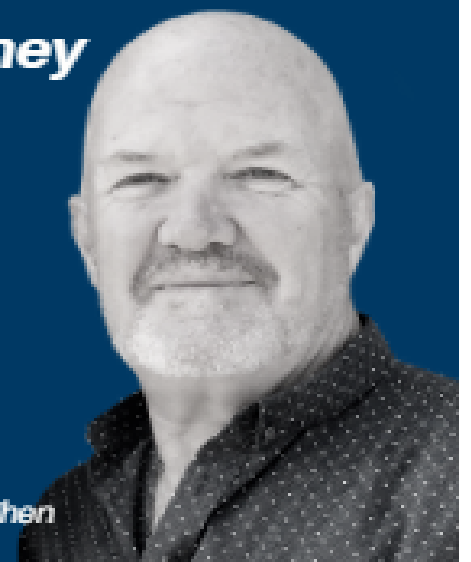
who worked when?

The hidden costs of "TimeCreep"

*"The way you manage
Employee Time & Attendance
could be wasting Time, Money
and causing unnecessary
Stress"*



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Co-founder
TimeHub - Who Worked When



Introduction

One of the key tenets of good payroll management is accuracy.

Yet we see so many businesses who use manual processes to capture the most important piece of information used in processing a pay - the employee time and leave records.

When it comes to managing employee time using manual systems like paper timesheets, punch clocks and even some digital tools, it's usually TimeTheft which gets the most attention.

Yet, Time Theft is the least of your worries when it comes to why these systems are problematic. The real issue is **TimeCreep** and how it impacts your business.

Recently we analysed the various ways that **TimeCreep** can impact a business and we have summarised the data here.

Having helped employers improve the way they manage employee time for over 25 years we have seen that there are **many other ways these systems impact your business.**

SO, WHAT IS TIMECREEP?

Time creep is the effect of the small, incremental and often hidden costs caused by incorrect recording of time, tardiness, rounding errors, calculation errors, buddy punching etc plus potential keying errors and the time it takes to key data into your payroll or job costing system.

How many times per week will each employees attendance data be touched by a human if you use manual systems like paper time sheets



Employee records start and finish times each day



Employee works out the total hours for each day and the week



A supervisor checks the start and finish times for each day



A supervisor checks the total hours for each day and the week



The payroll manager checks and keys the hours for each day into the payroll.

= 38

16

+

16

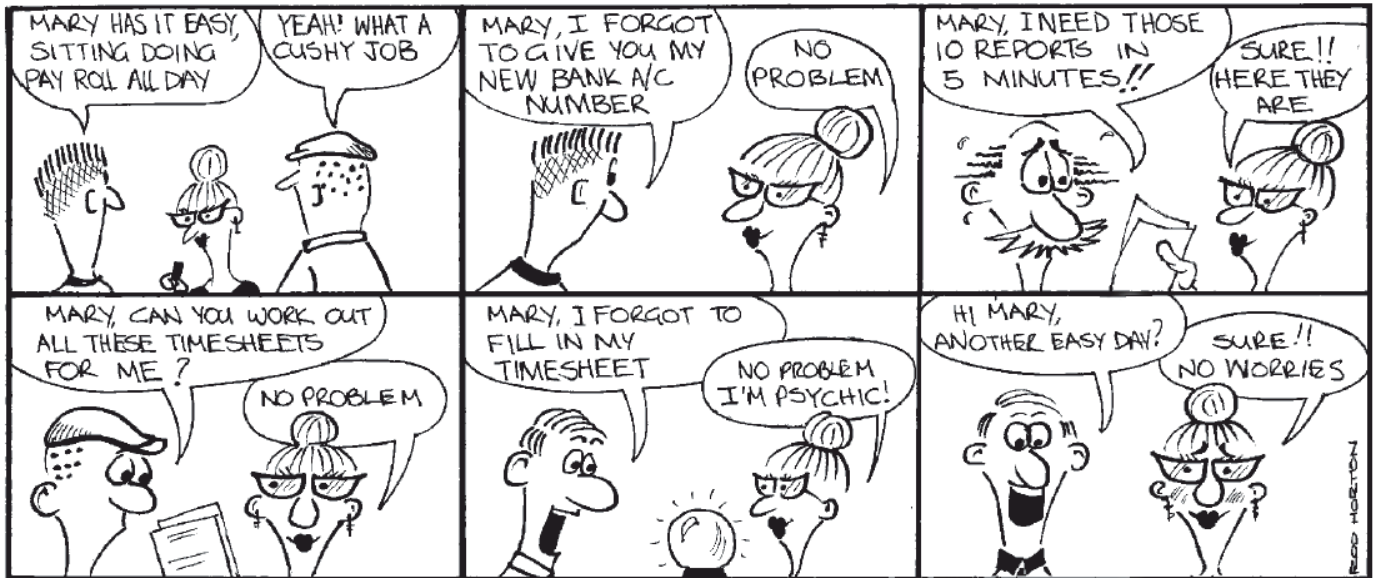
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Multiply that by the number of employees you have and think about what the effect of just a 1% annual error rate would be.

The cost of admin time is as big an issue as time theft.

Admin time is one of the largest costs in your business. Using manual systems like paper timesheets to record time and process payroll takes up a large amount of valuable admin and management time. Generally, this admin time comes at a greater hourly rate cost than that of the employees being tracked.



Some of the common ways manual systems like paper timesheets waste admin and management time include:

- **Printing and distributing paper time sheets.**

In order for your employees to complete and submit a paper timesheet, they need to have access to a timesheet. Therefore, someone needs to spend time printing and distributing the timesheets to the team. This process could be repeated if employees lose their timesheet during the pay period.

- **Collecting and collating.**

Just as is the case with distributing timesheets, you then have to track them down at the end of the pay period. Depending on whether all your staff are in one location or are spread across multiple sites, this could involve picking them up, having them scanned and emailed or even having staff take a photo and text it. Then if they haven't completed a timesheet you need to chase these people up.

- **Timing**

We often see the situation where staff wait until the end of the pay period to complete their timesheet, just in time to get paid. And the more that employees leave it until the last minute, the more time pressure that puts on your managers and admin team. Completing a timesheet in anything other than real time i.e. at the end of the week, does nothing to improve accuracy.

● Calculating and keying

Finally, once you have collected all the timesheets or punchcards, you, a manager or your payroll admin have to manually check them, calculate each employees' hours, check leave, allowances, and breaks, and then the data needs to be entered into your payroll and/or job costing. If an employee is completing a paper timesheet their data will be touched 30-35 times before it reaches their bank account. Each touch point takes time away from something more important. **Calculating, reconciling, and keying time sheets into your payroll can cost an employer approximately 5-15 minutes per employee being paid.**

This process is time consuming and a waste of valuable resources. This is time which, as a business owner, manager or payroll administrator could be spent on more important and productive activities.

The cost of inaccurate paper timesheets

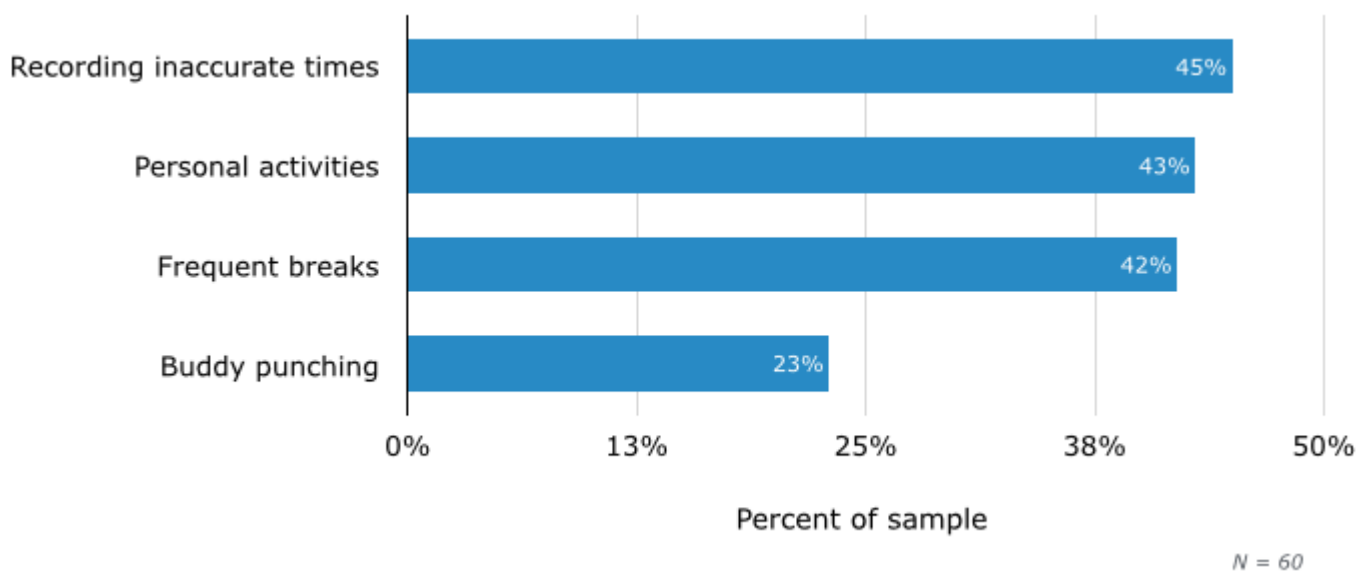


Figure 1 Source - www.softwareadvice.com/hr/industryview/time-theft-report-2015

Not only are paper timesheets more time consuming, but they are also less accurate than a digital alternative, which leads to actual, measurable cost.

Eliminating the cost of TimeCreep can save a business thousands of dollars a year.

International Research has identified that using manual systems for tracking staff hours can have a real financial impact on your business.

These include 4 keys areas:

Companies that use traditional time sheets or punch clocks have been found to have a potential error rate of between 1-8% of the total payroll. This is caused by:

- **Weekly "theft" of time (industry term not ours)**

This relates to tardiness (late arrival), early departures, long lunches etc and was estimated at **4 hours and 5 minutes per employee!** If you give humans the opportunity to game the system, then some will.

- **Loss as a result of "Buddy Punching"**

The average loss is between **2-5%** of total payroll in companies that use traditional timecards! Completing another employee's timesheet for them can also be an issue.

- **Human error (intentional or accidental)-**

Even if Time Theft is not an issue, using paper timesheets for tracking employee time and payroll, leaves you open to human error.

For example, an employee might fill out the timesheet incorrectly, adding up the time wrong (humans struggle with time math's)—or the timesheet may be illegible and the person checking it has trouble reading the handwriting, misinterprets what was written, and you end up paying them for more or fewer hours than they actually worked.

If you are tracking time for billing this could result in under charging or worse, over charging.

- **Trust can be eroded.**

Employees want to know they are being paid accurately for the hours they work and equally you want to know that the hours you are paying your staff have are real. Unfortunately, timesheets are the most creative way to track staff time as some staff will record what they think you need to see, and this erodes trust. Then from the other side some staff will worry that you are not calculating or keying the time correctly which also erodes trust. If you are using your timesheets to track jobs, there is also the trust aspect that your clients want to know are paying fairly for the time it has taken to do the job.

The "information gap" cost of manual systems

While manual systems create real costs in financial, time, and accuracy terms, they also cause an "Information and Compliance Gap".

TRANSPARENCY

You want to pay your staff accurately and on time, and they want to see you doing this also. You also want to be able to see this in as close to real time as possible and not at the end of the week when it is too late.

• Compliance

In addition to the financial benefits of improving the way staff track their hours, there is the increasingly important consideration of compliance which is often overlooked. In recent times we have seen the spotlight being put on employers for their lack of accurate record keeping when it comes to meeting their obligations under:

- **The Employment Relations Act**
- **The Holidays Act**
- **The Health and Safety at Work Act**

Under these Acts, an employer is required to keep accurate time records Who Worked When and be able to present them to an employee or their representative when asked. Could you do this?

• Access to Information

When you manually processing paper timesheets, you don't have the same access to data that you'd get with a digital solution. You can't run reports, look at time spent between pay periods, or easily track leave or overtime hours. This makes it harder to identify issues or areas for improvement. Paper timesheets force you to individually collect and analyse data for each employee. This makes it harder to get a comprehensive overview of what's going on in your business with respect to your employees, hours, job costing and payroll costs as a whole.

Conclusion

As we said earlier - Time Theft is the least of your worries if you use manual systems. At the end of the day, you want your business to run as efficiently as possible. You can't do that with manual, analogue systems like paper timesheets and punchclocks.

If you would like to discuss how implementing a digital, cloud based, "real-time" employee attendance can improve this key area of your business talk to us today.

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