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# DataPro Solutions Newsletter - January 2010

## Automating Time & Attendance: Low Hanging ROI

### THE BOTTOM LINE

**Automating time and labor management with a solution enables companies to improve productivity, increase payroll accuracy, and eliminate costs related to obsolete and paper-based time and attendance management systems.**

Nucleus Research has performed dozens of interviews with companies that have used solutions to replace time and attendance workflows that were either fully manual or poorly automated. All companies benefited from the deployments. ROIs tended to be particularly high for companies that had migrated from a manual environment.

In the absence of an automated time and attendance system, companies lose productivity, overpay employees, and become distracted by the manual tasks of time and attendance.

The primary benefits of an automated time and attendance system are improved productivity, reduced payroll error, reduced payroll inflation, lower overtime costs, and the elimination of paper costs.

### Improved productivity

Many companies use highly complex and manual processes in order to compile and certify their time and attendance information. When these workflows and processes are replaced by systems from best-of-breed time and labor management vendors, a variety of workers become more productive:

- Employees, who are able to more rapidly provide their time and attendance data over the Web, at their PC, or at time clocks.
- Managers, who become more productive because they are able to more rapidly view, approve, and submit attendance information from employees.
- Payroll administrators, who no longer have to manually collect, check, and transmit data from time sheets.

Time and attendance systems can also automate workflows in the areas of leave and activities. By providing PC or Web-based ways for employees and managers to efficiently exchange information about requests, absences, vacation time, and the projects they are working on, these solutions enable people to become more productive.

### **Reduced payroll error**

Simplifying time and attendance workflows and eliminating the use of paper time cards and time sheets means that data is manually transferred less frequently, reducing the amount of human error that can increase payroll costs. This increases accuracy, reduces rework, and reduces payroll overpayments. Nucleus finds that companies without an automated time and attendance system tend to over pay their employees by an average of 1.2 percent.

The level of payroll error at a company will vary based upon factors such as:

- Rule environment complexity. The more pay rules that a company has to adhere to as a result of union agreements, as well as federal, state, and local regulations, the more likely there are to be payroll errors that result in overpayments to employees.
- Number of locations. The more stores, offices, or plant locations your company has, the more likely errors are to occur as the data is exchanged in manual workflows.
- Workflow complexity. The more time and attendance data is manually exchanged from one person to another - including employees, managers, and payroll administrators - the greater will be the amount of payroll error.

### **Reduced payroll inflation**

With time and attendance workflows that are semi-automated or manual, the accuracy of attendance data provided by employees cannot be assured. There are a number of ways that this can inflate a company's payroll:

- Buddy punching. Employees can fraudulently increase the number of hours they get paid for by having a coworker punch them in even though they are not at the work site.
- Clock rounding. If an employee clocks in before they begin their assigned shift, some attendance systems will pay them for that extra time even though they were not working.
- Inconsistency. Attendance and pay rules can be applied inconsistently or even with favoritism, which increases payroll.

### **Reduced overtime**

In the absence of reporting from an automated time and attendance system, managers typically do not know how many hours their employees have worked. This can be a problem when managers want to allocate work or shift time, but want to give that time to employees who have worked the least hours, so that overtime costs can be minimized.

Without the standardized reporting available in time and attendance applications, managers are far less able to assign work to their employees based on who is least likely to incur overtime rates.

Solutions from the best-of-breed time and attendance vendors include standardized reports that tell managers who is approaching overtime, which enables managers to more cost effectively assign work and cut overtime costs.

### **Retirement of legacy systems**

Automating time and attendance with a best-of-breed solution typically enables companies to retire existing time and labor management systems that - compared to time and attendance solutions from best-of-breed vendors - are more difficult to maintain, costlier to service, and have limited functionality. This also enables managers to improve workflows and reduce costs. When retiring a legacy system, benefits will include both the elimination of annual license maintenance fees and the

cost of internal and external staff to maintain the system to be retired.

### **Elimination of paper costs**

Automating the collection and processing of time and attendance data with a solution from a best-of-breed vendor eliminates the costs of paper time cards and time sheets. This can result in a significant savings for organizations with large workforces and bi-weekly pay periods. Companies considering a automation can estimate their cost savings by using a cost of \$0.03 per time sheet and multiplying by the number of time sheets based on the numbers of employees and pay periods. The costs of storing and archiving time sheets and time cards will also be eliminated.

### **On demand or on premise?**

Companies that decide to deploy a time and attendance system will also need to decide whether the application will be accessed over the Web or from a system deployed on their own hardware.

In deciding which way to deploy time and attendance, companies should consider how much in-house staff they want to dedicate to the system - the less that can be made available for a time and attendance solution, the more a company should go with an on-demand deployment.

### **CONCLUSION**

Companies that have not automated their time and attendance workflows should consider automating them with a solution from a best-of-breed vendor in order to improve productivity, reduce payroll error, and decrease overtime costs. In considering a solution, companies should be prepared to think about whether it would be deployed on premise or over the Web.

*Nucleus Research is a global provider of investigative technology research and advisory services. Building on its unique ROI case study approach, for nearly a decade Nucleus Research has delivered insight and analysis on the true value of technology and strategies for maximizing current investments and exploiting new technology opportunities. For more information or a list of services, visit [NucleusResearch.com](http://NucleusResearch.com), call +1-781-416-2900, or e-mail [info@NucleusResearch.com](mailto:info@NucleusResearch.com).*

For more information or to find out how our solutions can benefit your business, contact Tony Cook at [tonyc@datapronw.com](mailto:tonyc@datapronw.com) or call (888) 658-6881 ext 315

## **FMLA and Military Families**

### **PRESIDENT OBAMA EXPANDS EXIGENCY AND CAREGIVER PROVISIONS FOR MILITARY FAMILIES UNDER THE FMLA**

**By**

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Effective October 28, 2009, President Obama signed into law the Fiscal Year 2010 National Defense Authorization Act (H.R. 2647). The Act builds upon and expands the National Defense Authorization Act for the Fiscal Year 2008 signed into law by President Bush.

The new Act provides for exigency leave up to 12 weeks for the urgent needs related to a reservist family member's call to active service. The expansion of the Act now includes family members of active duty service members because under the old law, only family members of National Guard and Reservists were eligible for "exigency leave." The Act also expands the 26 week unpaid caregiver leave provision to be applicable to employees who care for a family member who is injured while serving on active military duty. It expands the provision to include veterans who are undergoing medical treatment, recuperation or therapy for serious injury or illness that occurred any time during the five years preceding the date of treatment. It is important to note that the definition of family member remains unchanged and is still defined as spouse, son, daughter, parent, or next of kin.

The changes became effective immediately, therefore employers should be aware FMLA leave rights have changed and should modify their FMLA policies accordingly. It is also important to

note employees who previously did not qualify for FMLA leave under the old regulations may not be entitled to leave.

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## Employment Law 101 Seminar

Patrick Kirby will provide helpful tips on hiring and firing practices and policies for employers. He will also be discussing recent developments in employment law, including the ADA Amendments Act and how it impact companies.

For additional information or to sign up, please click here: [Business Law 101 Seminar](#)

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## Cobra Premium Reduction Extension

President Obama signed the Department of Defense Appropriations Act of 2010. This Act includes amendments to 2009's American Recovery and Reinvestment Act (ARRA) that provided health care premium assistance for specified individuals. The new legislation continues the length of the 65% premium assistance from 9 months to 15 months, and extends premium assistance to individuals who lose health care coverage due to employees' involuntary employment termination from Dec. 31, 2009 to Feb. 28, 2010. The Act also states that eligibility for COBRA need not occur on or before February 28, 2010, in order for an individual to be eligible for the subsidy, so long as the qualifying event that makes the individual eligible for the subsidy occurs on or before February 28, 2010.

For more information, please visit:

<http://www.dol.gov/ebsapdfsCOBRAPremiumReduction.pdf>

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