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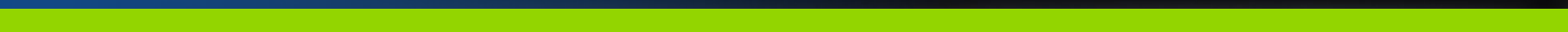
Maximizing Efficiency:

Unveiling the Hidden Costs
of Manual Time, Attendance
and Employee Scheduling

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It's Monday morning, and the shift manager is on the phone with an employee who called in sick. Another employee is working because she's on the schedule even though it's her day off. Both problems must be solved ASAP, and at the same time, last week's timesheets were supposed to be on the payroll manager's desk first thing that morning, but a few employees haven't turned their sheets in yet.

Meanwhile, things are not going much better in the payroll manager's office. Not only is she being held up by late timesheets, but she just received notice that there may be a Fair Labor Standards Act (FLSA) non-compliance issue, and she will have to work nights and weekends to pull together all the documentation.

Just two hours into the work week, the staff is frustrated, the shift supervisor is pulling out their hair, and the payroll manager is considering quitting.

The CFO is not immune to the toll the status quo is taking on everyone, but wants cold hard numbers to show the return on investment (ROI) for a cloud-based time, attendance, and scheduling system. Effective time, attendance, and employee scheduling management is a crucial aspect of business operations, directly impacting various facets of an organization's performance. There are apparent benefits of accurately tracking employee work hours. However, the costs associated with time, attendance, and scheduling tasks can significantly impact a company's bottom line.

Is your organization still struggling with manual time and attendance and spending hours, if not days, correcting payroll mistakes? Are your scheduling managers spending hours each day just dealing with schedule changes—beyond the time spent building the initial schedule? Rest assured, by the time you finish reading this eBook, you'll know exactly how to calculate the actual costs of manual processes and have confidence when presenting the ROI of a time, attendance, and scheduling system.

The Essential Processes of Employee Management and Payroll

There are a number of processes in your daily, core operations that might currently be done manually, but actually don't have to be. In this eBook, the processes we measure include employee scheduling, time tracking, and payroll processing.

- **Employee scheduling:** Includes defining shift hours; assessing needs per shift (how many employees are needed and what roles must be filled); creating schedules; managing employee availability and qualifications; monitoring labor laws and company policy compliance; and managing callouts, shift trades, and open shifts.

- **Time collection:** Includes proper recording of employee time, submission of timecards at the end of the pay period, and managers' approval of said timecards.

- **Leave processing:** Includes leave such as paid time off (PTO), family and medical leave, jury duty, and for some organizations, sabbaticals or military duty, which need to be accounted for every pay period.

- **Time allocation:** Not all hours are the same and employees' time must be properly classified as regular, overtime, and holiday pay. That time must also be tied to the correct department in many cases.

- **Pay verification:** You must verify that new hires are getting paid and terminated employees are not and that bonuses, back pay, and even PTO are accounted for.

- **Payroll:** All the above information must be inputted into a payroll or bookkeeping system, and checks and balances must be performed before finalizing payroll.

- **Payroll corrections:** Manual processes have much higher instances of errors and can be costly to fix. These are costly not just in time, but in employee trust, job satisfaction, compliance fees or fines.

Methodology for Calculating Costs

Many companies are structured differently, and the person who carries out the tasks of employee scheduling may vary. For our calculations, we will assume a manager with a salary of $60,000 a year will create schedules. We will also assume a payroll manager with a yearly salary of $76,001[1] is submitting payroll and correcting any payroll errors after the fact. Our hypothetical company will employ 250 workers.
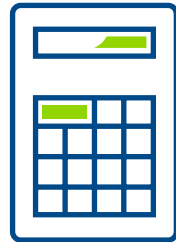
[1] National average salary of a payroll manager. (Glassdoor)

The Struggles and Costs of Shift Scheduling

The challenges of manual processes

Employee scheduling can be one of the biggest time drains for managers. Manually scheduling constantly changing shifts for just twenty employees can take several hours every week. If you are managing more than that, it can take days.

Based on our conversations scheduling managers, we've found that half of them spend at least two hours per week working on the employee schedule, but many are spending significantly more time. Research shows that about 10 percent of scheduling managers spend five hours, and some admitted to spending 12 hours or 1.5 days on just this one task every week.

When it comes to communicating schedules, the majority of shift workers say they still receive their schedules via either a piece of paper, a spreadsheet tacked up in the breakroom, or other ad-hoc communication such as text, phone call, or email. These methods are rife with issues and result in confusion and uncertainty for the employee.

The manager creating the schedule must juggle tracking various employees' planned vacations, ensuring the person assigned has the necessary skills, experience, and even certification for the role, ensuring minor employees are not exceeding their allowable hours for the week and compliance with company overtime policy.

These managers must also consider critical rules such as:

- FLSA regulations
- Predictive scheduling requirements
- Meal and break regulations
- Overtime rules
- Union agreements
- Other state and local requirements

And that's just the beginning. Once the schedules are posted, the manager must deal with replacing employees who call out, employees who forgot to give notice that they are unavailable for the assigned shift due to childcare or other issues, or any ad hoc changes that constantly pop up. Our clients who depended on a manual process for years have told us these changes were more time-consuming than creating the schedule in the first place.

Furthermore, at the end of each pay period, employees must submit their timesheets and have them signed off by the manager.

Time and cost breakdown:

Shift Manager for a National Restaurant Chain
Time spent creating the weekly schedule = 4 hours
Time spent managing changes = 6 hours
Time verification and approvals = 1 hour
Total time spent and cost: 11 hours = $319/week; 572 hours = $16,588/year[2]

[2] $60,000 per year salary/$29 per hour

Decoding the Complexity of Payroll

The challenges of manual processes

Once timecards are collected and verified, they go to the payroll manager for processing. This person has an enormous responsibility. The payroll manager is responsible for tracking hours for overtime in quarterly increments, taking complex Fair Labor Standards rates into account and, in some cases, even ensuring adherence to collective bargaining agreements (CBAs).

They must account for PTO, ensure new hires are in the system and getting paid while terminated employees are out of the system, and process bonuses and back pay. For hourly employees, not all hours have the same pay. Their time must be appropriately classified as regular, OT, and holiday pay at time and a half or double. That time must also be tied to the correct department in many cases.

For organizations tackling this job manually, it can be an incredible burden on the payroll manager. It can also be just about impossible to achieve 100 percent accuracy. A recent analysis by Ernst and Young reveals that the average company has an 80% payroll accuracy rate and makes 15 corrections per pay period. They

also found the average cost to a company per incident is $281 in direct costs and $10 in indirect costs — resulting in thousands lost annually due to payroll errors.

There are any number of variables that will affect the difficulty of running payroll, including:

- Company size
- Payroll frequency
- Employee types and variations
- Benefits and deductions
- Tax compliance
- Record keeping
- Unionized workforce
- International payroll

Even more concerning, we have found that many organizations we speak with spend much more than the average time when using a manual process. For example, the Toledo Public Schools payroll manager regularly worked 15-plus-hour days, including weekends, to ensure TPS' 250 transportation services employees were paid accurately and on time. A good chunk of that time was spent making over 40 corrections every pay period. All other departments had adopted automated solutions, but one department was a holdout and required the payroll manager to go to heroic efforts each pay period just to ensure employees were paid.

For determining the average cost of manual payroll processes, we will put our hypothetical payroll manager somewhere in the middle.

Time and cost breakdown:

Payroll Manager for a Company of 250 Employees

- Time spent running payroll = 30 hours

- Time spent managing changes = 15 hours

- **Total time and cost:** 45 hours = $1,642.50; 1170 hours = $30,420/year[3]

[3] $76,000 per year salary/36.50 per hour bi-weekly payroll

Unveiling the Hidden Costs of Non-Compliance in Time, Attendance, and Scheduling

It's easy to do the math when it comes to direct costs associated with the time spent on a task when you know the salary of the individuals involved and have an accurate time assessment. But what about indirect costs?

In Toledo Public School's case, their payroll manager was piling up comp time in the amount of 400 days owed with no end in sight. Eventually, employees dealing with this will reach a breaking point and leave or remain in the job, overworked, burned out, and even more prone to making mistakes under that pressure.

Non-compliance with labor laws or company policies regarding time, attendance, and scheduling can result in various organizational costs. These costs can have direct financial implications and broader consequences for employee morale and productivity. Here are some critical organizational costs associated with non-compliance in time, attendance and scheduling:

Legal Penalties and Fines: Failure to comply with labor laws, such as those governing overtime, breaks, or record-keeping requirements, can lead to legal penalties and fines imposed by government agencies. These fines can vary depending on the severity and frequency of the violations, and they can significantly impact an organization's finances.

Lawsuits and Litigation Expenses: Non-compliance with time and attendance regulations can expose organizations to employee or class-action lawsuits. These legal battles can be time-consuming, expensive, and may tarnish the company's reputation. Legal fees, settlements, and potential damages awarded can add up to substantial costs.

According to the Department of Labor (DOL), employers who willfully or repeatedly violate the minimum wage or overtime pay requirements are subject to a penalty of up to $1,000 for each such violation. Willful violations of the FLSA may result in criminal prosecution and the violator fined up to $10,000. A second conviction may result in imprisonment.

Back Wages and Overtime Payments: If an organization fails to track and compensate employees for their work hours accurately, they may be required to pay back wages and overtime payments to affected employees. This includes unpaid regular wages, overtime premiums, and potential wage and hour violation penalties.

> In 2022 New York City reached a settlement with a national restaurant chain to the tune of $20 million over scheduling violations and sick leave affecting 13,000 workers.

Reputational Damage: Violating labor laws or company policies related to time, attendance, and scheduling can damage an organization's reputation. Internal and external negative publicity can lead to decreased employee morale, difficulties in recruiting top talent, and a loss of trust from customers, stakeholders, and the public. Rebuilding a damaged reputation can be a lengthy and costly process that requires consistent action.

> In 2022 the DOL reported close to 6,000 overtime pay cases representing approximately $135,000,000 in back wages.

Employee Disengagement and Productivity Loss: When payroll errors or suboptimal scheduling processes result in employees being underpaid, overworked, or experiencing inconsistent scheduling practices, it can lead to decreased employee morale, dissatisfaction, and disengagement. This can negatively impact productivity levels, increase absenteeism, and potentially result in higher turnover rates. The costs associated with reduced productivity and employee turnover can be substantial. Non-compliance with labor laws or company policies regarding time, attendance, and scheduling can have far-reaching financial and organizational consequences. Organizations must prioritize compliance efforts, implement robust time and attendance systems, and regularly review and update policies to mitigate these potential costs.

> Gallup conservatively estimates the cost of replacing an individual employee between one-half to two times the employee's annual salary.

A Better Way

Hopefully, at this point you're starting to realize how much your organization could save on labor costs, lost time, and compliance concerns by implementing modern time, attendance, and scheduling software. You've done the math and realize investing in software may be the right path for your organization. Just make sure you're looking at solutions from time, attendance, and scheduling specialists.

Online Employee Scheduling from TCP Software

TCP's Humanity helps organizations meet complex scheduling needs as they evolve over time, providing demand-driven scheduling, availability and skill tracking, employee shift swaps, and more. Humanity gives managers an easy and efficient way to fill open shifts without time-consuming phone trees.

Shift swapping and drop requests can be initiated by employees right from their mobile devices, enabling managers to spend less time managing schedules and more time leading their team toward organizational goals.

Time Tracking and Mitigating Payroll Errors

TimeClock Plus is the best-in-class time and attendance solution, automating time tracking with accurate calculations across complex payroll rules, flexible clock options, and hundreds of payroll and ERP/HCM integrations.

Remember the Toledo Public School payroll manager we mentioned earlier? By implementing TCP's TimeClock Plus software, they saw a 99% improvement in payroll accuracy: seven total errors over the year vs. 40 per pay period while spending 85 percent less time on payroll activities.

Staying Compliant with Labor Laws

As stated earlier, failure to comply with federal and state compliance regulations can come with hefty costs. Compliance with the Affordable Care Act, FMLA, and state wage and hour laws is dramatically simplified with a flexible time and attendance system that can help you meet wage and hour requirements, even if you have locations in different states. Should the Department of Labor stop by for an audit, you'll be ready with all the required reports.

Are You Ready to Embrace the Digital Shift?

Even though configurable, online time, attendance, and scheduling systems reduce labor costs and errors, many organizations of all sizes continue to do these tasks manually. Why aren't they making the switch?

Our experience working with thousands of organizations in this situation has shown that simply haven't taken the time to calculate the ROI of implementing a modern time, attendance, and scheduling system for their unique business.

If this sounds like something that might help you lower costs but you're unsure what the ROI would be for your organization, we invite you to take our free ROI Savings Calculator for a spin. Enter your data and one of our experts can talk you through your personalized business case, quantifying how much your organization can save each year using TCP's time, attendance, and scheduling software.

> TCP Software's time, attendance, and employee scheduling solutions help you automate manual workflows, control labor costs, and mitigate compliance risk. To learn more, reach out to talk to an expert.