



# Return on Investment Report

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## Executive Overview

Organizations usually cover the costs of their investments within six to twelve months after implementing the WorkForce Software EmpCenter solution, and returns on investments from 250% to 500% can be expected after five years of using it. Of course, these estimates vary with company size, business requirements for the solution and business processes prior to implementation.

Additional benefits may come from reduced risk of litigation from non-compliance with labor regulations, and labor cost saving from better process management, which can have a direct impact on Sarbanes-Oxley compliance.

The combination of WorkForce Software's flexible time and labor system, coupled with recommendations on *best practices* delivered via experienced time and labor process consultants, provide customer organizations with a better return on investment (ROI) than they would otherwise receive from competing solutions.

This document will help interested parties develop a business case for embarking on a time and labor automation project.

### Key Areas of Return

Organizations that implement the EmpCenter Time and Attendance solution receive the following benefits:

- Fewer data entry/calculation errors, which otherwise result in higher payouts
- Elimination of time spent managing paper timecards, including re-keying of information into payroll systems
- Tighter control over unauthorized leave time
- Better regulatory control through automation of retroactive calculations and error correction process
- Reduced administration costs via self-service functionality
- Elimination of payroll/time inflation and excess overtime caused by manual timekeeping
- Elimination of timecard processing and storage costs
- Elimination of timecard printing costs

### Solution Overview

WorkForce Software provides a suite of integrated products that manage your time and labor processes, leave requests, and employee performance. Time and employee information can be entered through web browsers, time clocks, phones, or other input devices. It can be installed on your existing information technology infrastructure or purchased as a monthly on-demand service.

The solution offers the following key capabilities:

- Collects time, leave, and labor data through a web-browser, badge readers, touch tone phone, or other methods
- Applies HR and payroll rules at time entry, so pay is calculated accurately and consistently each period
- Verifies employees have accumulated enough paid time-off hours in a bank, before authorizing time-off requests
- Ensures all time collection and leave requests are approved by supervisors before processing to payroll
- Provides self-service inquiry functions to employees and managers
- Ensures compliance with the FMLA, FLSA, and Sarbanes-Oxley

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Because information is typically collected via employee self-service time entry at a browser or badge readers, data-entry errors and re-keying of information are eliminated. Payroll calculations, including overtime and shift-pay are processed automatically, so substantial cost savings are realized due to error reduction. Further savings may be achieved with the use of automated badge readers or other input devices, because buddy-punching and unapproved overtime can be controlled.

## Return on Investment Components

Many components factor into an analysis of ROI of a time and labor solution. The following sections describe six key components.

### **1. Reduction of Payroll Errors**

Organizations typically receive the largest cost savings from a reduction of payroll errors. Because labor is often the biggest expense item in an organization, it may represent 40- to 50-percent of its costs.

*Studies by The American Payroll show that the payroll overpayment errors represent 0.5 to 1.5 percent of gross payroll.*

The American Payroll

While the money wasted on payroll errors is significant, the potential for additional waste is present. Pay calculations are complex and federal pay rules, union contracts, and state regulations increase that complexity exponentially. The best strategy is one of prevention by automation.

*“World class companies spend 33% less on time and attendance and have error rates that are up to five times lower than average companies.”*

The Hackett Group

Payroll errors due to incorrect time collection and improperly applied rules and regulations are eliminated by the EmpCenter Time and Attendance system. There are varieties of factors that influence the exact benefits obtained. Larger employers, ones that are more decentralized, and the ones with more complex policies tend to have most errors. In addition, those employers that have substantial variation in employee time worked from week to week have higher errors. Conversely, those employers with some type of automated system in place today obtain smaller benefits as some of their rules are already automated.

*To gain the full benefit of an automated system, you must automate all HR and payroll rules. The WorkForce Software system’s unique ability to use employer-defined calculations ensures that no manual workarounds or compromises are necessary to automate your policies.*

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## **2. Automated Data Collection / Elimination of Data Entry**

Another key component of ROI analysis is the processing time and resources used to collect employee work data and enter it into a system. Shortening this processing interval and freeing people's time for use on more productive tasks can produce significant savings.

*Reporting time worked, absences, and labor information is the single largest paper process in most organizations. Time and labor touches every department, every employee, every manager, every day of every week.*

The WorkForce EmpCenter system transforms the entire time and labor data collection process; employees no longer punch paper cards; supervisors have visibility to pay periods before the close; and, calculations are done as the time data is collected instead of after the fact.

A WorkForce Software customer with 2,000 employees was able to reduce the size of its payroll staff from eight employees to just two by automating the time reporting process. Further savings were obtained through the elimination of duplicate data entry and the maintenance of multiple homegrown systems.

*Most organizations save between 0.25 and 0.5 percent of the total payroll costs simply by reducing time collection, approvals and re-keying of data.*

## **3. Leave Time Management**

Leave time includes paid time-off, sick time, vacation time, and holidays. Most employers provide between two and four weeks of leave time-off per year. By using the WorkForce system, leave time is controlled more efficiently.

Many organizations still track leave time manually. In fact, a large WorkForce Software customer in the mining business had hundreds of managers using spreadsheets tracking time off for 4,000 employees. Once the WorkForce EmpCenter system was in place, however, leave time for all employees was automatically tracked, which resulted in managers that are more productive and a dramatic increase of data accuracy.

Industry studies have shown that employees take an average of one additional unrecorded day of leave per year. Without a system to automatically validate accrued time off, it is very difficult to prevent this.

*Experience shows that a typical organization can recover a half day of unrecorded leave time from each employee by implementing the WorkForce Software system, which translates to a cost reduction of 0.2 percent of total payroll costs.*

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#### **4. Retroactive Calculations**

When new information comes to light after a pay period has been closed and checks issued, an organization may still need to go back to that pay period and adjust an amount. When this happens, all the periods that followed that adjustment will be affected.

This scenario is more common when the process is largely manual. However, even organizations that have automated portions of the process may have a need to retroactively correct pay data. Here are some examples that require corrections to prior periods:

- Employee or time entry person simply keys a figure incorrectly into the system
- Employee fails to punch in/out for the day when coming in after hours on a call-in
- An absence is not reported for a salaried employee, which may not affect payroll but the employee's bank need to be adjusted
- A union contract is renegotiated retroactive to the beginning of the year
- Transfer of an employee from position A to position B, but paperwork was entered after the employee was paid by payroll; employee needs to be paid at the new rate and under the rules for position B.

An employee reported a sick day, but sometime later, the occurrence was investigated and found to be a Family Medical Leave Act (FMLA) event.

Of the leading time and labor management solutions on the market, only the WorkForce Software system solves this problem correctly by facilitating the correction to the time period in question, and then rippling that change through all the time periods that follow it. This prevents the error from being carried forward through every period and it provides an audit trail for regulatory compliance.

All relevant information is automatically corrected, including labor hours, accrual balances, and pay. If changes were made in HR that affects timecards retroactively, these are automatically detected and corrected as well. Because these error corrections are done automatically, an organization that uses the WorkForce Software system usually recognizes a 5-10 percent improvement in productivity in the payroll and HR departments.

#### **5. Self-Service Functionality**

By providing employees with secure systems that enable them to manage their personal information and request paid time-off, the workloads of the human resource or payroll departments are decreased. This reduction in resource is another key factor in the return an organization will get by automating its time and labor processes. The following are some employee self-service functions that can be accessed via standard web browsers:

- Up-to-the-minute time-off balances for inquiries<sup>1</sup>
- Inquiries on time worked and absences
- Schedule access
- Time-off requests, which are routed to managers for approval
- Managers can approve timesheets, time-off requests and more online

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<sup>1</sup> Many HR and payroll systems provide time off balance inquiries. However, since these systems do not recalculate balances until the end of a payroll period, these are usually out of date and present inaccurate information. A similar problem occurs when employees utilize information on their pay stubs.

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These self-service functions reduce overhead costs in HR and payroll departments.

*Experience shows that organizations may save between 0.1 and 0.2 percent of the total payroll costs when employee self-service functions are offered. A side effect of this resource savings is that organizations are able to maintain larger workforces without increasing support staff.*

## **6. Eliminating Payroll Inflation**

Payroll inflation occurs when employees report inaccurate information on their timecards. Even when done unintentionally, the time may be rounded-up in favor of the employee. For example, an employee may arrive at 8:05 am, but mark the arrival time as 8:00 am. When accumulated across a large workforce, these lost minutes may represent hundreds of hours and tens of thousands of dollars every pay period for even smaller employers.

Experience shows that an average time inflation error amounts to six minutes per day, or 30 minutes per week. Imagine the benefits of getting another half-hour of productive time from every one of your employees every week.

*Organizations that switch to automated data collection devices, such as a badge reader, may save 1-percent of their total payroll just by reducing time inflation.*

## **Importance of Best Practices**

Deployment of a time and labor system alone is not enough to transform business processes. In order to receive the full benefits of automation, an organization must be open to new and more productive processes and then adopt them into the fabric of the organization. If these new processes are modeled from the best practices molded through lessons learned at other establishments, an organization will have a much higher degree of success with their automation projects.

The EmpCenter time and attendance solution is a blend of automation software and best practices gleaned by its consultants from experience gathered while implementing successful projects with other organizations. The combination has a multiplier effect, which greatly improves the results of our time and attendance customers.

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## Legal & Regulatory Compliance

Employers in the United States are subject to a variety of legal and regulatory requirements. The Family Medical Leave Act (FMLA) requires employers to grant unpaid leave time to qualifying employees for their medical needs, or those of family members. The Fair Labor Standards Act (FLSA) requires employers to classify employees as exempt vs. non-exempt and then pay overtime properly. Many organizations do not fully understand and correctly apply FMLA and FLSA rules.

*Experience shows that 75-percent of employers do not properly apply FLSA. Violations include poor documentation of hours worked hours by an employee and improper calculation of their overtime rates.*

In addition to complex federal regulations, employers may also face a myriad of state regulations. For example, California has rules governing how daily overtime, double-time and weekly hours should be applied to pay. Some also dictate when meal breaks should occur.

WorkForce Software's consulting services are an integral part of our offering. Our consultants help customers navigate through this maze of regulations to reach a successful business process and avoid costly litigation and penalties.

## Impact of Sarbanes-Oxley

The Sarbanes-Oxley act of 2002 holds company executives accountable for reporting any operational issues that may have a material impact on financial statements and the valuation of the company. Because people costs may represent an average of 50-percent of the expenses at an organization, time and labor processes fall under the scope of Sarbanes-Oxley.

*“People costs usually represent an organization’s largest expenditure.”*

Forrester Research 2004

The EmpCenter Time and Attendance system provides the means to manage and audit labor costs, so organizations can comply with Sarbanes-Oxley requirements. Here are some of the features designed for this purpose:

- Reduced risk of lawsuit because automatic calculation of pay ensures consistency in payments to employees
- Approved timesheets ensure all payments are authorized by management
- Audit trails of all transactions from the point of entry to the point of payment
- Automated and audited process to correct prior period errors through the use of Amended Timesheets ensures compliance for this critical process
- Ability to delegate time approval responsibilities ensures tight control even when a manager is absent

Because auditors are now required to examine every area of the company that may have material impact on its financials, a powerful and auditable time and labor solution is a necessity.

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## Long Term Costs & Benefits

A thorough ROI analysis takes into account the long and short-term benefits. Because the long-term value of enterprise software depends on its ability to adapt to business circumstances unknown at the time it was installed, the WorkForce system was designed to manage 100-percent of today's needs, yet is flexible enough to adapt to tomorrow's changes.

Mergers, acquisitions, and new government regulations can change the business landscape for any organization. Plan for this eventuality by choosing software that not only meets your current needs, but has the flexibility to adapt and can be upgraded without having to reset the unique configurations you have already made to meet your needs. Of the leading time and labor solutions on the market, only the EmpCenter Time and Attendance system can satisfy this requirement.

## Calculating Your Return

WorkForce Software provides a companion spreadsheet tool that helps you collect and analyze your time and labor project investment. For a copy of this tool, please contact WorkForce Software.

### LEGAL NOTICES

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