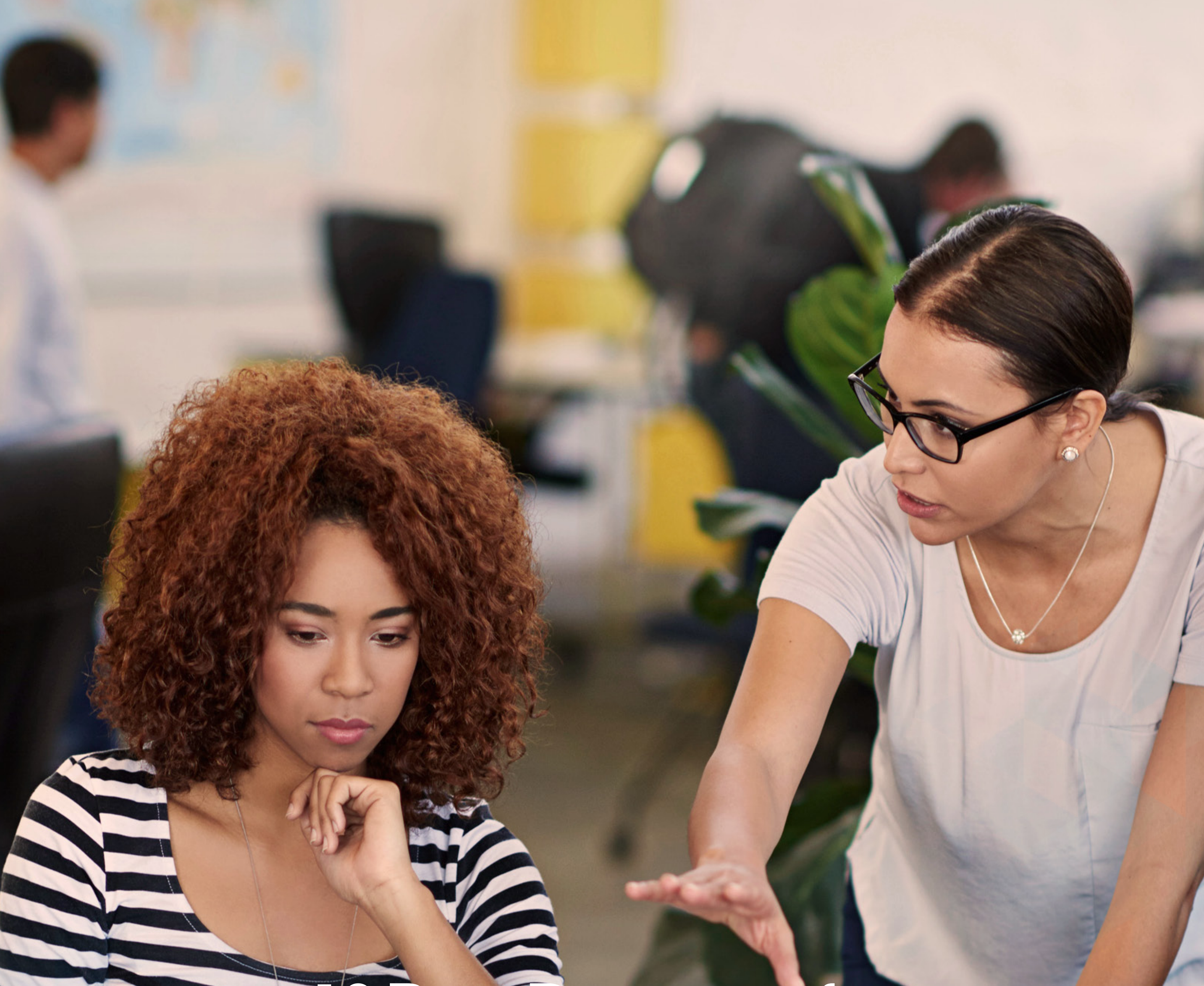

10 Best Practices for Time & Attendance Professionals

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Introduction

Labor can be the largest cost in any organization, and one that is controllable, especially when you utilize industry leading technology to track time worked and employee absences, both planned and unplanned, in employee schedules.

Organizations are challenged to achieve and maintain compliance with internal policies, union agreements (for some), and federal laws such as Department of Labor Wage and Hour Rules, Sarbanes-Oxley and the Affordable Care Act. Efficient allocation and management of labor hours positively impacts revenues. Inefficiencies can increase costs, decrease profits and create dissatisfaction to both employees and customers.

Labor Management Institute, a leading research, education and consulting organization, specializes in time and labor management, productivity optimization and automation. The Labor Management Institute has worked with organizations of all sizes in many industries over the last 30 years to analyze time and labor management practices and finds correlations in both worked and nonworked time that contribute to the abuse of labor hours in the form of extra and unnecessary overtime, conflicts in practice and policies, cost overruns to budget and adverse outcomes to employees and customers. This white paper identifies 10 time and labor management best practices to help you control labor costs and align staffing with budgets more efficiently and effectively. Best practice is used to describe the process of developing and following a standard way of doing things that multiple organizations can use.(1) As a method or technique, best practices consistently show results superior to those achieved with other means, and are often used as benchmarks.

Time and Labor Management

Time and labor management encompasses all the activities needed to manage a productive workforce including time and attendance, employee scheduling, time off tracking and labor reporting. Integrating and automating these tasks makes it easier for organizations to address changing economic pressures, shortages in worker skills and competencies, increasingly fatigued and disengaged workers and the changing demands of the Affordable Care Act.

Time and labor management helps organizations to align their strategic priorities and objectives with their human resources. It is defined as the process of balancing available labor resources to the workload needs of the organization, using processes and workflows to manage time and attendance, employee scheduling, absence management, task management and labor analytics. Together, these elements of time and labor management form the critical foundation of today's comprehensive human capital management solutions.

Achieving operational efficiency requires that organizations be able to measure, track and quickly report time, attendance, the replacement of shortages or "deficit demands" and expenses.

Automation of time and labor management is critical to accomplishing these goals, while real time analytics can further enhance the speed and ease with which to identify costs, labor inefficiencies, and budget issues.

1%-8%

Rate of human error in time card preparation.

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Managing Employee Time

Best practices in time and labor budgeting require the matching of workload volumes to available labor resources. The benefits of time and labor management are measured in cost and time efficiencies.

Both over- and under-staffing result in time waste and cost inefficiencies, which in turn reduce quality and service further negatively impacting revenues. When staffing levels accurately meet work projections, organizations save money and increase satisfaction to both their workforce and customers which result in better quality and service to all.

Managing employee time using a combination of manual and decentralized processes or multiple disconnected information systems due to a lack of interfaces, can lead to substantial inefficiencies with redundant data entry and a lack of effective internal controls allowing errors and omissions.

The American Payroll Association estimates that the rate of human error in time card preparation is between 1% and 8% of total payroll processing time with 10.5% consumed in error correction, even though the average error rate is only 3%.

10.5%

Consumed in error correction.

Time and Labor Management Best Practice: Managing Overtime

Overtime is necessary when the amount of work to be performed and the available labor resources do not match. In many industries, the amount of work fluctuates and the hired workforce may be insufficient to meet the workload demands due to vacancy from unfilled positions, inexperienced staff undergoing orientation and training, planned vacation absence, unplanned absences for personal illness or other emergency absence, such as bereavement.

All Overtime is Not Created Equal

Labor Management Institute has studied the underlying sources for overtime finding two types of overtime that organizations should monitor:

- End of Shift (also known as incidental) Overtime – is defined as any overtime event that is less than 30 minutes per event. End of Shift overtime is considered the most dangerous form of overtime as it is most associated with errors and omissions.
- Regular Overtime – is defined as any overtime event that is 30 or more minutes per event. Regular overtime is most often associated to workload greater than budgeted, "selfish" scheduling practices and/or abuse of absence time. Overtime exhausts employees, decreases engagement and increases employee job dissatisfaction and turnover. As employee job dissatisfaction and disengagement increases organizations often find that customer satisfaction is reduced, adversely impacting organizations. Overtime percentages can be reported as a percent of total worked or total paid hours.

Overtime as a percentage of total worked hours usually reveals its greatest impact on your labor resources in employee fatigue affecting performance, job dissatisfaction, disengagement and turnover. Overtime less than 4.9% of total worked hours is a reasonable response to fluctuating workload volumes or reasonable deficit demands in the form of both planned and unplanned absence.(2)

Overtime percentages can be reported as a percent of total worked or total paid hours. Overtime as a percentage of total worked hours usually reveals its greatest impact on your labor resources in employee fatigue affecting performance, job dissatisfaction, disengagement and turnover.

The two key indicators for overtime as a percent of total worked hours that timekeepers, time and labor workforce managers and executives should pay attention to include:

1. Overtime between 5% and 7.9% is most often due to excessive tardy/late occurrences, scheduling practices due to conflicts between practices and policies and excessive paid and unpaid employee absence.
2. Overtime greater than 8% is most often due to excessive leave of absences, vacant positions followed by excessive tardy/late occurrences, poor scheduling practices due to conflicts between practices and policies and excessive absence (paid and unpaid), above a threshold for planned absence (e.g., vacation) of 10% total worked hours or a threshold for unplanned absence above 5% total worked hours.

10 Best Practices for Time & Attendance Professionals

Labor Management Institute's recommended time and labor management best practices include 10 indicators to help timekeepers, time and labor management leaders and organizational executives control labor costs with time and attendance and scheduling automation:

1. **Limit overtime** – Less than 5% of total worked hours.
2. **Automate and integrate time and attendance and scheduling systems** to prevent redundant data entry, errors and omissions.
3. **Optimize responses deficit demands through planned full-time/part-time employee ratios – 70% full time; 30% part-time.** Every department needs some committed part-time employees in their workforce management strategies to provide a source of labor at non-overtime or premium rates to accommodate fluctuating workload and replace employees for both planned and unplanned absences. This ratio may vary depending on weekend requirements, but should avoid reducing number of full-time staff to less than 50% of total employee positions.
4. **Limit planned absences greater than 10% of total hours worked.** Department leaders may want to approve all requests for vacation or planned time off however, when they approve more than 10% of total worked hours or vacation or planned time off, it often exceeds the department's ability to operate without overtime.
5. **Limit unexpected absences greater than 5% of total hours worked.** An "unexpected" absence is any absence from a scheduled shift for any reason other than planned vacation or annual leave. The source of these absences can have myriad reasons and may be early warning indicators for unit-based incivility or bullying which should be addressed by leadership.
6. **Implement strategies to replace Leave of Absences (LOA) greater than 10% of total hours worked.** LOA protections for family medical leave (FMLA), military and other reasons are well documented by human resources in all organizations. Every department can cope with some amount of LOA, however, when it rises above 10%, it often exceeds the department's ability to operate without overtime and requires thoughtful strategies to replace these vacant shifts until the employees return to work. For example, strategies may include the use of extra worked hours from part-time staff, an internal resource pool, or an external source such as an outside agency/temporary or travelers.
7. **Implement strategies to prevent vacancy greater than 10% of total hours worked.** Every department budget allocates hours and dollars for the total positions needed for the forecasted workload. When vacancy rises above this threshold, it often exceeds the department's ability to operate without overtime.
8. **Limit supplemental or non-core staff greater than 15% of total worked hours.** Core staff includes all full-time and committed part-time employees assigned to the home department. Supplemental staff includes all unit-based contingent/per-diem/temporary employees as well as all non-core employees from any source (e.g., floating from other units in the organization, outside agency/temporary or travelers). Often the supplemental staff is less familiar with policies, procedures, co-workers, and supervisors and are considered "strangers in the department."
9. **Limit on-call hours greater than 3% (*) of total hours worked.** Placing employees in an "on-call" status to come back to work for unplanned or pending work or to cover employee absences can be a reasonable workforce management strategy. It should be measured against the day of week and time of day to determine the need for a scheduled shift of work. However, when used excessively especially with little or no call-back hours, it should be evaluated as a form of payroll abuse. In some industries the on-call rates/hour can become million-dollar expenses/year because they raise the employee's base rate of pay (blended rate) and increase the cost of overtime (e.g., 1.5 times the blended employee rate per hour).
10. **Limit call-back to work hours greater than 10% (*) of on-call hours.** Call-Back to Work hours can be a reasonable workforce management strategy. It should be measured against the day of week and time of day to determine the need for a scheduled shift of work. However, because it is most often paid at the same rate or more than the overtime rate, when it is above these thresholds it should be evaluated as a form of payroll abuse.

(*) Does not apply to Peri-operative units in healthcare where on-call hours are greater than 50% of total worked hours and call-back hours are greater than 50% of total on-call hours.

Summary

Organizations strive to balance available labor resources and workload for optimal workforce management and cost effectiveness.

Organizations leave themselves vulnerable to missed opportunities and significant risk without tools and processes to help ensure the tracking of time and attendance activity, and the collection of compliance and absence information. The right time and labor management solution can help organizations operate efficiently and effectively by having the right employees in the right place at the right time for the right cost and in ways that engage both employees and customers.

Automating time and labor processes and implementing these best practices in your organization can help payroll, HR, and time and attendance professionals make better decisions related to variable workload, labor shortages, employee competencies and skill shortages while adhering to organizational budgets.

About the Author

ChrysMarie Suby is the co-founder and President/CEO of Labor Management Institute, Inc., which specializes in workforce management research, education and consulting for department budgeting, employee scheduling, staffing and workforce management, providing education, training and certifications for the recently established Workforce Educational Organization (WEO). She is the Editor and Publisher of the Perspectives on Staffing and Scheduling (PSS™) Newsletter© and the nationally recognized PSS™ Annual Survey of Hours Report© for healthcare, the first benchmark for nursing in the USA established in 1989. She is also a founding member of the International Organization of Schedulers, Staffers and Resource Leaders (IOSSRL™) © and serves on the editorial boards for the Austin Journal of Nursing and Health and Creative Nursing Journal.

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(1) Best Practice Definition (Source: www.Wikipedia.org)

(2) Labor Management Institute; Perspectives in Staffing and Scheduling Newsletter© (PSS™); Vol. XXVI, Number 5; November 2007.

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