# The ROI of Automating Your Human Capital Management

Human Capital Management (HCM) is the set of processes related to your organization's payroll, human resources (HR), time and attendance, scheduling, and other personnel administrative needs. Through automating HCM functions, businesses can see significant savings in the form of time, money, litigation exposure, and overall aggravation. Specific areas where saving can be found include:

- Payroll processing
- Payroll inflation
- Employee absenteeism
- Unnecessary overtime
- FMLA and leave time
- Wage and hour compliance exposure
- Employee self-service
- HR productivity
- Employee engagement and satisfaction

PayNorthwest

PAYROLL AUTOMATION

Payroll Hours Spent Processing
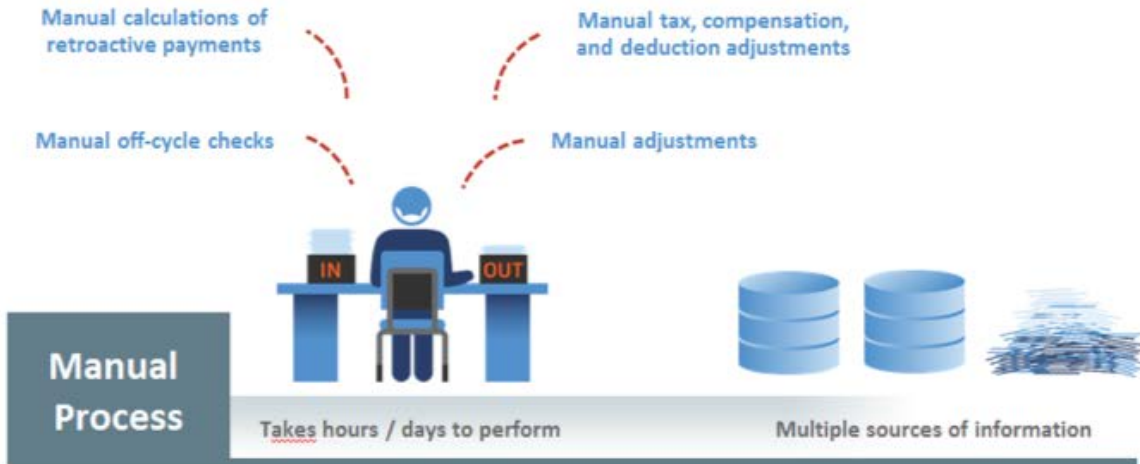
Streamline Payroll Processing

Too many hours are spent each payroll period on the collection of accurate time worked, approving employee time, and applying pay rules accurately. Payroll processing challenges include correcting payroll errors, not having a single source of data, and the lack of visibility and access to accurate real-time payroll data. While large over- or underpayments will naturally get caught by either payroll administrator or the employee, small overpayments resulting from manual processes prone to handwriting issues, input errors, or miscalculations can easily slip through, and together add up to quite a lot (see the dark blue area in the figure below).
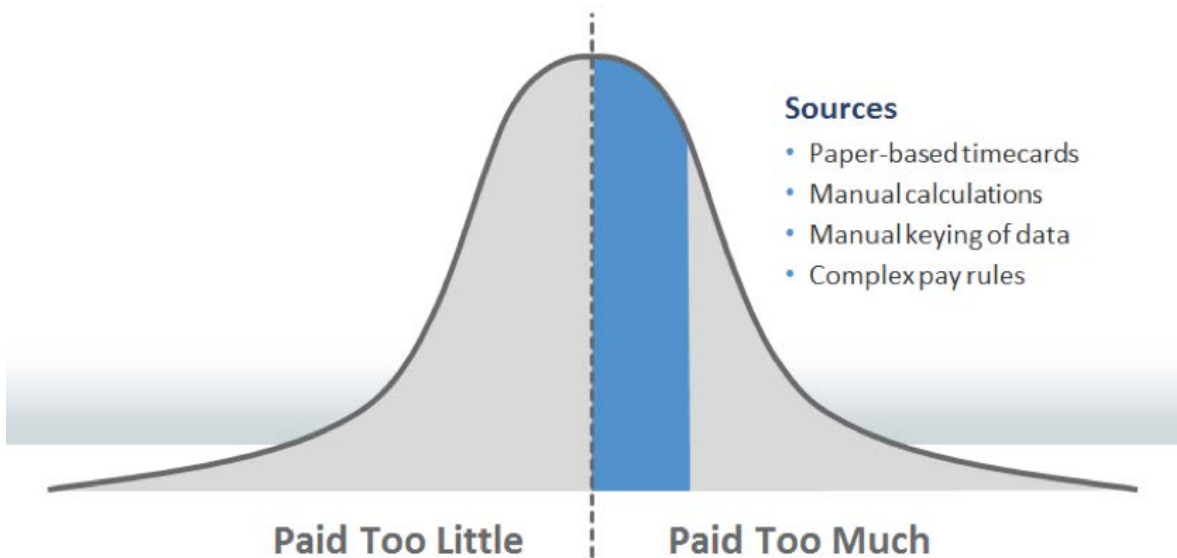
DID YOU KNOW THAT …

- A statement affirming the employer's commitment to protecting employee rights under the FMLA

- 35% of the average HR department's time is spent on payroll alone (Sage)?

- 10.5% of payroll processing time is consumed in error correction, even though the average error rate is only 3% (APA & KPMG)?

- It takes five to six minutes to total and audit each manual time card (APA)?

WHAT THIS IS COSTING YOU …

- For every 25 full-time employees (FTEs), you are likely expending 100 wasted person hours per year on manual payroll processing and exception handling. This amounts to an annual expense of over $3,250 per 25 FTEs.

HOW AUTOMATION CAN HELP

- Integrate your HR, timekeeping, and payroll systems into one database to reduce or even eliminate data entry and errors.

- Implement and manage a configurable workflow ensuring that schedules are effectively approved and posted with easy employee access.

- Scheduled alerts to pick up errors.

- Eliminate duplicate data entry.

- Add complimentary applications.

Reduce Payroll Inflation

Payroll inflation occurs anytime anyone games or cheats the system such as punching in a few minutes prior to actually starting work, buddy punching, or falsifying written timecards.
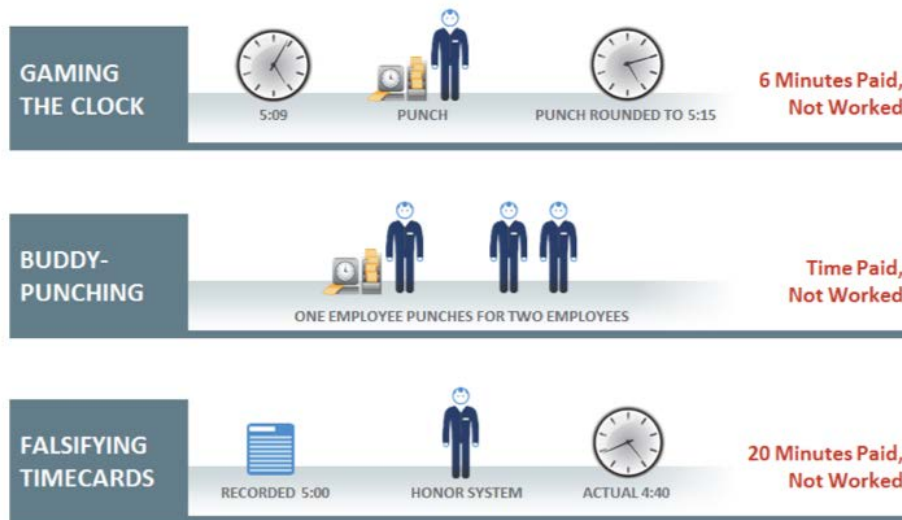
Honest time-reporting errors, incorrect pay rates, missed punches, and meal breaks aren't always captured correctly when manually entered. Relying on manual processes to round employee time to the next hour costs businesses money and increases compliance risk.

DID YOU KNOW THAT …

- A 1% to 8% clerical error rate is realized when organizations manage / track total hours manually (APA)?
- Employee reporting issues cost $1,085 on average per employee per year (APA)?
- The average time employees incorrectly report is 4.5 hours / week – the equivalent of six weeks of vacation (Robert Half and Associates)?

WHAT THIS IS COSTING YOU …
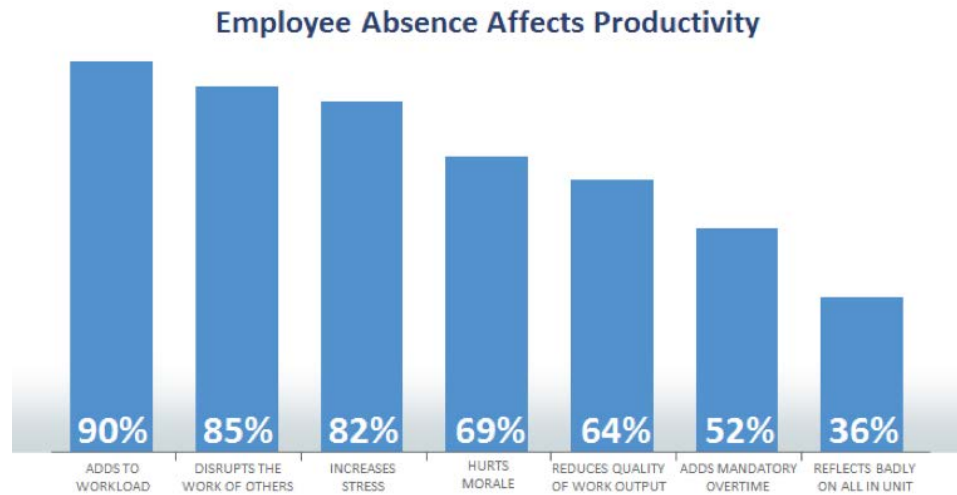
- Applying the average 2% error rate for manual processes, you are likely over-paying by almost $10,000 each year for every 25 FTEs with a total annual hourly payroll of $500,000.

HOW AUTOMATION CAN HELP

- Make sure you have real-time visibility to manage exceptions and trends.
- Set up auto-alerts.
- Accurately and effectively collect time data.
- Pre-establish rounding rules.
- Ensure the automatic transfer of correct time calculations to payroll.

TIME AND LABOR AUTOMATION

Manage Absenteeism

Employee Absence Affects Productivity

90%	85%	82%	69%	64%	52%	36%
ADDS TO WORKLOAD	DISRUPTS THE WORK OF OTHERS	INCREASES STRESS	HURTS MORALE	REDUCES QUALITY OF WORK OUTPUT	ADDS MANDATORY OVERTIME	REFLECTS BADLY ON ALL IN UNIT

Source: *Survey on The Total Financial Impact of Employee Absences* by Mercer (2010)

Employee absences and leave, whether planned, incidental, or extended, carry costs, risks, and productivity implications for your organization. They also negatively impact morale and employee engagement.

DID YOU KNOW THAT …

- Employees with supervisory responsibility spent an average of 3.3 hours per week dealing with absences (SHRM)?
- The average productivity loss associated with an unplanned absence was 31.6% (SHRM)?
- The total cost of absenteeism as a percentage of payroll is between 36.3% and 38.3% (SHRM)?

WHAT THIS IS COSTING YOU …

- Employee absenteeism can cost a typical organization 165 person hours ($5,270) per manager / supervisor each year and total over $29,400 annually for every 25 FTEs.

HOW AUTOMATION CAN HELP

- See who is available in real time to fill absences.
- Set up workflows to automatically record employee absences.
- Automatically notify managers when employees exceed established point thresholds.
- Easily confirm each employee's eligibility for paid / unpaid leave based on user-defined criteria.
- Identify patterns of absence that help supervisors identify employees who may need help, coaching, or remediation.

Reduce Unnecessary Overtime

Without the proper visibility into accurate employee time and attendance data and schedules, companies tend to overcompensate, overstaff, and overpay, including overtime.

DID YOU KNOW THAT …

- Overtime accounts for 6.3% of a typical payroll (SHRM)?
- One of the largest contributing factors to increased labor costs is overtime accrual (Bureau of Labor Statistics)?
- Top performers have less than 4% of overtime costs unplanned or unbudgeted compared to the average (Aberdeen)?

WHAT THIS IS COSTING YOU …

- For every 25 FTEs, the average company pays over $77,500 in annual overtime.
- Employee absenteeism can cost a typical organization 165 person hours ($5,270) per manager / supervisor each year and total over $29,400 annually for every 25 FTEs.

HOW AUTOMATION CAN HELP

- Gain real-time visibility into employees' hours.
- Build accurate schedules.
- Set up automated alerts to notify you when schedules exceed budget limits.

Manage FMLA / Leave

Employers who do not fully understand and manage complex notice and leave requirements of the Family Medical Leave Act (FMLA) risk potential exposure to litigation and penalties.

This is made more difficult as you need to track rules for eligibility and ensure managers have a full understanding of the rules.

DID YOU KNOW THAT …

- 13% of all employees took leave for a qualifying FMLA reason (ABT Associates)?

- It takes employers an average of 2.5 hours to manage a single FMLA case (SHRM)?

WHAT THIS IS COSTING YOU …

- According to SHRM, the average cost to defend a FMLA lawsuit is $78,000, regardless of outcome (U.S. Department of Labor, Wage and Human Resource Division, 2006).

- Employees who successfully sued for wrongful termination based on FMLA absence received on average between $87,500 and $450,000 in damages (EEOC).

Leave Inflation

Paid time-off is another area that sees inflation due to slow, inefficient paper processes, the use of multiple systems and databases, or the lack of any system that helps people accurately remember and record time-off.

Anytime PTO isn't properly deducted

HOURLY EMPLOYEES — PAPER REQUESTS NOT MAKING IT TO PAYROLL — Extra 10 Hours PTO a Year

SALARIED EMPLOYEES — SELF-REPORTING HONOR SYSTEM — Extra 10 Hours PTO a Year

HOW AUTOMATION CAN HELP

- Automate and enforce:
  - o Time-off and accruals rules
  - o Federal, state, and company leave requirements
  - o Organizational attendance policies
- Automate eligibility determination such as vacation, sick time, and FMLA.
- Receive automatic alerts to flag action items.

Reduce Wage and Hour Compliance Exposure

Investigations, litigations, and wage recovery focused on wage and hour violations are at an all-time high and showing no signs of decreasing. Proposed changes to overtime regulations and the Affordable Care Act (ACA) have added new layers of complexity. It's imperative that organizations take proactive steps to develop compliance strategies to protect themselves.

DID YOU KNOW THAT …

- Since the beginning of 2009, the Department of Labor (DOL) Wage and Hour Division has aided 1.5 million workers, with $1.3 billion in back wages (DOL)?

- Since 2004, federal FLSA cases have more than doubled from 3,426 cases to 8,066 cases (Seyfarth Shaw LLP)?

- Small- to medium-sized businesses are 72% more likely than enterprise businesses to indicate that maintaining compliance is a key driver in their workforce management efforts (Aberdeen)?

WHAT THIS IS COSTING YOU …

- The average issue can cost a typical organization $30,000 in back wages, but easily cost three times this amount in internal handling / mitigation costs, legal fees, and additional damages (DOL).

HOW AUTOMATION CAN HELP

- Track part-time vs. full-time hours.
- Minimize overtime.
- Proactively plan schedules.
- Streamline benefits enrollment.
- Centralize wage and hour policy administration.
- Establish local policy enforcement.
- Create detailed audit records.

HR AUTOMATION

Employee Self-Service

Handling employee questions about HR and payroll can be costly and time-consuming. When it comes to HR departments having to handle or answer questions about basic employee information, withholdings, overtime, time-off balances, benefits, shift swapping, and discrepancies with paychecks, it can create major frustrations and time lost.

DID YOU KNOW THAT …

- The average cost of resolving any kind of payroll inquiry is $19.67 per inquiry (BNA)?
- On average, over 50% of an HR department's time is spent processing employee information and answering questions (Center of Effective Organizations)?

WHAT THIS IS COSTING YOU …

- A typical HR or payroll team spends almost 400 hours a year handling HR and payroll questions from employees. This wastes over $12,000 per team member each year and an average of over $5,750 for every 25 FTEs.

HOW AUTOMATION CAN HELP

- Request time-off.
- View schedules, timecards, and accrued time-off balances.
- Review, approve, annotate, and submit timesheets.
- Access profiles, schedules, pay statements, time-off balances, and more.
- Approve time worked and time-off requests.
- Open enrollment.

Enhance HR Productivity

It is critical for HR departments to improve the employee experience by streamlining processes from onboarding to offboarding. It is costly enough to hire and train new employees, let alone using manual processes.

DID YOU KNOW THAT …

- Smaller organizations reported cost-per-hire of $3,078 (SHRM)?

- Direct replacement costs of an employee can reach as high as 50% to 60% of their annual salary and total costs associated with turnover ranging from 90% to 200% of their annual salary (SHRM)?

- The average voluntary turnover rate is 15%, but can be much higher in certain industries such as food and beverage, retail, agriculture, transportation, and warehousing (SHRM)?

WHAT THIS IS COSTING YOU …

- For every 25 FTEs, it is not uncommon to lose over $96,875 each year on turnover.

Day-to-Day Tasks

Terminations, rate changes, job changes, onboarding, etc.

HOW AUTOMATION CAN HELP

- Centralize all employee information.
- Streamline recruiting, hiring, and onboarding workflows.
- Simplify benefit plan set-up.
- Automate administrative tasks.
- Deliver real-time data access.
- Manage compensation.

Improve Employee Engagement and Satisfaction

Engagement and well-being are keys to employee performance. Employee engagement is critical to managing labor costs and improving productivity as well as meeting your business objectives.

Today's employee engagement challenge is complicated by the fact that there are five generations coexisting in the workforce, from baby boomers to millennials.

DID YOU KNOW THAT …

- 51% of U.S. employees are watching the job market or actively looking for a job (Gallup)?
- An actively disengaged employee (40-49 years of age) costs $236.20 due to unhealthy days (2.17 days per month) – an 85% increase compared to an engaged worker (Gallup)?
- Turnover costs are often estimated to be 100% to 300% of the replaced employee's base salary (SHRM)?

WHAT THIS IS COSTING YOU …

- Recruiting and training costs
- Increased staffing
- Loss of sales
- Replacement workers

HOW AUTOMATION CAN HELP

- Eliminate manual tasks, allowing leaders time to coach their team.
- Standardize and centralize policies.
- Provide employees with a clear career path.
- Create freedom with self-service.
- Put employees in a position to win while ensuring fairness.
- Communicate to your employees that they work in a modern workplace that uses technology smartly.

ABOUT PAYNORTHWEST

PayNorthwest is a leading provider of software, services, and support for businesses to more effectively manage their workforce. We stand out in the market because of our single-source cloud payroll and full human capital management (HCM) solution and our unique service model. PayNorthwest focuses on small to mid-sized employers of up to 2,500 employees that see technology as core to their success. Serving employers across the entire United States, PayNorthwest is a Kronos Premier Partner, a member of the American Payroll Association (APA), and a member of the Independent Payroll Processor Association (IPPA).

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