



Delivering Innovative Timekeeping & Workforce Management Solutions Since 1988.

## **Return on Investment Overview for Galaxy Technologies, Inc. Time & Attendance Solutions**

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## **Executive Summary**

The thousands of organizations that have benefited from Galaxy Technologies, Inc.'s automated time & attendance systems have implemented the solutions to resolve a great variety of problems or to achieve a great variety of goals. Labor costs are most often an organization's largest cost and proactive management of those costs can have significant impact on the bottom line. Simple manual employee actions, like time recording, that may only take one employee a moment can create enormous costs if performed thousands of times a year by every employee in the workforce.

Automating the most frequent employee actions yields the greatest cost savings and efficiency improvements. This white paper will bring to light some of the most frequent areas of return on an organization's investment in a time & attendance solution.

## **Areas of Return**

- Duplication of Efforts
- Data Integrity and the Payroll Error Rate
- Proactive Overtime Control
- Payroll Processing Time
- Elimination of Manual Timecard Costs
- Employee Timecard Preparation Time
- Supervisor Timecard Review Time
- Easier Report Creation
- Cost Savings from Employee Turnover
- Reduction in Employees Paid for Unproductive Time
- Decreased Calls to Human Resources and the Payroll Department
- Advantages of a Web-based solution
- Improved Workforce Scheduling
- Rounding Errors (The "Close Enough" Factor)
- Labor Allocation



## Duplication of Effort

In many organizations, employees fill out a time card or a time sheet. This is done in a variety of ways. Often hours are captured on a physical sheet of paper which is turned into supervisors or time-keepers, who then physically check, verify and often enter hours information into various systems for labor tracking, attendance, and job costing purposes. The information is then often re-entered into payroll solutions.

By having a system which allows you to capture accurate punch time detail, as well as position, location, and department transfers, you will eliminate the need for "double keying" any timekeeping information into multiple systems. The result is a system that will populate data into all programs. Automation eliminates the need to manually enter information into several systems. This capability alone often frees up expensive administrative staff to focus on other responsibilities.

## Data Integrity

Any time you have an individual or group of individuals entering information into multiple systems there is an opportunity for human error, thus compromising the integrity of vital organizational data. A quality human resource employee with a > 95% accuracy rate will by definition have a 0-5% error rate range. It would be fair to say half of the errors are in the employees favor and the company may be overpaying its staff up to 2.5% of the time in this example. Few employees enter a payroll department with complaints of being overpaid! How much is 2.5% of an organizations labor cost?

By utilizing an electronic data collection terminal, or a web PC time clock screen your company will be able to eliminate the opportunity for errors at the point of origin. Further, by eliminating the possibility of human error in data transfer and arithmetic by moving from a human entry method to an electronic data transfer method you know with 100% certainty that the data integrity is maintained during information flow.

*Pay Period Payroll Cost X Error rate for team handling time data X number of times the data is handled in the Pay Period X Pay Periods in the year = Annual Cost of Human Errors*

Here are a series of question to ask about data integrity to help identify the opportunity for savings:

- Do you ever have to adjust payroll for employees that say they are underpaid?
- Do you know how much, in dollar terms, employees were underpaid for last month, last quarter or last year? What is that as a percentage of that period's payroll?
- Isn't it reasonable to assume that for every employee that your organization underpaid, there are probably an equal number of employees who are overpaid?
- Can you agree that overpaid employees are much less likely to report overpayments?
- As you demonstrated, you had xx% of your payroll that required correction because of underpayments. This would indicate that at least xx% is being lost by your organization through overpayments?

## Proactive Overtime Control

Historically without an automated Galaxy Technologies' solution overtime costs, if separately reported at all, have been reported after the end of a pay period when it is too late for a supervisor to take action on the problem. Overtime costs can be greatly reduced if supervisors responsible for staffing levels and scheduling can be alerted proactively to employees approaching overtime prior to the employee working the extra hours. If possible those employees approaching overtime can be re-scheduled with employees that have fewer accumulative hours for the pay period. If overtime is unavoidable on a regular basis the organization may be better served by increasing staffing levels. These decisions can only be made if the information is available in a timely manner.



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## **Payroll Processing Time**

The prospect's current payroll processing time is going to be radically reduced. We have seen a great reduction in payroll staffing and a virtual elimination of overtime from the payroll department's employees when customers implement Galaxy Technologies' solutions. It is common to have a decrease in headcount and we have seen additional reduction in the time of the remaining payroll employees dedicated to the payroll process allowing them to do other tasks. With consistent automated payroll processing procedures, payroll day becomes a smooth process that takes a fraction of time compared to manual processing.

## **Elimination of Manual Timecard Costs**

If an organization is leveraging a mechanical time clock or paper-based time tracking system there are savings associated with the elimination of these media. All the costs associated with paper timecards are eliminated. Factor in the cost of storing timecards, distributing timecards, manually collecting timecards, routing them for exception checking and many organizations with multiple locations FedEx or overnight timecards to central locations. All these hard dollar costs are eliminated!

## **Employee Timecard Preparation Time**

In a manual system, it takes the average employee 2-5 minutes to fill out a timecard each pay period. If preparation is done very quickly employees are more likely to have expensive inaccuracies. This time can be virtually eliminated with a Galaxy Technologies' solution since automated badge swiping or PC time entry is very fast and efficient.

## **Supervisor Timecard Review Time**

In a manual system, it takes the average supervisor 2-5 minutes per card to review every timecard for exceptions each pay period. With the Galaxy Technologies' TimeStar™ solutions, employees without any exceptions do not need to have their timecards reviewed. Supervisor timecard review time can be greatly reduced with a Galaxy Technologies solution since the exceptions needing attention are presented (via emails or TimeStar™ Alerts) to the appropriate supervisor.

## **Report Creation**

In a manual system, employee reports that include time information are prepared manually if at all! Since there isn't insight into real-time labor information many companies using a manual system never create management reports. The only information obtainable is post pay period information often days or weeks after a pay period has ended. Creating these reports by hand can be very time intensive and the information is often too old to be useful. This business problem can be eliminated using Galaxy Technologies solution's reports. Providing management with labor data in real-time mid pay period allows them to make labor decisions when they can still impact the current period costs.

## **Cost Savings from Employee Turnover**

In a manual system, employee accrual balances are very difficult to keep up-to-date. When employees leave or are fired it is very common for an organization to play it safe and overpay them for the amount of unused time off they had available. For example, an employee leaves the company and has only 4 days accrued time off; however, the company incorrectly pays him for 5 days off. Galaxy Technologies can provide software capabilities to virtually eliminate those mistakes. These are hard dollar savings!

## **Reduction in Employees Paid for Unproductive Time**

Employees may come in late, leave early, take a long lunch, etc. and enter in their time as if they were working, when using a manual system. They are also more prone to conveniently enter rounded start and stop times in alignment with expected work hours no matter what their actual start and stop times are. Galaxy Technologies' TimeStar™ solution is able to eliminate a lot of this unproductive time. If an employee is instructed to punch in and out when they are actually working instead of using general start



and stop times, this can save the company money. Automation also reduces overtime that occurs from employees including unproductive rounded time. Conservative estimates are that an employee may have unproductive time of this nature of about 30 min each week. Studies can be conducted for your specific organization. This is not only a hard dollar savings if the employee is not paid for this unproductive time, but it is also a soft dollar savings if it forces the employee to be on site per your business' requirements.

### **Calls to Human Resources and the Payroll Department**

Without an employee self-service solution employees cannot view their accrual balances and timecards online. They have no option other than calling the human resources or payroll department to have them look up information. Automation saves the amount of time your human resources and payroll professionals take to answer these calls and gives them back that time to handle other matters.

### **Advantages of a Web-based solution**

The web-based architecture of Galaxy's TimeStar™ does not require client software to be loaded and maintained on the supervisors and employees computers. This greatly reduces the specifications for the client PCs and eliminates the need for costly IT resources to manage client software installations.

### **Improved Workforce Scheduling**

TimeStar™ developed by Galaxy Technologies will allow you to manage your workforce more efficiently. By assigning employees to a schedule, you create the basis for attendance rules and policies, rounding rules, shift management and even security. Many organizations have the situation where an employee arrives "early" in an effort to gain some unapproved overtime. While this infraction can range anywhere from a few minutes to as much as hours a week, the collective impact to your organization is enormous.

A 200-employee organization with as little as 10% of its workforce that takes advantage of unapproved overtime for as little as 10 minutes a day = 20 employees X 10 minutes X 5 days/week X \$10/hr X 1.5 X 52 weeks is \$ 13,000.00/ year.

By utilizing an internal scheduler supervisors can be notified when employees try to work unscheduled overtime, in fact your system can even be configured so employees will not be allowed to punch outside of certain parameters.

In addition, scheduling will allow you to manage multiple shifts, departments, shift differentials, bonus pays etc.

Tracking attendance against the schedule can also be used to reward those employees who have excellent attendance.

### **Rounding Errors (The "Close Enough" Factor)**

It is very common in many organizations that use manual time sheets or even physical time cards to employ rounding techniques, or the "close enough" factor. Consider a busy supervisor viewing 20, 50 or even 100 timecards every week. Trying to calculate the actual hours from the following punch data can be an arduous task at best:

In Day	8:08
Out Lunch	11:54
In Lunch	1:07
Out Day	4:56

The actual hours the employee was on site were 8 hours and 47 minutes, with a 1 hour and 13 minute lunch break. For the ease of calculation and to avoid employee confrontation, supervisors simply put down 8 hours with a 1-hour lunch and say, "Close Enough".



Keep in mind that this is only 1 employee's punch data for 1 day. So, a supervisor with 20 employees would need to make 100 of these calculations every week.

Another environment with a great opportunity for labor cost savings are the organizations where employees are allowed to fill out their own timesheets. When giving this kind of autonomy to an employee it extremely rare for an employee to have less than a 40 hour work week, unless there is an obvious vacation or other absence.

It is for these reasons that many organizations are literally throwing thousands of dollars away every year on overpayment and lost productivity. In fact, the APA (American Payroll Association) suggests that between 2% and 5% of a company's annual payroll can be recovered by eliminating the "close enough" factors.

The most efficient way to do this is to implement an electronic timekeeping system. For an organization of 200 hourly employees the annual payroll is calculated by the following:

Number of employees X hourly rate X 2080 hours  
200 X \$10 X 2080= \$4,160,000.00

Recovery of 2% to 5% of this company's Annual payroll would be:

\$83,200 to \$208,000  
(4,160,000 x .02) to (4,160,000 x .05)

### **Labor Allocation**

The process required for manual labor allocation often results in the information being available after the end of a pay period when it is too late for proactive workforce management and project management. By leveraging TimeStar's™ labor allocation capabilities information is available for the management team in real-time allowing them to make proactive decisions that can impact immediate costs. As managers make better decisions, they can reduce the overall labor expense of your organization without sacrificing the quality of the work.

### **Conclusions**

There are many other areas where organizations can save money leveraging Galaxy Technologies' solutions. However, they tend to be very specific to each organization's business processes. Aside from the items noted above standardized automated solutions bring other intangible benefits to an organization.

Automating the time keeping and pay rules for an organization allows policies to be applied and enforced consistently across the enterprise and controlled by the specific manager(s) whom you grant access. This eliminates favoritism, discrimination issues and inconsistencies in policy adherence and the morale issues associated with these problems. Improved morale often decreases expensive turnover. This is an example of an indirect benefit that may impact some organizations more than others and requires a discussion of specific corporate culture.

The opportunities for return above provide a starting point for identifying the savings a Galaxy Technologies labor management solution will help your organization achieve. The solutions offered by Galaxy impact every department within an organization. Through extensive conversations with a Galaxy Technologies Labor Management Consultant, specific areas of return for your organization can be identified making return on your investment very short.