HR and Payroll Automation

Achieving Accountability, Transparency
in Government and Education

Introduction

Budget shortfalls and demand for operating efficiency and effectiveness are forcing public officials to continually search for ways to reduce costs and use more accurate and timely data to make cost-control improvements. But such improvements must include efforts to achieve transparency to appease the demands of both internal and external stakeholders.

Further compounding the challenge is the state of the economy and its grave impact on the public sector's budgets and resources. Revenues are down, forcing leaders to focus on those areas which, when corrected or properly aligned, will provide the greatest efficiencies and operational gains. Such gains as labor cost control, workforce productivity improvements, and transparency to HR data can all best be realized through the automation of HR and payroll processes.

This paper will closely examine the external and internal challenges facing the government and educational sectors and show us exactly how serious this issue has become, and how an automated HR/payroll system can help solve the current challenges.

"… 47 states faced or are facing shortfalls in their budgets … with combined budget gaps … estimated to total more than $350 billion."

The Challenges: Taking a Closer Look

External pressures

With revenues historically low as the economy tries to emerge from recession, the resulting impact has created challenges on a grand and national scale for government operations, particularly where HR and payroll are concerned. With this sector spending 50 percent of its operational budget on labor, reduced workweeks, furloughs, layoffs, and unfilled positions become primary cost-cutting tactics.[1] Reductions in the labor force, on top of budget restrictions, are even causing public sector organizations to re-evaluate the current service levels to their citizens and workers. A recent report shows that "at least 47 states faced or are facing shortfalls in their budgets . . . with combined budget gaps for the remainder of this fiscal year and state fiscal years 2010 and 2011 estimated to total more than $350 billion."[2]

Furthermore, according to a November 2009 news release from the National Governors Association, "In fiscal 2009, states were forced to reduce General Fund expenditures by 4.8 percent and are expected to reduce fiscal 2010 General Fund expenditures by at least 4.0 percent, marking the first time that state spending has declined in back-to-back years. The severe national recession drastically reduced tax revenues from every revenue source during fiscal year 2009, and revenue collections are forecasted to continue their decline in fiscal 2010."[3] Meanwhile, recovery from these economic challenges may not come about for years.

[1] Rubel, Thom. "Helping State and Local Governments Maintain Viable Workforces in the Realities of Today's Operating Environment," IDC Government Insights (May 2010).
[2] McNichol, Elizabeth and Lav, Iris J. "State Budget Troubles Worsen," Center on Budget and Policy Priorities, Washington, D.C. (May 18, 2009).
[3] "NGA, NASBO Say States Will Continue to Face Fiscal Difficulties in Coming Years," National Governors Association (November 12, 2009).

Internal pressures

The public sector faces many internal pressures that compound the challenge to achieve efficiencies, control costs, and provide much-needed transparency. Current HR/payroll processes and systems in use tend to fail to meet the needs of the organization for one of three reasons.

1. *Inefficient, manual processes*

A recent report by the Aberdeen Group shows that the top internal challenge cited by 58 percent of the organizations surveyed is too much time being spent on manual HR transactions — resulting in errors that can be costly to already strained budgets.[4] Without an automated HR/payroll system, critical labor statistics tracked manually can create a myriad of costly errors in key areas, such as:

- **Absenteeism —** Manual tracking of leave balances can result in costly leave grants to employees not entitled to them

- **Overstaffing —** Manual tracking of staff may cause unnecessary staff deployments that result in overpayments of wages.

- **Compliance —** Manual tracking of FMLA, HIPAA, or FLSA regulations can result in costly compliance issues and legal battles.

- **Productivity —** Manual processing of personnel status changes can increase time spent on such tasks by as much as 50 percent.[5]

2. *Inadequate, inappropriate technology*

While it can be a step forward to have an automated HR/payroll system, due diligence is necessary when selecting your solution. Committing to an HR/payroll system that resides on multiple technologies, one that doesn't provide the necessary tools, or one that makes processes even more cumbersome with unnecessary bells and whistles can be a time-consuming and costly mistake. Such systems require HR/payroll professionals to chase down important data, which is often located on multiple databases or in separate locations or departments. Often, this disconnected data is incorrect, out of date, or simply not of quality.

3. *Expensive, unsuitable tools*

At the other end of the systems spectrum are enterprise resource planning (ERP) systems, such as PeopleSoft®, with associated costs that can range in the millions. Because they are operational systems, these solutions are not optimized to be decision-support and reporting platforms. With an ERP, current system data can be provided only after overnight batch processing is conducted. With a best-of-breed solution, that same information is available on demand as the data is being updated. Custom coding can also be an obstacle for an ERP system, often involving lengthy and expensive customized coding by a dedicated IT professional. The result is a solution that is costly to implement and maintain.

With organizations facing such challenges, how can leaders achieve transparency or maintain accountability for their most significant expense? The solution lies in providing access to the right tools.

---

[4] "Core HR Systems," The Aberdeen Group (September 2009).
[5] "ROI Evaluation Report: Kronos Workforce Central," Nucleus Research (May 2009).

The Solution

The aforementioned challenges can be daunting, unless an organization has the right in-house HR/payroll system. Today's automated solutions provide the necessary HR and payroll tools that help government and education workers reduce unnecessary manual processes, increase employee productivity, and control labor costs. At the same time, these tools provide the high-quality information necessary to gain insight into daily operations to meet the much-needed transparency demands facing government and education organizations. If we look more closely at what an automated HR/payroll solution provides, we begin to see how the benefits align with organizational needs.

Increased data access

High-quality information

Real-time, granular, and comprehensive information makes it easier to find, diagnose, and solve workforce-related problems as they occur — to help bring costs under control. Integration into a single system also means less data entry for each department or field location to conduct. Information flows seamlessly, and can then be easily accessed (by those with authorization), then quickly reconciled or acted upon. Payroll, for example, can run a report containing salary history, hours worked in a time period, and prior positions held. With access to such high-quality information, business decisions can be acted on in a timelier manner to make an immediate impact. One platform means less work, greater efficiency, lower costs, and reduced paper usage. The cost savings from reduced printing alone can make a big impact. A recent Western New England College case study shows that payroll efficiencies saved the organization $10,000 per year by eliminating paper timesheets and punch cards.[6]

High-quality information also helps to reduce costs by providing instant access to critical labor data. Information such as how utilized paid time compares with the organization's labor budget can provide organizations with timely and accurate insight into staffing demands to prevent costly errors in overscheduling and unnecessary spending on overtime.

Perhaps the greatest overall benefit organizations can achieve with an automated HR application is the ability to have centralized management and control of all facets of the human resources lifecycle. With access to high-quality information, more informed decisions can be made to help increase HR productivity and support more consistent timekeeping and control over HR and payroll practices.

The greatest overall benefit organizations can achieve with an automated HR application is the ability to have centralized management and control of all facets of the human resources lifecycle.

---

[6] Western New England College Case Study, (2009) Sponsored by Kronos.

HR, payroll, and time data at your fingertips

A single system with comprehensive information supports sharing between HR, payroll, and time and attendance — thereby reducing everyone's workload. Payroll professionals with unlimited pre-audit capabilities can verify payroll numbers and flag any discrepancies before a single check is cut, thereby reducing the need for time-consuming and costly payroll reruns. Risk of overpayment is reduced by eliminating the unnecessary manual transcription, misinterpretation, and intentional errors. As noted in the Aberdeen Group's Core HR Systems study, when tracking time worked, "… the error rate for organizations that integrate [workforce management systems with payroll] is 1.48 percent compared to 2.58 percent for those that do not."[7] This means that an organization without an integrated system that spends $100,000 per year on error rates could save $57,370 simply by integrating their workforce management systems with payroll.

HR risk is also reduced thanks to the ability to more easily and quickly see who needs to be trained or certified, thus avoiding costly regulatory or union-related noncompliance penalties. With an automated HR/payroll system that has built-in compliance functionality, organizations can easily stay current with legislation changes such as FMLA and FLSA. When changes in regulations occur, regulatory updates are automatically applied so that reports always contain accurate data, saving your organization time and money.

HR professionals spend an average of 12 minutes per request providing information to employees. For an organization that receives just 500 employee requests, that translates to an average of 480 hours of lost productivity.

Efficiency gains

"Efficiency gains," "increased productivity," "doing more with less." At first glance, all these phrases might appear to mean the same thing — more work for you. But a centralized platform streamlines processes throughout the employee lifecycle, from hire to retire, allowing organizations to reduce manual labor and gain productivity. Efficiencies are gained in administrative HR and payroll responsibilities such as applicant tracking, position management, training tracking, benefits administration, performance management, compensation, and attendance tracking.

Automating manual processes

The gains achieved by implementing an automated HR/payroll system are often immediate and substantial. Automation can help improve workforce productivity by eliminating low-value activities, matching labor to business volume, eliminating payroll errors at the source, and engaging employees through self-service. With an automated system, your organization can:

- Improve the accuracy of and maintain control over payroll and HR data

- Reduce the amount of paper flow between departments during the onboarding process, automatically check for and correct payroll errors, and automatically generate detailed reports and auditing results

- Standardize payroll policies to provide consistency in communications

- Streamline the integration between time and attendance and HR/payroll data to simplify and reduce the time necessary for reconciliations

Complete automation not only reduces errors and duplication of efforts, it allows an organization's HR and payroll departments to focus resources on activities that drive business performance and improve workforce productivity.

---

[7] "Core HR Systems," The Aberdeen Group (September 2009).

Self-Service

When your organization empowers employees to own their information through self-service capabilities, you are creating workload balance. In a manual environment, when an HR or payroll concern arises, the employee contacts the appropriate manager, completes the required paperwork, and then waits for the data to be entered before it can be verified. The process is slow, has great potential for error, and creates frustration for all parties involved. With a single, self-service system, employees can initiate benefits changes, adjust payroll deductions, and view payroll stubs online 24/7. Empowering employees with self-service capabilities increases employee satisfaction for both employees and HR, reduces turnover, and provides the much-needed transparency into operations costs and savings.

A recent Nucleus Research report states that HR receives 4.8 such requests for information per employee per year. For companies without employee self-service, HR professionals spend an average of 12 minutes per request providing information to employees.[8] For an organization that receives just 500 employee requests, that translates to an average of 480 hours of lost productivity, not including the time employees spend waiting for a response.

In contrast, the same Nucleus Research report shows that employee self-service reduces the number of HR requests received and the time spent by employees or managers waiting for a response. Even a modest reduction in employee time spent with HR information requests can have a significant bottom-line impact. Self-service tools save the average employee 15 minutes per month, and the average manager saves three hours per employee per year.[9] Clearly, the time and cost savings can be quite dramatic. For an organization with 500 employees, that translates to 1,500 hours per year, or 37.5 weeks of nonproductive hours per year. That is equivalent to approximately $36,058 in lost productivity for an employee who makes $50,000 per year.

Tomorrow and Beyond

Today, an automated HR/payroll system can help government and education employees be more efficient and productive to better manage budgets, control costs, and provide much-needed transparency. But what about tomorrow? We must consider how well an automated HR/payroll system of today will be able to meet future needs of the public sector as the workforce ages and as the economy fluctuates. An automated system allows organizations to more accurately capture valuable data and high-quality information that can be leveraged to reduce payroll errors and their associated costs. That same high-quality information we capture today will guide organizations toward accountability, transparency, and cost savings that can be reallocated to better serve the public.

Cal Poly Pomona Foundation Reduces HR and Payroll Operating Expenses by 20 Percent with Kronos®

"The gains we have experienced from implementing Kronos have resulted in material bottom-line savings. We are truly impressed with the outcome of the HR and payroll platform from Kronos mainly because the company delivered on its promises and the implementation team was superior."

– Dennis, HR Director

Source: Cal Poly Pomona Foundation Case Study, Kronos (February 2010).

---

[8] "ROI Evaluation Report: Kronos Workforce Central," Nucleus Research (May 2009).
[9] Ibid.

Conclusion

During the recent economic downturn, public sector organizations have been held more accountable than ever to make up for budget shortfalls by increasing productivity and providing more responsible control over labor costs — all the while providing transparency in all their actions. With such demands, and greater public scrutiny, an increasing number of organizations are better understanding the value of an integrated, automated HR/payroll system. Such systems reduce unnecessary manual processes, increase productivity, and help organizations control labor costs. These same time-saving tools provide high-quality information regarding operations and procedures, allowing insight into daily business actions. It is through such insight that effective change can be made to better improve the transparency — and bottom line — of public sector organizations.

Government Agency Controls Labor Costs and Minimizes Compliance Risk with Kronos®

"Workforce HR™ and Workforce Payroll™ allow us to easily access benefits information. Track our job applicants. And simply generate important reports for our commissioners. We are thrilled to add HRMS functionality, which makes Kronos our one-stop shop for all our workforce management needs."

– Jan Coulter, Director of Human Resources

Source: Charleston County Park & Recreation Commission Case Study, Kronos (October 2009).

About Kronos

Kronos helps organizations across a variety of industries manage their most valuable, and expensive, strategic asset — their workforce. How? By giving them the tools they need to help them control labor costs. Minimize compliance risk. And improve workforce productivity. The easy-to-own workforce management solutions from Kronos make complete automation and high-quality information a reality.

Our time and attendance, scheduling, absence management, HR and payroll, hiring, and labor analytics solutions give Kronos customers the edge they need to compete in the global marketplace. With thousands of installations in organizations of all sizes — including over 2,000 government agencies — we're proving **workforce management doesn't have to be so hard**.

KRONOS®

TIME & ATTENDANCE SCHEDULING ABSENCE MANAGEMENT HR & PAYROLL HIRING LABOR ANALYTICS

Kronos Incorporated   297 Billerica Road   Chelmsford, MA 01824   +1 800 225 1561   +1 978 250 9800   www.kronos.com

More information about Kronos customer success stories may be found at **www.kronos.com/library-search.aspx.**