time hub

"Real-time" & Attendance Management

my timesheets
by timehub

How "TimeCreep" caused by paper timesheets is costing you time and money

GREAT
THINGS
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HERE™

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NEW ZEALAND

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Why You Should Change

While Time Theft is often the main concern when it comes to managing employee time, especially where employees are using manual systems like paper timesheets, punch clocks, and even some digital tools, the real issue is TimeCreep and how it impacts your business.

So, what is TimeCreep?

It's the small, incremental, and often hidden costs caused by incorrect recording of time, tardiness, rounding errors, calculation errors, buddy punching, and potential keying errors, as well as the time it takes to key data into your payroll or job costing system.

As experts in employee time management for over 25 years, we've seen many other ways these systems impact your business. To help you identify how TimeCreep could be impacting your business, we've analysed the various ways it can affect your operations.
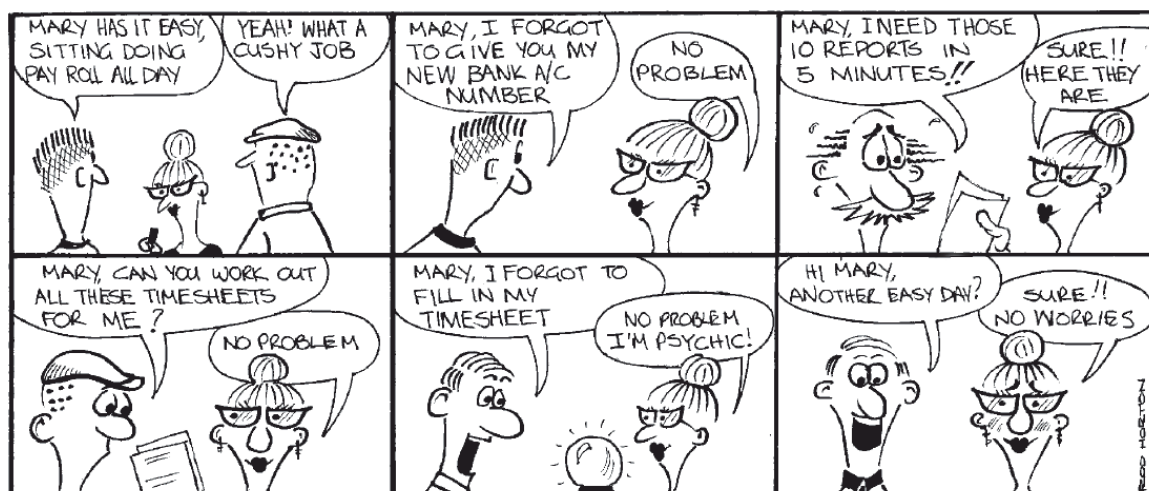
The Cost of Admin Time

The Admin overhead, when it comes to managing paper timesheets, is as big an issue as Time Theft. Admin time is one of the largest costs to your business. Using paper timesheets to record time and process payroll takes up a large amount of valuable admin and management time. Generally, this admin time comes at a greater hourly rate cost than that of the employees being tracked.
Some of the common ways paper timesheets waste admin and management time include:

- **Printing and Distributing Paper Time Sheets**. In order for your employees to complete and submit a paper timesheet, they need to have access to a timesheet. Therefore, someone needs to spend time printing and distributing the timesheets to the team. This process could be repeated if employees lose their timesheet during the pay period.

- **Collecting and Collating**. Just as is the case with distributing timesheets, you then have to track them down at the end of the pay period. Depending on whether all your staff are in one location or are spread across multiple sites, this could involve picking them up, having them scanned and emailed or even having staff take a photo and text it. Then if they haven't completed a timesheet you need to chase these people up.

- **Timing.** We often see the situation where staff wait until the end of the pay period to complete their timesheet, just in time to get paid. And the more that employees leave it

until the last minute, the more time pressure that puts on your managers and admin team. Completing a timesheet in anything other than real time i.e., at the end of the week, does nothing to improve accuracy.

- **Calculating and Keying**. Finally, once you have collected all the timesheets, you, a manager or your payroll admin have to manually check them, calculate each employees hours, check leave, allowances and breaks, and then the data needs to be entered into your payroll and/or job costing. If an employee is completing a paper timesheet their data will be touched 30-35 times before it reaches their bank account. Each touch point takes time away from something more important. Calculating, reconciling, and keying time sheets into your payroll can cost an employer approximately **5-15 minutes per employee being paid.**

These Admin processes are time consuming and a waste of valuable resources. This is time which, as a business owner, manager or payroll administrator could be spending on more important and productive activities.

Causes of Employee "Time Creep" that have nothing to do with your employees.

Are you the problem? Sometimes the cause of "Timesheet Creep" has nothing to do with the actions of your employees.

Timesheet Creep is a multifaceted problem that can be experienced by any business. It is not always intentional, it can be hard to detect, and it requires diligence and oversight to eliminate it.

TimeCreep is among the largest hidden costs to any business. It can be caused by employees naively thinking "it's ok" to crib a bit of time here and there or a manager turning a blind eye because it is easier than confronting the situation.

It can also be caused by simple miscalculations or mis-keyed data. Interestingly we have seen situations where management have either contributed to or compounded the problem.
These include:

• Lack of a clear policy on attendance

Not having a written and signed Time and Attendance policy, with specific instructions on honesty and fraud. (If you would like a free copy of our Time and Attendance policy template email steve@timehub.co.nz)

• Untrained managers

Not training managers and supervisors on why actively managing employee attendance is important and how to spot issues.

• Inaction by managers

Not raising Time Keeping issues with employees as soon as they happen.

• Favouritism

Favouritism can happen where managers or supervisors apply different rules for different employees.

• Choosing to use manual systems.

Using manual systems such as paper timesheets that do not capture hours worked in "real-time" and that are open to interpretation if not abuse.

- ## Out of sight out of mind

Not having suitable processes and procedures for employees who work remotely or who work in the field to ensure the reliability of time records.

- ## The belief that implementing a new system will cost money so managers stick to inaccurate manual processes in the false belief that they don't cost money.

While there will be costs associated with implementing a new system, the cost of not making a change can be far greater.

- ## The curse of - "We've always done it this way".

This is not a business strategy. If you don't compare your current method to the alternatives, you will never find out if there is a better way.

- ## The false belief that "This does not apply to us"

One of the most telling findings we see is that most employers who experienced these issues were not aware they had a problem.

We recommend analysing your time and attendance processes to see if you have an issue. The first step is to carry out a detailed "needs analysis" to understand the technical/functional requirements of your time and attendance structure, consider the aspects of your current processing method that you like and dislike, and what you would like in a new system that you do not currently have.

The Hidden and Actual Costs of Inaccurate Processes like Paper Timesheets

Not only are paper timesheets more time consuming, but they are also less accurate than a digital alternative, which leads to actual, measurable cost.

TimeCreep -The effect of the small, incremental, and often hidden costs of incorrect recording of time, tardiness, rounding errors, calculation errors, buddy punching etc
Eliminating the cost of **TimeCreep** can save a business thousands of dollars a year. International Research has identified that using manual systems for tracking staff hours can have a real financial impact on your business.

They identified 4 keys areas:

- Companies that use traditional time sheets or punch clocks have a potential **error rate of between 1-8%** of the total payroll.
- The average weekly "theft" of time (industry term not ours) i.e long lunches. tardiness, early departures, etc. is **4 hours and 5 minutes per employee!** If you give humans the opportunity to game the system, then some will.
- The average loss as a result of "Buddy Punching" is between **2-5% of total payroll** in companies that use traditional timecards! Completing another employee's timesheet for them can also be an issue.
- **Human error (intentional or accidental)-** Even if Time Theft is not an issue, using paper timesheets for tracking employee time and payroll, leaves you open to human error. For example, an employee might fill out the timesheet incorrectly, adding up the time wrong (humans struggle with time math's)—or the timesheet may be illegible and the person checking it has trouble reading the handwriting, misinterprets what was written, and you end up paying them for more or fewer hours than they actually worked. If you are tracking time for billing this could result in under charging or worse, over charging.

A Hidden, Non-Financial Cost - Trust can be eroded.

Employees want to know they are being paid accurately for the hours they work and equally you want to know that the hours you are paying your staff have are real. Unfortunately, timesheets are the most creative way to track staff time as some staff will record what they think you need to see, and this erodes trust. Then from the other side some staff will worry that you are not calculating or keying the time correctly which also erodes trust. If you are using your timesheets to track jobs, there is is also the trust aspect that your clients want to know are paying fairly for the time it has taken to do the job.

The "Information Gap" Cost of Manual Systems

While Paper timesheets create real costs in financial, time, and accuracy terms, they also cause an "Information Gap and Compliance Gap"

- **Transparency -** You want to pay your staff accurately and on time, and they want to see you doing this also. You also want to be able to see this in as close to real time as possible and not at the end of the week when it is too late.

- **Compliance -** In addition to the financial benefits of improving the way staff track their hours, there is the increasingly important consideration of compliance which is often overlooked. In recent times we have seen the spotlight being put on employers for their lack of accurate record keeping when it comes to meeting their obligations under:
  - The Employment Relations Act
  - The Holidays Act
  - The Health and Safety at Work Act

  Under these Acts, an employer is required to keep accurate time records Who Worked When and be able to present them to an employee or their representative when asked. Could you do this?

- **Access to Information -** When you manually processing paper timesheets, you don't have the same access to data that you'd get with a digital solution. You can't run reports, look at time spent between pay periods, or easily track leave or overtime hours. This makes it harder to identify issues or areas for improvement. Paper timesheets force you to individually collect and analyse data for each employee. This makes it harder to get a comprehensive overview of what's going on in your business with respect to your employees, hours, job costing and payroll costs as a whole.

In conclusion,

TimeCreep is a significant issue that can impact your business in many ways. We hope this guide has helped you identify how it might be affecting your operations and find ways to take time and cost out of managing employee time and payroll.

For more information or assistance with implementing a new Time and Attendance system email Steve Nathan at steve@timehub.co.nz or phone 06 650 7297