



Time and Attendance Primer

For Organizations New to Automated Labor Tracking

Summary

Every organization benefits from employing the right time and attendance system—that is, a system matched to the organization's needs. Whether an organization employs 50 workers or thousands, a time and attendance system reduces labor costs and improves decision-making by capturing and calculating time worked, assisting with effective labor management and proactively managing attendance performance. Choosing the best time and attendance system necessitates an organization to be familiar with basic time and attendance concepts to ensure decision-makers can select a system to meet their needs.

What is a Time and Attendance System?

A time and attendance system serves three purposes: to capture and calculate time worked, to manage labor and to manage attendance performance.

Time Capture and Calculation

Capturing and calculating time demands efficiency and accuracy. At its most basic level, a time and attendance system tracks start and end times for an employee's shift, calculating hours worked. Another standard feature includes tracking and calculating paid time off, which helps both the organization and the employee manage leave time. As time capture data increases, organizations can easily calculate gross pay, which is useful in predicting upcoming labor costs. Once time is captured and calculated for a pay period, the information can be provided to payroll services for processing.

Labor Management

More advanced time and attendance systems assist organizations in effectively managing their workforce through scheduling and budget analysis. Some systems feature a manager dashboard with scheduling functionalities to help determine optimal coverage for each shift and track and support departmental transfers.

Because budgets play a key role in effective labor management, a time and attendance system helps managers compare real costs to estimations. Whether it's comparing scheduled shift to the budget, evaluating the actual budget against the planned budget, or budgeting for planned absences, time and attendance systems provide the information managers need to make smart, cost-effective labor decisions.

With a time and attendance system, managers can also analyze and report on labor hours and expenses in various ways. For example, a manager can examine labor costs by department, determine the financial effect of absenteeism, calculate the cost of overtime and other enhanced pay versus regular hours, and forecast labor costs based on upcoming scheduling and historic trends.

Attendance Performance Management

Attendance issues plague even the most efficient labor budget. A time and attendance system is the ideal tool to monitor tardiness, absenteeism and other problems. If your time and attendance system offers a points system, organizations can assign numeric value to attendance performance, rewarding positive attendance habits and uncovering and addressing negative behaviors before they become chronic. A system can notify supervisors of recurring attendance issues and generate warning or disciplinary letters to employees. Supervisors can even change employment status based on attendance performance as part of their disciplinary procedures.



Why Use a Time and Attendance System?

Even the smallest organizations benefit from a time and attendance system. That's because, when used efficiently, a time and attendance system reduces labor costs, improves decision-making and automates recordkeeping practices, which becomes especially crucial should the organization find itself subject to a wage and hour inquiry.

Reducing Labor Costs

Automated time capture and calculation reduces payroll expenses by increasing accuracy, thereby reducing or eliminating costly errors. Labor management reduces costs by increasing efficiency in scheduling and coverage, and attendance performance management reduces costs associated with poor attendance habits.

Better Decision-Making

A time and attendance system offers valuable labor-cost analysis based on historical, present and estimated performance. Understanding the labor trends and issues facing the organization, managers are empowered to make better staffing and labor decisions, including reducing overtime and handling attendance issues. For instance, supervisors can run reports that tell which employees are approaching overtime so that an employee with 32 hours logged for the week can be asked to work additional hours versus an employee with 38 hours. Thus, overtime is minimized.

Recordkeeping Best Practices

Time and attendance systems automate many of the basic recordkeeping obligations for non-exempt employees required by FLSA, such as updated employee contact information, shift hours, pay schedule and hourly pay rate. Additionally, the system not only can track FMLA leave time but also track the request and approval process for employees who need to take FMLA leave. Capturing, tracking and reporting this type of information offers organizations an added level of security in the face of potential wage-and-hour or FMLA litigation.

How Does a Time and Attendance System Work?

Every time and attendance system is built for data collection, although the methods for collecting that data may differ according to each system. Data collection methods can include:

- **Transactions** – These can include shift activity (in-punches, out-punches and transfers) and are normally performed by employees or supervisors at a data collection device.
- **Data collection devices** – Time recorders (on-site physical devices) or web components (browser-based software accessed over the Internet) collect data and send it to the database.
- **Reader mechanisms** – Some time recorders have reader mechanisms to identify the employee entering information. Reader mechanisms include PINs (personal identification numbers), magnetic strips or barcode badges, biometrics (such as fingerprint or hand scans) and proximity devices like a badge or fob that emits a radio frequency which identifies it to the time clock.



- **Time recorders** – Time recorders can be stand-alone clocks assigned to a specific computer but not necessarily to the organization's network. The time and attendance system polls time recorders, retrieving transactions and writing them to the database. Online, real-time recorders, however, are connected to the computer network, writing directly to the database without polling. Web components also write directly to the database.

Time and Attendance Concepts

Choosing the right time and attendance system is an important task. When choosing a time and attendance system that matches the needs of your organization, it is helpful to be familiar with common terminology and concepts.

Pay Period

A pay period is the amount of time covered by a single paycheck. Length of a pay period varies according to an organization's pay schedule, but typical pay periods include weekly, bi-weekly, semi-monthly or monthly. When discussing pay periods, they are relative to the current date: the current pay period is the pay period in which today falls.

Post Date

A pay period is "posted" when all changes are complete and payroll can be run. The post date is typically three to four days after a pay period ends.

Payroll Export

Pay period data is exported from the time and attendance system and formatted for specific payroll services or software products. The export file is then imported by the payroll service or software to calculate withholdings and cut checks.

Time Card

A time card is a collection of transactions during the pay period, presented by shift. A "punch" is a transaction indicating the employee has started or ended work (a word taken from time clocks that actually punch a physical time card when an employee starts or ends a shift). An in-punch happens when an employee begins work; an out-punch occurs when an employee ends his or her shift.

Supervisor Edits

Also known as time card edits, supervisor edits are changes or corrections made to a time card by authorized personnel. In many cases, supervisors may edit a time card to add missing punches, credit hours or transfer the employee hours to a different department or cost center.

Pay Designation

Pay designation is a category of pay, such as regular pay, overtime or sick pay. A multiplier is used to calculate rates of pay. For instance, the multiplier for straight time is 1.0. A time-and-a-half overtime multiplier is 1.5, and 2.0 is double-time. This is also known as a pay code.



Exception

A deviation from scheduled or expected attendance is an exception. Typical exceptions include a tardy arrival, early leave, absence or a long lunch.

Employee

Individuals are defined in a time and attendance system as employees. Employees can include both salaried and hourly workers.

Work Group

A work group is a hierarchical structure for organizing employees. Commonly, a work group is three levels deep (e.g., location-department-shift or department-cost center-team). This helps the time and attendance system allocate labor hours and expenses for an employee.

Pay Class

Pay classes define rules for calculating hours and pay and are typically assigned according to work groups or job types. Organizations tend to have several pay classes per company that govern overtime rules, premiums and lunch times.

Benefits

Benefits are paid, non-worked time such as sick time, vacation or personal time. They also include monetary allowance (company-paid medical spending allowance, clothing allowance) and can be accrued automatically based on seniority or other rules.

Conclusion

A time and attendance system is a crucial tool for organizations looking to effectively capture and calculate time, manage their workforce and proactively handle attendance performance. Through data collection, time and attendance systems offer significant benefits including reduced labor costs and better decision-making, setting organizations on the right track for long-term success.

About Attendance on Demand, Inc.

Attendance on Demand supports the labor management needs of thousands of companies and more than a half million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company's risk and technology investment while providing advanced features for securely managing labor data—calculating pay rules, scheduling employees, budgeting labor, and automating recordkeeping for labor law compliance. With standard uptime over the industry average of 99.995% and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making.



To find out how Attendance on Demand can help your organization, call 800-465-9980 or visit www.attendanceondemand.com