

Six Tips to Help Reduce Costs and Boost Productivity in a Challenging Economy

Falling demand. Sweeping layoffs. And widespread plant closings. Unprecedented economic challenges are driving manufacturers to find new ways to reduce costs, increase productivity, and make better decisions. Decisions that can help optimize the use of labor and resources.

The next great opportunity

Much of the recent emphasis in manufacturing has been on identifying inefficiencies and driving improvement in supply chains and in design and production processes. But the next great opportunity to meaningfully reduce operating costs and increase productivity lies in focusing on the workforce — since labor often represents the most significant controllable expense for manufacturing organizations.

WHAT'S YOUR OPPORTUNITY?

- Do your payroll costs frequently exceed budget expectations?
- Do your competitors consistently underquote you?
- Is your per-employee net income below the industry average?
- Do you have variances that you can't explain?

If any of these challenges sound familiar, read on. Because the latest workforce management capabilities could represent a serious opportunity for you to reduce labor-related costs and boost your productivity.

By implementing workforce management — the automation of labor-related functions such as time and attendance, scheduling, HR, and payroll — or by taking some simple “next steps” with existing workforce management systems, manufacturers can realize rapid and significant bottom-line results.

The six quick tips that follow shed light on ways to manage your workforce more effectively, so you can

achieve better business results. Even during tough economic times.

Hint: If you're already using a workforce management system, you may wish to skip ahead to Tips 3, 4, 5, and 6.

Tip #1: Put systematic controls in place to pay employees accurately and fairly.

Is your current timekeeping system costing you money? Does it administer complex pay rules accurately and fairly?

Problem: Without sufficient controls, you run the risk of paying your workers incorrectly. What's at the bottom of this risk? Complex pay rules associated with factors such as:

- Overtime
- Premium time
- Government regulations
- Collective bargaining agreements
- Company policies

Pay your workers too much and you negatively impact business results. Too little and you put the organization at risk of legal penalties, union grievances, and employee dissatisfaction. Case in point: An employee works four hours of regular time on second shift — and then works two more hours during the night shift. Without an automated system, managers must keep complex pay rules in their heads. “Is it just four hours of regular time and two hours of premium time — and then he's back on regular time tomorrow?” the worker's manager asks herself. “Or does the union require that he get premium time for the remainder of the 24-hour period?”

Solution: Stop the guesswork. Automate and enforce your pay rules with an advanced time and attendance system. Solutions such as the one from Kronos® can be configured to capture your own organizational as well as union and regulatory rules — up front. So these rules can be called upon over and over again,

enabling the system to automatically administer even the most complex pay calculations. Accurately, fairly, and consistently. The result? The virtual elimination of the underpayments and overpayments that lead to business risk. A combination of benefits that can save your company money. And boost the morale of Payroll Department and production-line employees alike.

Tip #2: Reduce inflated payroll by eliminating “buddy punching”.

How much money and productive time are you losing to buddy punching?

Problem: Buddy punching — the widespread practice in which one employee punches another’s timecard into a timeclock to hide a friend’s lateness or absence — has been found to inflate payroll by 2.2 percent, on average, according to a recent [study](#). At that rate, in the case of a manufacturer employing 1,000 workers at an average salary of \$35,000, buddy punching would inflate payroll by \$770,000 annually. In short, buddy punching is a serious and pervasive problem that no enterprise can afford to ignore.

Solution: Fortunately, buddy punching can be reduced in several ways when you use an automated time and attendance solution to help verify the identities of the employees punching a timeclock. The approaches listed below are shown in descending order of effectiveness:

1. **Biometric verification:** Terminals match fingerprint signatures to coded badges.

“We have four or five hundred temps, and it’s hard to track exactly who is coming in and when. The biometrics is going to be a good solution for us ...”

Brad Taylor, Senior Systems Engineer
The Eastridge Group

2. **Badge swipe, PIN entry, and personal data:** Employee swipes a badge and enters a unique PIN. To dissuade employees from sharing PINs, some Kronos customers have configured terminals to reveal the badge and PIN *owner’s* personal pay data to the badge *holder* upon PIN entry.¹
3. **Badge swipe and PIN entry:** An effective approach, though some workers may choose to share PINs.
4. **Badge swipe alone:** More effective than a manual system, but employees can still share badges.

Manual timekeeping practices, where they are employed, are the most vulnerable to abuse.

An automated timekeeping solution, such as the one from Kronos, can help eliminate the payroll inflation that results from buddy punching. Integrated with [Kronos Workforce Timekeeper™](#) software, the Kronos 4500 Touch ID™ terminal features [biometric technology](#) capable of verifying that the employee punching in matches the person swiping the badge.

Tip #3: Shrink administrative overhead: Let your employees serve themselves.

How much time do your supervisors and human resources managers lose each week researching and responding to administrative queries from employees?

Problem: If your HR team and frontline supervisors are like most, they often get bogged down responding to employee questions about payroll, vacation time, and related issues. Hardly the most productive use of their time. Or maybe your employees can access information themselves, but you’re concerned this access may affect productivity.

Solution: Why not let your employees get the information they want themselves — in a way that doesn’t impact productivity? According to a [Nucleus Research study](#), providing electronic or software-enabled self-service capabilities for workers can save \$210 per employee annually. That adds up to an expense

¹ This approach can be effective in situations where union rules, for example, prevent use of biometric terminals.

reduction of \$210,000 each year for a 1,000-employee organization. With Kronos technology, workers can access their own payroll data, work hours, vacation accruals, and other information using self-service capabilities integrated into Kronos 4500™ terminals, PC-based Workforce Timekeeper software, on-premise kiosks, and other interfaces. What's more, Kronos provides you with the control to limit access to self-service functions to only those times you specify. To this end, many Kronos customers find that the break room is the ideal spot for a self-service kiosk. Access to PC-based self-service functions can also be restricted to break times or off hours.

Tip #4: Gain control over the costs of employee absence.

How much is employee absence costing you? You'd be surprised ...

Problem: Did you know that the cost of unplanned employee absences equals [6 percent of base payroll](#), on average? This number, according to a 2008 Mercer study, represents the total cost of incidental absences, including the indirect costs of replacement labor. In fact, according to the same study, these types of absences translate to as much as 21 percent of net lost productivity per day.

Solution: Use an [absence management system](#) to help you gain visibility into absenteeism trends — and to shine a light on workers who exhibit problematic attendance patterns. With an advanced absence management system like the one offered by Kronos you can take steps to minimize employee absence. Eliminate abuse of time-off rules. And drive up productivity. Moreover, the system gives you the power to automate and enforce vacation and sick policies as well as government- and union-mandated leave rules. So you can reduce the costs associated with extended employee absences. By facilitating the simultaneous use and tracking of FMLA leave and accrued vacation time — and automating payment of vacation, sick, and disability benefits — to help avoid the risk of noncompliance.

“Rheem has experienced an increase in productivity, a decrease in downtime, and a definite decrease in absenteeism, which has improved our employee morale.”

**Alora Brady Perkins, Employee Relations Manager
Rheem Manufacturing**

Tip #5: Use overtime the right way.

Is your organization making use of overtime in the best way possible? How would you know?

Problem: Overtime is a great way to “flex your workforce” to increase capacity, as needed, to meet output targets. Sometimes, however, the use of overtime can mask problems that, if left undiscovered and unchecked, can cause ongoing damage to productivity and competitiveness. Perhaps overtime is being used to make up for production delays — due to aging or faulty equipment or to employees and processes that constitute bottlenecks in the system. Or maybe managers are resorting to overtime to make up for supplier-related material delays. Finally, when managers don't have sufficient insight and controls in place, conditions are ripe for overtime to be misused by some employees who treat it like a “benefit”.

Solution: Did you know that some automated [time tracking solutions](#) can provide up-to-date reporting your managers can use at any time to see and understand where and how your overtime is being used? Components of the [Kronos for Manufacturing solution](#) give you penetrating visibility into the utilization of labor and resources. Permitting you to monitor key workforce performance indicators. And drill down into the data to determine the actual root causes of overtime use. So you can take instant action to improve your operations. For details on how Kronos can help you hit production targets through optimized use of your workforce, read the [white paper](#) *Flexing the Workforce: Using Overall Labor Effectiveness to Manage Fluctuating Demand*.

Tip #6: Apply Lean and Six Sigma to your workforce.

You've implemented continuous improvement programs — like lean manufacturing and Six Sigma® — to reduce waste and optimize your production processes. But why stop there?

Problem: Many organizations have successfully employed lean manufacturing and Six Sigma techniques to achieve important goals such as quality improvement and inventory reduction. But the same firms have often overlooked the opportunity to apply these techniques to carve out the workforce-related waste that remains hidden in their variance reports. In fact, lurking within many manufacturing workforces lies a tangle of inefficient practices and processes ripe for analysis and improvement.

Solution: Focus [Lean](#) and Six Sigma techniques on your workforce. [Manufacturing workforce management](#) solutions like those from Kronos give you the power, for example, to precisely measure the time employees spend on direct and indirect activities. So you can zero in on the root causes of low productivity, such as insufficient training or supply chain issues. What's more, you can use these analytical tools to quantify the impact of high

overtime or absenteeism on productivity. Taken together, these capabilities give you the means to measurably boost productive time in your enterprise. And to align the performance of the workforce with your strategic organizational goals. So you can measure and manage labor productivity in the context of target outcomes such as faster throughput and on-time delivery.

Take the next step with OLE. Monitor the impact of labor on profitable output by measuring the interdependencies of availability, performance, and quality — using Overall Labor Effectiveness™, the unique key performance indicator developed by Kronos and supported by the Kronos for Manufacturing solution. OLE shows how assets and employees come together to drive superior results, and it provides actionable insight at all levels of the organization.

To learn more about this unique analytical tool, read the [OLE white paper](#) *Overall Labor Effectiveness: Achieving a Highly Effective Workforce*.

“Labor is the next critical manufacturing element to optimize in today’s demand-driven world. Savvy managers have realized that their workforce can be the engine that drives supply chains and manufacturing in the quest to move to the next level of performance. Kronos is leading the innovation in this area. ... OLE is a testament to Kronos’ innovative approach to managing the workforce.”

*David Caruso, Principal
David Caruso & Associates Inc.*

Put the tips into practice...

Want to find out more about how Kronos can help you trim expenses, enhance productivity, and boost profits? Read the [Kronos for Manufacturing solutions guide](#). Got questions? That's what we're here for. Call us today at (800) 225-1561.

For further reading

Flexing the Workforce: Using Overall Labor Effectiveness to Manage Fluctuating Demand, Kronos
kronos.com/Offer/mfg/sixtips/Flexing_the_Workforce_WP.pdf

The Lean Workforce: Applying Lean Principles to Improve Workforce Management, Kronos
kronos.com/lean/Kronos_Lean_WP_3_07.pdf

Overall Labor Effectiveness: Achieving a Highly Effective Workforce, Kronos
kronos.com/Offer/mfg/sixtips/OLE_Whitepaper.pdf

ROI Evaluation Report: Kronos 4500 Touch ID, Nucleus Research (2005), Sponsored by Kronos
kronos.com/Offer/mfg/sixtips/TouchID_ROI_report.pdf

ROI Evaluation Report: Kronos Workforce Timekeeper, Nucleus Research (2006), Sponsored by Kronos
kronos.com/China/Solutions/Workforce-Timekeeper-ROI.pdf

The Total Financial Impact of Employee Absences, Mercer (2008), Sponsored by Kronos
kronos.com/Offer/MercerStudy/Mercer_Impact_of_Employee_Absences_Survey_Highlights_10-8-08.pdf

Kronos for Manufacturing solutions guide, Kronos
kronos.com/Offer/mfg/sixtips/K4M_solution_guide_OLE.pdf



TIME & ATTENDANCE

SCHEDULING

ABSENCE MANAGEMENT

HR & PAYROLL

HIRING

LABOR ANALYTICS

Kronos Incorporated 297 Billerica Road Chelmsford, MA 01824 (800) 225-1561 (978) 250-9800 www.kronos.com

©2009, Kronos Incorporated. Kronos, the Kronos logo are registered trademarks, and Kronos 4500, Kronos 4500 Touch ID, Workforce Timekeeper, and Overall Labor Effectiveness are trademarks of Kronos Incorporated or a related company. All other product and company names are used for identification purposes only and may be the trademarks of their respective owners. All specifications are subject to change. All rights reserved. 45021 A