

Volkswagen de México Reduces Costs with Workforce Timekeeper



Volkswagen de México, an affiliate of the Volkswagen AG group, is an automotive manufacturer that primarily serves the North American and Mexican markets. Long considered a pioneer in the implementation of technology in manufacturing processes, Volkswagen de México experienced gradual and ongoing growth throughout its history. And since the construction of its manufacturing center in Puebla, the company has led the main automotive segments to become one of the most recognized auto manufacturers. Its cars, including the New Beetle and the Jetta, are exported to nearly every corner of the world.

Volkswagen de México used to rely on a manual system for collecting labor data and processing payroll for more than 11,000 technicians, a system that contributed to payroll errors and unnecessarily high labor expenses. But Volkswagen de México's commitment to contributing to productivity improvements led it to implement a Kronos labor management solution and effectively solve these challenges.

Problems requiring major solutions

Since its inception in 1964, Volkswagen de México recorded weekly pay using paper timecards and analog watches. This manual system made it easy for employees to tamper with timecards, and as a result, Volkswagen de México experienced frequent errors related to its payroll.

Francisco Lara, payroll and personnel manager, explains the problems, "The failures in the system were assessed with a margin of error of 0.53 percent. At first glance, this doesn't seem significant, but with more than 11,000 employees, this error rate can add up to significant additional expenses."

Mr. Lara elaborates on the types of problems Volkswagen de México used to face. "Our supervisors had to change start times when an employee was late, or check timecards when there were unexcused absences to make sure overtime was not authorized for time not worked," he recalls. "We also had to deal with timecard errors and damaged or lost timecards."

Such a huge manual process caused other challenges too. Every week, data from more than 9,000 timecards had to be entered manually. "We didn't have enough control over the process," says Agustín Salas, manager of HR support systems, payroll, and personnel management. "As a result, we suffered from fraudulent authorizations, decreased productivity, unnecessarily high labor expenses, and other costs related to all the paperwork."

Finally, in addition to all these challenges, Volkswagen de México didn't have a good way of collecting and using labor data to consider costs, requisitions, and new business. Volkswagen de México realized it was time for a new solution for its labor management needs.

Kronos provides an integrated solution

In January of 1999, Volkswagen de México began searching for an answer to all these problems. Specifically, Volkswagen de México needed to address incorrect payments to employees and reduce the amount of ever-present weekly payroll errors.

After a thorough search, Volkswagen de Mexico selected Kronos and its Workforce Timekeeper™ solution, part of Kronos' industry leading Workforce Central suite. Workforce Timekeeper automated Volkswagen de Mexico's labor management process by applying company-specific pay rules to employee's time and attendance data collected using Kronos badge terminals with smart barcode readers.

Implementing such a comprehensive labor management system automated the registration process of 11,000 production technicians, all of whom were located in widespread areas of the Puebla industrial complex. These employees simply swiped their badge at any one of the 93 smart barcode readers installed in 23 different production bays and their labor data was instantly collected. It was fast, easy, and very effective.

Workforce Timekeeper bears fruit immediately

Volkswagen de México started with a pilot program that quickly expanded throughout the entire Volkswagen plant. More importantly, the implementation quickly achieved the positive results proposed in the cost-benefit analysis. In fact, Workforce Timekeeper helped Volkswagen de México save \$590,000 related to personnel management, a number that represents a return on investment of less than two years.

Volkswagen de México realized other powerful benefits too. Eliminating paper timecards led to improved labor data accuracy, correct time accounting, reduced pay errors, and no more theft or other losses of work hours.

And coordinators and central production offices took it a step further by automating the attendance management system, which resulted in greater productivity from personnel and prompt payment to employees. These benefits were all supplemented by a statistical control report, which displayed all improvements,

Volkswagen de México



such as immediate access to management information and reports and employees' schedules. As a result, Volkswagen de México was able to increase the overall productivity of the company.

"The production office decreased the possibility of authorizing incorrect payments," states Mr. Salas. "The vital part of the project — attendance, payroll, and personnel management — allowed us to reduce the margin of claims, increase control over payment information, create transparency in weekly payroll operations, and eliminate paper timecards and labels."

- Business Type: Automotive manufacturer
- Product: Workforce Timekeeper
- Employees: 11,000
- Locations: 1

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Mr. Lara agrees. "Implementing Workforce Timekeeper immediately improved the quality of services available to our technical personnel as well as gave us better support for strategies regarding labor stability and for promoting cutting-edge technology. All of these aspects helped strengthen labor relations, collective bargaining, personnel management, and social services."

Volkswagen de México looks to the future

One year after implementing Workforce Timekeeper, Volkswagen de México is confident it has successfully solved many of the challenges it originally faced. "We believe that the benefits have increased and the anticipated savings were achieved immediately," says Mr. Salas. "In addition, we have marked out the starting point for complete control of the technical area, which represents the (so-called) Activity Based Costing accounting model. This is a tool used to determine the exact labor cost in hours and dollars for manufacturing processes, an element which could not be determined from the previous personnel records."

With Workforce Timekeeper, Volkswagen de México solved the challenges related to its manual payroll process and successfully improved the quality of its services.



Improving the Performance of People and Business™

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