

## **GOVERNMENT INSIGHTS EXECUTIVE BRIEF**

---

### **How Government and Education Can Control Costs with Automated Workforce Management**

Adapted from *2010 State of the Union: Heating Up IT Investments During a Budget Freeze* by Shawn P. McCarthy, Adelaide O'Brien, Thom Rubel, IDC #GI221868

Sponsored by Kronos Incorporated

#IDC\_1039 December 2010

---

#### **INTRODUCTION**

The biggest single expense of state and local governments, including public education systems, is labor costs, which can amount to as much as 50% to 80% of operating budgets. Various studies suggest that errors in time recording can amount to as much as 2% in additional expense. The inability of government and education to accurately track, manage, and validate daily, routine labor-related expenses such as worker time and attendance, absence management, scheduling, overtime, and regulatory compliance issues depletes sparse financial resources and negatively impacts operational efficiency and effectiveness.

This Executive Brief examines the critical role workforce management systems play in controlling costs by automating, tracking, and integrating essential workforce-related activities and applications to better manage employees, reduce or eliminate errors, comply with regulatory policies, improve productivity, avoid budget overruns, and preserve and free up critical resources in today's challenging economy.

#### **PROVIDING ESSENTIAL SERVICES WHILE CONTAINING LABOR COSTS**

In the aftermath of the economic downturn, state and local governments and essential government services such as education have been hampered by curtailed revenue and tighter budgets due to declines in tax revenue, general populace reluctance to raise taxes, and unanticipated expenses from unforeseen events. Governments must ensure that they maximize resources, including "finding" existing available funds and maximizing and maintaining grant revenues.

As unemployment continues to hover around double digits, labor costs remain the largest expense of state and local governments and the one in most need of control. Governments must continue to provide vital citizen services such as public safety, education, and other necessary human services without negatively impacting quality of life and citizen satisfaction.

Due to deficit spending restrictions, governments are continuing to eliminate jobs and lay off essential workers, including teachers and public safety employees. Even though they do so in an effort to reduce costs, many are discovering that inaccurate information regarding accrued vacation and sick leave as well as layoffs may actually cost them more due to costs associated with payout obligations.

Beyond that, many agencies are imposing furloughs, worker leaves of absence, and reduced work weeks to lower labor costs. The impacts from these actions mean reduced teaching time, larger classroom sizes, and elimination of extracurricular activities in schools, as well as reduced policing and public services across other areas.

Local governments are frequently dependent on grants to support education, community services, and economic development. Here again, labor typically represents the greatest single expense. Accurate tracking of labor allocation to government-funded grants and projects is imperative to successfully securing these vital funds and maintaining the records that are legally required to use them.

Time tracking is a critical component to these efforts. One major goal when improving time tracking is to reduce the manual data entry for worker hours and other time card-related manual tasks to increase productivity and significantly reduce paperwork. Governments continue to struggle to accurately track, manage, and account for day-to-day labor costs for nonemergency operations attributable to scheduling, compliance, overtime, and absenteeism issues with a mix of manual and partially automated processes that is incapable of delivering information at an enterprise level to effectively manage overall labor costs.

Freeing up the resources to provide and preserve essential employees and services throughout the budget stabilization and recovery period requires government agencies to do the following:

- Automate manual processes to achieve labor, cost containment, and various project objectives by reducing errors; accurately tracking grant budgets, labor requirements, and project costs; and minimizing cost overruns and risks attributable to miscalculations in scheduling, regulatory compliance, and other issues

- Maintain balance between controlling labor costs; sustaining a viable, skilled, highly talented workforce; and appropriating available funds to critical service areas
- Eliminate mistakes from manual or disconnected payroll and HR processes
- Transform business processes to provide for the free flow of accurate data across department silos to gain operational efficiencies

## **DEFINITION: WORKFORCE MANAGEMENT SYSTEMS**

Workforce management applications are designed to automate the management of the workforce through workload planning, scheduling, time and attendance tracking, resource management, and rules and compliance management. Implemented correctly, workforce management solutions allow schools and governments to control labor costs and manage regulatory requirements.

## **GETTING THE MOST VALUE FROM WORKFORCE MANAGEMENT SOLUTIONS**

Managing labor and the associated costs is complicated by the variability of the methods and devices that monitor and collect the data, the type of employees, and the data to be collected. Manual and legacy solutions are inefficient at tracking various classifications of employees categorized by job function and title, including hours worked, accrued overtime, sick leave, etc. Typically, government offices are challenged by the following:

- Combinations of manual, semiautomated, homegrown applications, spreadsheets, handwritten time sheets, etc.
- Multiple employee classifications requiring different tracking and reporting structures (full time, part time, seasonal, contract, job sharing, unionized workers, senior citizens/retirees returning to work, etc.)

Mistakes, inconsistencies, and regulatory violations under these conditions are common occurrences that can lead to inaccurate labor cost recording, which in turn can create noncompliance issues. The costs to an agency of compliance violations can be high.

Workforce management solutions provide complete automation of workforce management processes, and the most valuable products provide the following benefits:

- Real-time data collection, validation, and processing to increase accuracy, reduce errors, and simplify managerial workloads
- More efficient management oversight, visibility, and control to prevent costly errors, needless validation, unmanaged employee absences, and inaccurate or late payroll
- Ease-of-integration features to consolidate siloed workforce management data
- Positive impact on an organization's administrative operations, overall performance, and bottom line
- Ease of use, intuitive interfaces, etc.

The degree to which a workforce management system meets or exceeds organizational needs without customization directly impacts deployment and maintenance costs over time. Flexible systems that leverage existing automation and grow with evolving requirements help to keep costs low and increase accuracy, efficiency, and compliance.

Specialized best-of-breed systems tend to have the advantage of configurability over other solutions. The system should also work with existing legacy payroll, financial, and other systems to achieve greater savings.

Significant benefits can also be achieved using fully integrated workforce management solutions that track multiple labor variables; provide a centralized, single source of employee data; and eliminate redundant data entries, reducing errors, administrative tasks, and associated costs. Common features include the following:

- Automated scheduling, absence management, time and attendance, and analytics; a broad portfolio of human resource management software; and data collection devices that include biometric capabilities and mobile tracking and scheduling devices
- Automatic application of organizational policies, rules, electronic time card edits, and recalculations to ensure accurate worker compensation
- Tracking essential details such as required employee breaks, state and federal leave regulations with paid time off, and other activities to reduce administrative overhead
- Managing absence-related policies governing paid and unpaid leave and alerting managers to errors due to deliberate or accidental violations, etc.

- Tracking different pay codes of employees working more than one position (such as in school districts)
- Determining how to properly budget funds across all areas as directed by the county or state governments

Anticipated business benefits will vary by the architecture, features, and capabilities of different solutions as well as labor profiles.

## **WORKFORCE MANAGEMENT TECHNOLOGY TRENDS**

Most importantly to government agencies and schools, the self-service capabilities of workforce management systems help these organizations control costs. There is also, however, a growing recognition of the value of self-service capabilities that give employees a sense of control and confidence with time and attendance issues. Additionally, organizations can use and apply business rules and forecasting patterns to:

- Respond more strategically and proactively to prevent problems before they escalate or create financial liabilities
- Collect and analyze business intelligence to improve organizational performance through early identification of problems that need to be addressed
- Identify metrics to track and measure new areas to be streamlined or improved through automated processes

There is increasing demand to have workforce management applications delivered as a managed service to free up both IT and HR personnel to work on more strategic and business-relevant issues, as well as reduce the cost of ownership.

The opportunity is ripe for government entities to consolidate workforce management systems through shared services that provide a much more holistic view of labor costs and give agencies the tools they need to transform business processes and services to reduce risk and liability exposure, achieve more effective resource utilization, and allocate budgets more efficiently.

Demand is also growing for solutions that provide an accurate view of labor costs relative to grants or current and future programs and services to facilitate strategic decision making, find a balance between available budget and effective workforce management, etc., and predict when services will be in peak demand. These capabilities enable organizations to better calculate staffing and budget requirements and predict and balance actions required to meet service quality goals with the anticipated availability of staff on a monthly, daily, or hourly basis.

## **CONSIDERATIONS AND RECOMMENDATIONS**

Governments need to maximize every available resource to provide essential services during this time of continuing revenue shortfalls. Scrupulous attention of media, legislative, and watchdog groups is focused on government and education budgets, payrolls, abuse of overtime, bonuses, how stimulus money is being overspent or underspent, and instances of regulatory noncompliance. It is imperative that government and educational agencies reduce fraud and waste and provide more reliable audit trails. There is little tolerance or available funds for projects that are improperly priced or managed in terms of funding or manpower allocations.

IDC recommends the following strategies for product selection:

- Choose a product that integrates across various in-house processes/systems enabling automation of scheduling/labor tracking applications and works with existing legacy payroll, financial, and/or ERP systems. The product needs automated functionality to eliminate manual entry of labor-related data and should perform manual validation of entries to avoid errors and discrepancies to obviate the potential legal consequences associated with those errors.
- Choose a product that is configurable and able to accommodate the organization's unique and changing requirements without any custom coding to ensure consistency and ongoing support as business conditions evolve or upgrades are performed.
- Systems need to be affordable and reliable and should minimize project risk and provide a good return on investment (ROI).
- Products that are easy to use, learn, and implement enable accurate data collection, facilitate employee self-service, and simplify managers' administrative burdens. This enables faster deployment and adoption.
- Solution vendors should have experience and proven track records selling to government or educational entities.

## **CONCLUSION**

County and state government offices, as well as school systems, must manage workforce resources like any other strategic asset to achieve cost savings, productivity gains, compliance efforts, and alignment between employees, departmental, and legislated or regulatory objectives.

Optimizing and streamlining workforce management processes through real-time automation can lower and control costs by integrating formerly disparate or manual processes, making the best use of labor resources, reducing the need for human intervention, and improving the tracking of time, effort, and resources allocated toward grant funds and other key projects.

Workforce automation provides visibility into the real cost of a job and provides tools that empower more effective management and budget decisions.

---

### ***Copyright Notice***

The analyst opinion, analysis, and research results presented in this IDC Government Insights Executive Brief are drawn directly from the more detailed studies published in IDC Government Insights subscription services. Any IDC Government Insights information that is to be used in advertising, press releases, or promotional materials requires prior written approval from IDC Government Insights. Contact IDC Government Insights at 508-935-4400 to request permission to quote or source IDC Government Insights or for more information on IDC Government Insights Executive Briefs. Visit [www.idc-gi.com](http://www.idc-gi.com) to learn more about IDC Government Insights subscription, consulting, and Go-to-Market services.

Copyright 2010 IDC Government Insights. Reproduction is forbidden unless authorized.