



## **Budgeting Labor Costs with Time & Attendance Software:** *Accessible Statistics for Rapid Results*

**Summary:** Managers are repeatedly encouraged to control labor costs. Aside from limiting worked hours, how can managers accomplish that goal? It is important to *budget* the appropriate labor acceptable for a project or department and also to *meet* those budgets through careful scheduling and reporting. A labor analytics tool like Attendance Enterprise Budgets can help decision-makers track compliance with defined labor budgets. Budget statistics from Attendance Enterprise add enormous value across your organization.

## What is Budgeting?

In the workplace, a new form of budgeting can now integrate with your time and attendance system to simplify the complex process of controlling labor costs, forecasting labor spending, and measuring management performance. According to Stephen McGivney of Management Accountants of Canada, "The capacity to determine labour costs as work is performed gives the operational leader the ability to ensure budget and benchmark labour measures are met" (2004).

Attendance Enterprise Budgets help organizations control labor spending through budget forecasting and by analyzing costs. Budgets help evaluate the cost impact of different schedules. Managers can easily monitor the projected labor cost as they schedule – making it easy to experiment with the group's schedule until business needs and budget limits are met. Because Attendance Enterprise calculates schedules as they are worked, employees can easily be scheduled within budget constraints.

After the budget period, managers can examine how closely the actual worked hours compare to the scheduled and budgeted labor. In other words, they can easily see if they stayed within budget. Attendance Enterprise provides a comparison of scheduled versus budgeted information. If the scheduled hours are substantially greater than the budgeted hours, the budget limits have most likely been exceeded. These statistics are readily available, and can be printed in a proprietary report format, in PDF format, or can be instantly placed into a Microsoft® Excel™ spreadsheet for further analysis.

From the budgeting view, a supervisor can also drill down into the causes of overspending. For example, if overtime is excessive it can quickly place strain upon a budget. The supervisor can see precisely which employees worked overtime, and can correct employee attendance habits, adjust future budgets, or alter schedules accordingly.

### ***A Practical Example***

An I.T. manager at an internet service provider has an annual budget of approximately one million dollars, half of which is generally used to compensate her personnel. Her staff is very diverse, ranging from part-time temporary help to full-time, salaried network administrators. Consultants are also hired from time to time. Market forces affect her ability to skillfully budget labor costs. Her budget is never the same from week to week.

Attendance Enterprise Budgets support the I.T. manager's decision-making process through each important step: budgeting, scheduling, monitoring, and analysis. She estimates and budgets labor costs by week. When she schedules employees, she can easily see if her budgeted labor costs have been met or exceeded *without* time-consuming calculations. Budget statistics tell her mid-week if she has the excess funds to allow overtime, or not. Later, she can look back on the trends in labor costs in order to make wise budget decisions for the future.

## **Why use budgeting *and* the employee schedule?**

Traditionally, managers locate separate budget documents and then try to schedule employees, guessing at the real costs. Now, maintaining and tracking daily or weekly budgets is painless because the budget figures are *integrated into your time and attendance system*. In Attendance Enterprise, staying below budget while scheduling is easy because a percentage of budgeted versus scheduled labor is displayed where employees are scheduled. Attendance Enterprise Budgets also allows you to budget for paid absences, like sick or vacation time. The winning combination of smart scheduling and budgeting makes Attendance Enterprise an invaluable tool for any business.

### ***Budgets can aid in the creation of realistic budgets for the future***

Not only do budgets help managers stay in control of employee schedules and costs, budgets also provide valuable data for future projects. For example, what employees frequently work overtime? Does the department need additional budget resources in order to accomplish its goals? Knowing the exact places at which your budget succeeds or fails can help your organization continually refine labor estimation.

### ***Budgets transform the way you gather labor statistics***

An analysis of budgeted and actual labor is critical to forecasting and maintaining accurate business costs. However, these statistics can draw from many sources and take a long time to assemble without an automated system. Attendance Enterprise Budgets take the legwork, and the guesswork, out of compiling and analyzing these figures. At any point, managers can review how closely the scheduled or actual worked hours or planned absences (vacation time, sick time) match the amounts budgeted.

Each budget can be adjusted to meet your organization's needs, on a company-wide or per-manager basis. The analysis can go from simple to sophisticated. You can even browse straight from a trouble spot in the labor summary (for example, four hours of unscheduled overtime) directly to the employee's time card or other parts of Attendance Enterprise in order to correct any mistakes.

Budget information can easily be shared with budget performance reports, which can be generated for a single budget or for all budgets in your supervision. Color-coded statistics make it easy to see when actual amounts approach the budget limits you define.

### ***Budgets can provide a measure of how skillfully managers control funding***

Constant analysis of actual, budgeted, and scheduled labor makes managers' scheduling and cost control efforts transparent. Managers who overschedule employees, allow out-of-control overtime, and frequently exceed budget limits may need additional training. Managers who are consistently able to make the best use of limited resources reveal themselves as assets to the organization.

***Budget Dashboards provide a high-level overview***

For managers with multiple departments or projects to manage, the budget dashboard provides a high-level overview of each budget's status. Green, Yellow, and Red – it is that simple. A green icon indicates a budget in good shape, a yellow indicates caution, and a red indicates the actual or scheduled hours or dollars exceed the percentage you define. Alternately, when labor is being budgeted by day the colors of the icons in the dashboard can indicate full labor coverage or inadequate staffing.

**Budgeting supports a variety of industries**

Attendance Enterprise Budgets is flexible enough to provide state-of-the-art support for your industry. You can budget hours or dollars per day, per week, or by project.

***Retail, Healthcare, and Hospitality industries budget by day***

In these industries, the proper amount of labor must be scheduled each day. Using the scheduled versus budgeted hours figure helps the manager avoid or diagnose overages and shortages. If customer volume increases, the daily budget can be increased, making it easier to precisely add employee schedules each day. Adjustments can be made very quickly, allowing for rapid response to changing demand.

***Manufacturing, Services, Government, and Education budget by week***

In these industries, a fairly predictable staffing level makes a weekly budget more practical. In this case, using the actual versus budgeted dollars figure helps control costs and insures managers are staying within their budgets. Budget figures can be rolled forward easily each week. If employees work too many overtime hours, you can use Attendance Enterprise to predict the budget impact of scheduling more employees instead. Knowing the potential outcome of your scheduling decisions can reduce labor costs.

***All industries budget by project to control labor costs***

When implementing a project with a defined end result, it is useful to see how many employee hours are used, or how many dollars are spent, in pursuit of this goal. If the project is roughly half-finished, a corresponding amount of resources should have been spent. Visual tools help managers monitor one or many projects.

## Conclusion

Working budgeting into daily business operations is critical for cost control. Attendance Enterprise Budgets offers the ability to budget daily, weekly, or project-based labor. Information is offered from a high-level perspective, but the details of each budget figure can be accessed quickly. This information gives you the power to make decisions that can affect the success of your business. To learn more about how Attendance Enterprise and Attendance Enterprise Budgets can work for you, contact InfoTronics at 1-800-423-0418.

[www.infotronics.com](http://www.infotronics.com) 1.800.423.0418

### References

McGivney, Stephen (2004, April). Marking time: how time and attendance systems, in their most up-to-date incarnation, can make a substantial difference on your bottom line. *CMA Management*, 78(2), Retrieved November 10, 2005, from InfoTrac Web, General Reference Center Gold.