

Issue Brief

Higher Education Pays Stiff Price for Outdated Absence Tracking Systems

New research shows colleges and universities are grappling with outdated time and attendance methodologies.

Sick time for employees is beginning to have an impact on the financial health of higher education colleges and universities. According to a recent article in *The New York Times*, the City Colleges of Chicago — a network of seven community colleges — has doled out over \$7 million in unused sick day payments to about 140 former employees in the last 10 years. One of those recipients currently receives \$100,000 per year for a total of \$500,000 due to his 500 days of unused sick time.¹

City Colleges responded by revising its policy on sick leave, no longer allowing employees to cash out sick days and capping the number of sick days an employee can accumulate at 200. But these policies remain at colleges and universities across the country — and rollover hours are often a benefit that higher education employees enjoy.

The problem is that sick and vacation time can often be incorrectly tracked — either unintentionally or on purpose. Absence management is a challenge for higher education institutions, and they often have little to no visibility into how leave is tracked and accrued. Sometimes, as in the case with the City Colleges of Chicago, these institutions must make huge payments — perhaps unexpectedly — as employees leave or are dismissed.

When hours are not tracked correctly — and these hours never expire — it can be an expensive venture for colleges and universities that are clinging to cash as it is. The risk of non-compliance with laws such as the Family and Medical Leave Act (FMLA) can be even more costly.

According to a research study by the Center for Digital Education (CDE), higher education's challenges with absence management seems to be that time and attendance systems are outdated, manual and decentralized. The study found that:

- Nearly 50 percent of administrators at higher education institutions feel that their time and attendance systems are out of date; and
- 53 percent of the time and attendance systems in use by colleges and universities are not automated.

This issue brief will investigate these challenges and highlight the ways in which modern, automated tracking systems can capture and deliver more accurate information about planned and unplanned absences. Better data means that higher education institutions can have increased visibility into human capital management — which can translate to major cost savings and optimized operations.

Pinpointing the Problems

Absence management systems run the gamut from legacy, paper-based methods to modern, automated systems. Unfortunately, the latest research shows that many colleges and universities continue to run legacy systems that can lead to input errors, processing inefficiencies and unnecessary expenses.

Fifty-three percent of respondents to the CDE survey say they don't have an automated time and attendance system, while 64 percent say they don't use an automated time off request and approval system.

Legacy absence management systems also tend to be discrete, stove-piped solutions that make it difficult for information to flow automatically among common business processes. According to the CDE survey, 53 percent of respondents use a decentralized mechanism to track time and attendance.

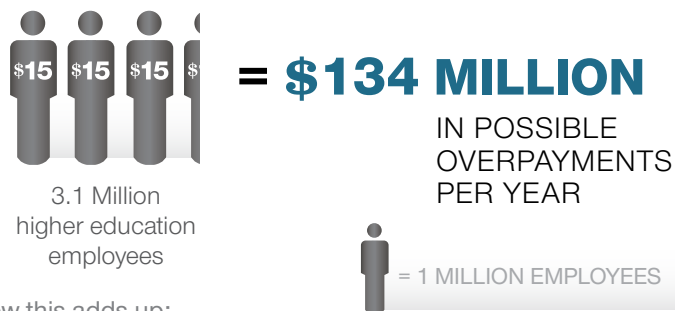
Negative Impact on Higher Education Institutions

Large, sometimes erroneous employee payouts

Making assumptions about the accuracy of time and attendance information is risky if the proper controls aren't in place. At the top of the list are erroneous payouts to employees.

HIGHER EDUCATION EMPLOYEE OVERPAYMENTS IN THE U.S. PER YEAR

According to a recent Forrester survey, 12 percent of employees overstated their time worked by two hours monthly.



How this adds up:

3.1 million higher education employees @ \$15/hr = \$134 million in overpayments in the U.S. per year

According to a recent Forrester survey, 12 percent of employees overstated their time worked by two hours monthly.² Estimating that there are 3.1 million higher education employees who earn an average wage of \$15/hr, this amounts to nearly \$134 million per year in overpayments nationally, or an average of \$2.7 million in overpayments per state.

The consequences of errors like these can snowball into excessive expenses when employees leave or retire and the institution bases post-employment benefits on faulty records. At colleges and universities where sick time never expires and vacation time rolls into sick time, balances follow employees into retirement. Sixty-eight percent of the survey respondents say some carry-over hours never expire and 26 percent of survey respondents say they allow employees to apply unused leave hours to years of service calculations for the purpose of retiring earlier.

Reduced Operational Efficiency

Outdated time and attendance systems may also reduce operational efficiency and lead to lost revenue from understaffed programs. The reason: Employee absences have a significant impact on student learning and productivity, whether in classrooms or in administrative offices.

While 40 percent of the CDE survey respondents say their institution typically hires a replacement employee when the full-time employee is away for an extended absence, 64 percent of respondents consider replacement workers either less or much less productive than the full-time employee. If this occurs just one day per year among those employees, the cost would be \$95 million nationally or about \$1.9 million per state.

This problem is exacerbated by legacy absence management systems that do not give administrators reporting tools to manage scheduled time off or spot employees who abuse paid time off policies. Manual processes create major inefficiencies. For managers, the time this takes equals a significant amount of money. According to the CDE survey, managers report spending 1.4 hours per week managing absenteeism. If the average manager earns \$20/hr, the yearly cost of managing absences amounts to \$451 million nationally, or about \$9 million per state.

Risks of Non-Compliance

Colleges and universities face additional challenges when their time- and absence-tracking methods do not help them comply

with government regulations and union contracts. Unfortunately, many institutions — even those with automated solutions — can fall into that category. A significant 51 percent of the survey respondents at organizations with automated systems for tracking absences say these systems are not pre-configured with federal and collective bargaining compliance rules.

Better Alternatives

Automated workforce management systems provide an alternative to manual time and attendance processes. A workforce management system can provide a single automated system for tracking and controlling employee time and attendance, absence management, payroll, scheduling, labor analytics and other workforce activities.

Institutions can accurately pay employees for the actual hours they worked, reliably track exception pay and properly decrement sick time and paid-leave benefits. The increased accuracy and visibility also helps employees quickly determine available vacation and leave benefits. And because managers can configure all internal and regulatory policies within the automated system, employees do not have to report shift or equipment differentials manually on paper timesheets, which takes the guesswork out of how to interpret complex pay policies.

Community College Learns a Lesson in Cost Control

Southwest Tennessee Community College recently replaced its outdated time and attendance system with an automated timekeeping and absence management solution. The result: The institution cut payroll processing time by more than half, reduced overtime costs and gained more confidence in the accuracy of its workforce information.

Leave and comp time tracking saw particular improvements. In the past, the school used a manual system that required the staff to make complex calculations using rules for rolling unused leave time into sick time, which has no maximum, and comp time that maxed out at 240 hours.

"Being able to track usage of exception and comp time has had a significant impact," says Renee Hancock, the college's director of enterprise application services. "We now know we are accurately tracking leave and comp time earned, are making the right calculations electronically, are paying people correctly and are maintaining accurate records of this information."

Endnotes

1. "Ex-Workers at City Colleges Paid for Unused Sick Days," *The New York Times*, Jan. 28, 2012, <http://www.nytimes.com/2012/01/29/us/city-colleges-pay-millions-for-unused-sick-days.html>
2. "The Total Economic Impact of Kronos Workforce Central Suite," Forrester Research, September 2011



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