

# Detecting a Widespread but Hidden Business Cost: Time Theft

It's not always intentional, it's hard to detect, and it requires diligence and oversight to eliminate, but time theft is among the largest hidden costs to any business. By definition, it happens any time employees misrepresent the actual amount of time they've worked and been paid for, intentionally or otherwise.<sup>1</sup> Either way, detecting and reducing time theft usually requires an automated workforce solution. It's the best way to help monitor and identify unusual payroll activity. In other words, beating time theft demands data visibility.

## It's probably happening to you

Whatever the causes and remedies, time theft is probably costing your company money. A recent survey found that 12 percent of payroll professionals in the United States estimate their hourly workforce regularly overstates two hours of work each pay period that could be saved.<sup>2</sup> Nearly one in three hourly employees (30 percent) say it's possible to add more time than they worked to their timecards.<sup>3</sup> The problem could be even greater.

**One study found 43% of U.S. shift workers say they "ever exaggerate" their hours.<sup>4</sup>**



## Five minutes here, 10 minutes there — it all adds up

- » If an employee misrepresents only **10 EXTRA MINUTES IN EACH EIGHT-HOUR SHIFT**, that's an extra 50 minutes per workweek — almost one hour of pay!
- » At the current average hourly wage of \$26.39<sup>5</sup>, that comes to **\$1,099.58 EXTRA PER EMPLOYEE PER YEAR** (50 minutes a week × 50 weeks × \$26.39 per hour / 60).
- » For every 100 full-time employees, **THAT'S \$109,958 PER YEAR** for nonproductive activity.

## The challenge comes in all shapes and sizes

Punching in early or punching out late, even by a couple of minutes, is perhaps the most common kind of time fraud. It may not seem like much, and employees may not even be aware they're doing it. But it can add up.

**Because of rounding rules, an in-punch or out-punch that's only two minutes outside the scheduled time can result in 30 extra minutes of paid time per day.**

Other ways your company may be losing money due to lack of visibility into time and attendance records include:

- Taking an extended meal period and not recording the full time
- Reporting working off the clock without doing any work
- Intentionally not clocking in when arriving late, to be able to later manually record a full day's schedule
- Clocking in or out for another employee — "buddy punching"

## Five steps for reducing time fraud and system gaming

Reducing time fraud is a multifaceted challenge. Here are five steps any company can take to help curb time theft:<sup>6</sup>

1. Have a written timekeeping policy, with specific instructions on honesty and fraud.
2. Train supervisors on wage-and-hour laws specific to timekeeping.
3. Prove you care; employees who are frequently questioned about their time records will cheat less.
4. Implement special procedures for employees who work remotely or in the field to ensure the reliability of time records.
5. Develop a system where your labour budget is fixed specifically to each position so variances can be quickly identified and investigated.



## Automation is the real time-fraud game changer

Time and attendance tracking has traditionally been a labour-intensive, manual process. Because it's dependent on manually transcribing information from one system to another and often has weak controls, this method leaves companies vulnerable to time fraud. Automation can make a huge difference. Kronos not only automates HR and payroll, it also gives companies the tools they need to spot and correct the trends and practices that are costing them money every day.

With real-time visibility into employee hours, HR, payroll, and team managers can better spot and manage time-and-attendance exceptions. They can identify:

- High rates of early or late arrivals
- High rates of absences
- Long or missed breaks
- Unusual trends in overtime
- Missed punches
- Late punches
- Employees working outside their assigned shifts

When managers receive information about those exceptions in real time, they can quickly and easily make corrections and ensure accurate time reporting going forward.

Kronos automated solutions enable facilitated collaboration. Email alerts and a robust workflow can flag issues with timekeeping and records — before they become more serious problems. Kronos can help you detect and reduce time theft by giving you the data visibility you need to monitor and identify uncommon payroll activity.

## About Kronos

Kronos is a leading provider of workforce management and human capital management cloud solutions. Kronos industry-centric workforce applications are purpose-built for businesses, healthcare providers, educational institutions, and government agencies of all sizes. Tens of thousands of organizations — including half of the Fortune 1000® — and more than 40 million people in over 100 countries use Kronos every day. Visit [www.kronos.com.au](http://www.kronos.com.au) **Kronos: Workforce Innovation That Works™**.

"Kronos real-time solutions enable us to manage time errors when they happen, not a week or two later."

— Thomas Steele, Chief Financial Officer,  
Texas Book Company

<sup>1</sup> Steven Mintz, *Unethical Behaviors in the Workplace* (June 26, 2015). A blog post published at Workplace Ethics Advice that cites research by the Ethics & Compliance Initiative, found at <http://www.workplaceethicsadvice.com/2015/06/unethical-behaviors-in-the-workplace.html>.

<sup>2</sup> American Payroll Association, *Reviewing Paycheck Challenges Up Close* (October 2016), infographic based on Trendline Survey.

<sup>3</sup> Ibid.

<sup>4</sup> Software Advice, *43% of Employees Commit Time Theft: How Software Can Reduce Payroll Losses* (2015), found at <http://www.softwareadvice.com/hr/industryview/4time-theft-report-2015/>.

<sup>5</sup> U.S. Bureau of Labor Statistics, Economic News Release (Sept. 1, 2017), Table B-3, found at <https://www.bls.gov/news.release/empsit.t19.htm>.

<sup>6</sup> Fisher Phillips, *How Employers Can Combat Timecard Fraud and Employee Wage Theft* (Oct. 1, 2015), found at <https://www.fisherphillips.com/resources-newsletters-article-how-employers-can-combat-timecard-fraud-and-employee-wage-theft>. Fisher Phillips is a leading law firm specializing in employment law.

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