UKG

Detecting Time Theft

A Hidden Business Cost in the Food Service Industry

It's not always intentional, it's difficult to detect, and it requires diligence and oversight to eliminate, but time theft is among the largest hidden costs to any business, including those in the restaurant industry. By definition, time theft happens anytime employees misrepresent the actual amount of time they've worked and been paid for, intentionally or otherwise.[1] Detecting and reducing time theft usually require an automated workforce solution, which can 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 restaurant money. If your staff isn't working when they're meant to, your guest experience, efficiency, and bottom line will suffer. Efficient restaurant labor management necessitates that costs stay below the percentage threshold for your establishment type, which is roughly 25% for fast-food restaurants and 30% to 40% for table service and fine dining establishments.[2]

A recent survey found that 12% of payroll professionals in the U.S. estimate their hourly workforce regularly overstates two hours of work each pay period, which could be prevented.[3] Nearly one in three hourly employees (30%) say it's possible to add more time than they worked to their timecards.[4] And if you think your restaurant is immune to this problem, think again. The U.S. Chamber of Commerce reports that 75% of employees admit to having stolen at least one item from their employer[5] — a bad habit that has cost the restaurant industry as much as $400 billion in lost revenue.[6]

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, for food service workers of $10.52[7], that comes to **$438.33 extra per employee per year** (50 minutes a week x 50 weeks x $10.52 per hour / 60).

For every 100 full-time employees, **that's $43,833 per year** for nonproductive activity.

One study found 43% of U.S. shift workers say they have "ever exaggerated" their hours.[8]

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 restaurant 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 — otherwise known as "buddy punching"

A closer look at buddy punching

Historically, point of sale systems have been used throughout the food service industry for employee punching in and out. While these systems allow business owners to track sales, cash flow, and food inventory, they are not purpose-built to manage your workforce. A modern-day workforce management timeclock is fully equipped with biometric technology, which can recognize people based on physical traits. Without biometric technology in place, employees can clock in for one another, or buddy punch.

Compliance enters the picture

Buddy punching and time theft also cause compliance concerns. If one employee clocks in for another, then the employee is not working the schedule as set, which could lead to inaccurate overtime calculations. This is particularly problematic in states where predictive scheduling legislation has passed. In these states, buddy punching can lead to compliance risk around schedule adherence, making the employer subject to predictive scheduling penalties.

Five steps for reducing time fraud and system gaming

Here are five steps any company can take to help curb time theft:

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. Implement a modern workforce management system that can accurately track time and provide actionable insights on where there may be violations
4. Prove you care; employees who are frequently questioned about their time records will cheat less
5. Develop a system with more accurate forecasting tied to scheduling.

> **"** What if someone stays later than they were supposed to? Now we have reasons for that. We can see why they stayed. We have sales data we can compare. **"**
>
> **Hoa Luong**
> **Boba Tea**

Automation is the real time-fraud game changer

Time and attendance tracking has traditionally been a laborintensive, manual process that has left companies vulnerable to time fraud. Automation can make a huge difference. UKG (Ultimate Kronos Group) not only automates HR, payroll, timekeeping, and scheduling, it 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, and payroll, restaurant operators can better spot and manage time and attendance exceptions. They can identify:

- High rates of early or late arrivals and absences
- Long or missed breaks
- Unusual trends in overtime
- Late or missed 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. UKG automated solutions facilitate collaboration. Email alerts and a robust workflow can flag issues with timekeeping and records — before they become more serious problems. UKG can help you detect and reduce time theft by giving you the data visibility you need to monitor and identify uncommon payroll activity.

Put UKG to work for you:
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About UKG

At UKG (Ultimate Kronos Group), our purpose is people™. Built from a merger that created one of the largest cloud companies in the world, UKG believes organizations succeed when they focus on their people. As a leading global provider of HCM, payroll, HR service delivery, and workforce management solutions, UKG delivers award-winning Pro, Dimensions, and Ready solutions to help tens of thousands of organizations across geographies and in every industry drive better business outcomes, improve HR effectiveness, streamline the payroll process, and help make work a better, more connected experience for everyone. UKG has more than 12,000 employees around the globe and is known for an inclusive workplace culture. The company has earned numerous awards for culture, products, and services, including consecutive years on Fortune's *100 Best Companies to Work For* list. To learn more, visit ukg.com.

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Our purpose is people