

What is labor tracking and costing?

Labor tracking

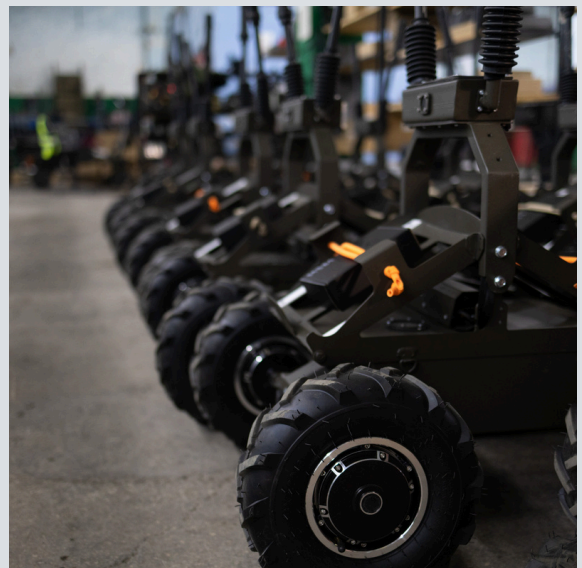
In manufacturing, labor tracking is the central component of properly categorizing worked time for a specific task, project, job, or work order. Proper labor tracking for all labor categories, including professional and manufacturing, is the fundamental basis on which everything else depends in the manufacturing environment:

- Professional labor data, such as for engineering, is typically entered via computer, laptop, or mobile device.
- Manufacturing labor data is typically scanned or entered at a time clock, allowing employees to indicate what they are doing at any given time of day.
- Once an employee's labor is captured, the employee and manager must approve these transactions, particularly for Defense Contract Audit Agency (DCAA) compliance.
- A company's enterprise resource planning (ERP) system and general ledger (GL) receive updates in near real time to allow an organization to monitor work in progress (WIP) and costs throughout the manufacturing process.
- Labor transactions captured are independently sent to the payroll system to accurately pay each employee.

Labor costing

Companies often use standard labor rates across the organization to estimate the labor cost of each product. The flaw in this logic is that not all employees earn the same wage or work at the same rate. To calculate your true product costs:

- Record total time spent working on each job by each employee on your projects or products.
- Determine employee specific hourly labor cost - including any OT/DT, or uncompensated OT for salaried workers.
- Summarize total labor cost of all employees who worked on job/work order/activity throughout lifecycle.

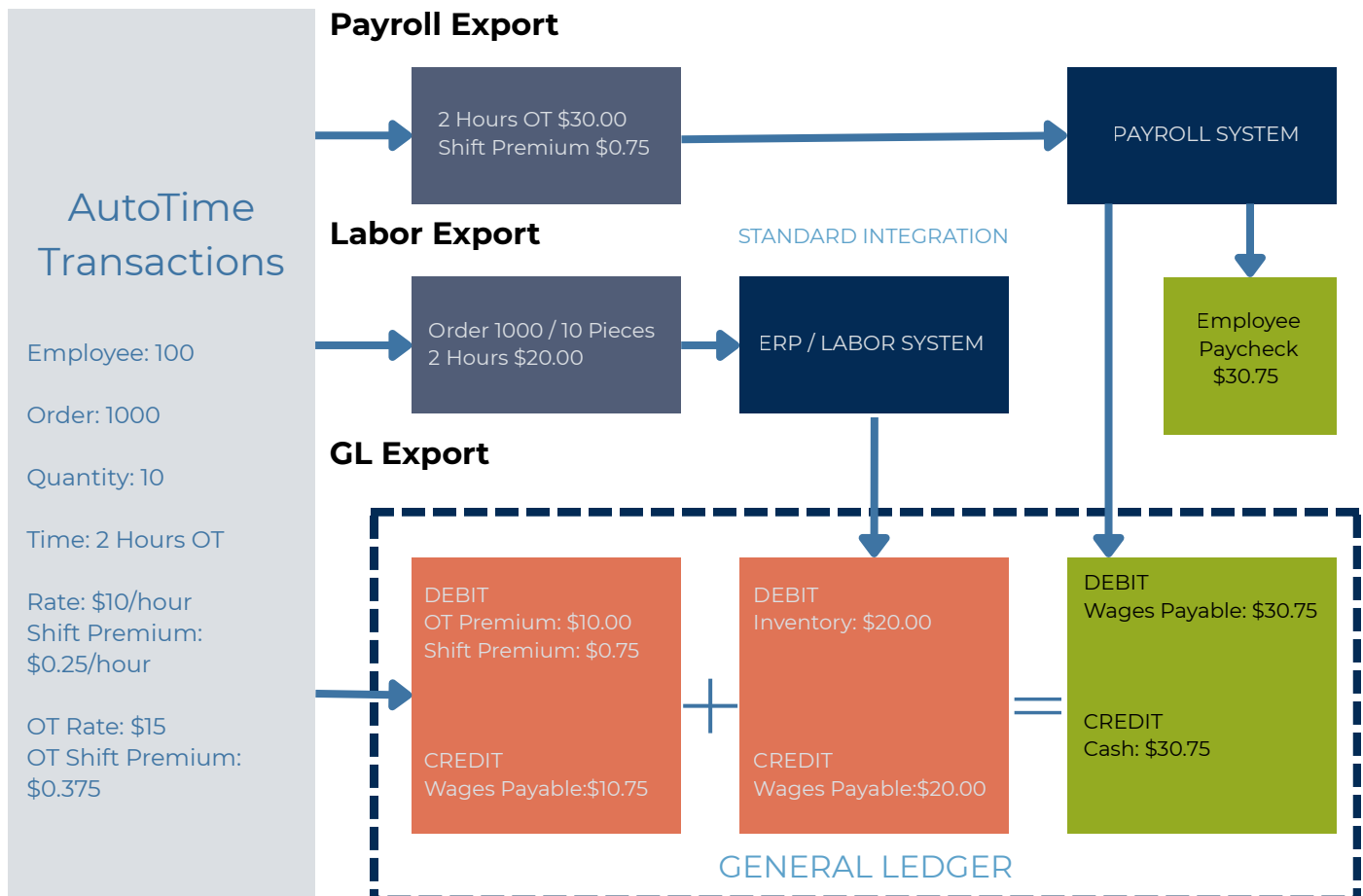


Why is labor tracking and costing important to manufacturing?

Properly tracking labor provides a manufacturer with the necessary data to determine a variety of tracking and costing metrics:

- Measuring earned value (budget vs. actual hours) data in near real time enables quick reactions. Both active/direct labor and nonproductive time are utilized to track against budgets, which helps with increased profitability and efficiencies to manage overhead rates.
- A better view of nonproductive time helps managers correct shop floor inefficiencies and improve profitability. They can monitor slack/gap time, as well as incidental overtime (OT), which may not be against direct orders.
- Auditable job costing and GL expense data that has been reviewed and approved by both employees and supervisors, in line with DCAA requirements.
- Accurate invoices generated directly from the source labor transactions charged to the jobs.

Example: AutoTime Labor Transactions Data Flow



How does AutoTime manage labor?

AutoTime helps manufacturers improve their efficiency and productivity by properly tracking labor to aid in controlling costs and billing accurately and on time. The solution has standard integrations with most major ERP and MES systems, and a configurable integration framework to ensure all labor data is recorded in the proper systems. This ensures compliance with government contracting specific requirements

Labor tracking features

- Real time validation of labor events supporting charge filtration, ensuring only the proper employees are able to access and select certain projects on their timecard & eliminate cross-charging.
- Direct and indirect labor can be charged to a wide range of cost drivers such as Projects, work orders, Indirect account numbers, cost centers, or admin and orientation tasks
- A full audit trail is maintained for all time reporting and timecard edits, and can be configured to require change reasons on edits to previously posted time entries.
- With total time accounting a salaried employee's labor costs are prorated equitably across all projects for direct and indirect labor.
- Customer-defined charge details can capture operation steps, activities, tasks, etc.
- Simultaneous charges are tracked through batch or multiple job processing.
- Employee assignments to another pay class, department, schedule group, etc., are easily managed.
- Supervisor dashboard optimizes labor review process & allows for easy monitoring of current shop floor activity.
- Individual employee or group review enforces exception-based management.
- Overtime offers, authorizations, and review are processed from a single dashboard.
- Supervisory authority can be delegated.
- Transactions can be tracked in high precision: up to hundredths of hours (0.01 hours, or 36 seconds).
- As a final step to ensure accuracy, timecard edits require both employee and manager sign off on all corrections. When edits are made to a timecard, existing signoffs are removed, and the signoff process must be repeated.

How does AutoTime manage labor? (continued)

Labor costing features

- Application of different calculations to a single transaction can generate unique cost allocations for financial, labor, and payroll outputs.
- User-defined calculations utilize definable variables to generate proper results.
- Retroactive (prior period) calculations can be defined to facilitate retroactive payments.
- Calculations can control charges to overhead accounts not charged directly, such as shift premiums, overtime premiums, and other employee entitlements.
- Control mechanism defines when calculations are to be executed, such as day completed, week completed, etc.
- Productivity, utilization, and efficiency calculations are all supported within AutoTime labor costing.

Have a question about our solution, want to speak with a product specialist, or ready to see AutoTime in action? We're here to help.



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With deep roots in aerospace and defense, AutoTime has built a reputation for technical precision, reliability, and regulatory expertise. Today, AutoTime supports thousands of professionals in managing time, labor, and compliance without disruption.



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