Automating the Labor Billing System for URC

Business Needs

There is a paradigm shift in the construction business environment. Enterprises are posed to challenges such as increasing competition, expanding markets, and high customer expectations. This causes the need to drastically reduce total costs in the entire supply chain, reduce throughput, drastically reduce inventories, extend products, enhance deliveries, and improve customer services and quality, and efficiently coordinate global demand, supply, and production.

Competitiveness in today's business environment urge companies to adopt a complete collaborative business model. As competitors are constantly upgrading their skills; to stay competitive, companies need to enhance their business practices and processes. This also calls for sharing of sensitive and critical information amongst suppliers, distributors, and customers. Efficiency in operations and functions to be effected to provide accurate and timely information. All these demands for an enterprise solution; hence, companies turn to enterprise resource planning (ERP) systems. labor, and cumulative reports to assess the end-result.

URC Constructions were not new to this concept of adopting an enterprise solution for overcoming their challenges. Their primary objective was to bring in cost optimization. They wanted to fix uniform rate charges for each labor based on the type of task, compare the cost incurred against the budgeted amount for labor, and cumulative reports to assess the end-result.
An Inside Look at the problem

Given the challenges, URC Constructions identified the need to implement an ERP solution. A detailed view of the problem factor helps with a better understanding.

Fixing Uniform Rates

URC employs various categories of labors for tasks such as construction, painting, plumbing, transportation, lift operation, welding, house-keeping and so on. Before implementing CIMS ERP, the need for an automated labor billing system became very critical as it was a robust task. Labor billing was highly dependent on daily attendance and allocated tasks, and rates fixed for normal labor, piece workers, contract workers and so on. Integrating various data such as attendance, charges fixed for each category of labor posed a great challenge.

All records were maintained manually and lacked in accuracy and completeness. At times, changes in wage rates happened by word-of-mouth. These changes had to be verified with accounts; however, without any proper recording, no accurate data was provided. Tasks were defined on a weekly basis and allocated to the available resources. Nevertheless, a mismatch existed between task identification and allocation. There used to be a mismatch of costs incurred and charges fixed for clients, as rate changes were not defined initially and approved.

Another critical factor that eventually resulted in cash loss was payments made to labor. Normally, payments were made by cash; which required cash in-transit. This posed as a major risk of cash loss. Overall, improper maintenance of records and change in wage rates automatically increased the working expenditure.

The following are some of the grievances that increased labor costs to the company:

- Change in wage rates
- Cash advance without any record
- Role conflicts
- Lack of approvals
- Poor maintenance of labor attendance
- Providing wages without advice
- Manual cash payments and so on.

Budgeted vs. Expensed Labor Costs

A comparison between budgeted versus expensed costs determines the profitability of a business. This helps to indentify the improvement factor. With the ERP in place, planning of labor costs was made possible. Planned costs were approved by the management as against the budget. This projected the profitability easily and conveniently.

Cumulative Productivity Reports

Gathering productivity reports for all tasks and labor involved was a herculean effort. Here again, this required integrating various systems manually. This seemed to be an impossible effort.
What did URC Infotec do to provide a solution?

Overcoming the above said challenges was the immediate need for URC. Implementing CIMS billing module helped them handle all accounts, labor charges, attendance, rate fixation, approvals, easily.

In this module, labor rates are defined based on the nature/difficulty of the work and the skills involved. They are considered based on the job [labors are assigned for particular job/work based on the BOQ] or based on Non Muster Role (NMR) [labors are assigned for specific jobs such as painting, plumbing, transportation, lift operation, welding, and so on].

CIMS billing module helped them handle all accounts, labor charges, attendance and approvals.

The defined rates are paid to the labors either on daily basis or hourly basis. Such rates are considered as a reference when the NMR bills are raised, but can be changed during increased work intensity, timely completion, overtime, and so on, but only based on the effective date.

Attendance details are meticulously maintained for all the categories of labors. Manual attendance is submitted to the head office on daily basis and imported to the system.
Labor billings are raised based on the labor attendance and payment advice is generated automatically. Advance paid (if any) is adjusted against the bills raised and the vouchers are sent to the finance department for approval and payment disbursement.

The following are some of the effective features to control the labor costs and maintaining billing process.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
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<tbody>
<tr>
<td>Rate modification</td>
<td>Rates can be revised and approved.</td>
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<td>Piece workers</td>
<td>Duplicate tasks are assigned to track active jobs.</td>
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<tr>
<td>Rate definition</td>
<td>Rates are defined based on the job or NMR and are fixed after approval.</td>
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<tr>
<td>Labor attendance</td>
<td>Attendance is recorded and salary is generated based on the attendance.</td>
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<tr>
<td>Payment advice</td>
<td>Advice is automatically generated and approved which includes attendance, advance paid (if any), rate definition and so on.</td>
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<tr>
<td>Cheque</td>
<td>Cheque is prepared automatically based on the payment advice in order to overcome the problems raised during cash settlements.</td>
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<tr>
<td>Extra bills</td>
<td>System automatically checks for any rate changes, claim amount, indirect expenses, and so on, for generating extra bills and sent to the finance department for approval.</td>
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<tr>
<td>Client bill processing</td>
<td>System checks for extra bill amount and client bill amount. If mismatch is found, the system automatically deviates the client bill.</td>
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For more information


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