

ESS for Mid-Sized Business: Adoption Trends and Benefits

Part one of a two-part article

By Tom Tillman

A growing number of companies are adopting Employee Self-Service (ESS) for payroll to reduce the time and costs associated with payroll processing. What are the benefits? Cost reductions of 25%-30%, according to recent surveys. But greater employee satisfaction is also a significant factor influencing the trend. Companies that have implemented ESS for payroll have reported high levels of employee satisfaction, which lead to greater retention, lower turnover, and higher productivity.

E-Payroll in Action

For small and mid-sized businesses (SMBs), ESS for payroll (or E-Payroll) involves the integration of traditional payroll processing methods with two widely-adopted business communication technologies — e-mail and the Internet. Most companies already utilize e-mail and the Internet as part of their business, since neither is expensive or complex. Using E-Payroll, businesses can automate payroll procedures like remote time entry, name and address updates, W-4 changes, and access to wage information, to improve bottom line savings.

Typical E-Payroll functions include:

* **Pay history and time off balance access** — Employees get secure access to their payroll and time off balance information over the Web and/or on the company Intranet. The data is automatically posted from the payroll system's database after each pay run. After logging in with a secure user name and password, an employee can see online the same detailed information printed on her pay stub or direct deposit slip, including current and year-to-date earnings, withheld taxes, benefits and other deductions, and paid-time-off (PTO) balances.

Employees can also gain access to payroll history information. An employee simply selects from a list of previous pay dates to view the details for that paycheck. Online access to pay history can be useful to employees for several reasons. For example, when employees need to provide their earnings history to a bank for a loan application, they can easily print out the relevant payroll history from their browsers.

Pay history and time-off balance access capabilities are popular for the same reason as most other ESS benefits — they empower employees to access their personal information without tying up the human resources or payroll staff. Companies that have offered these services report a significantly lower number of routine calls to the HR/payroll departments, and a higher level of employee satisfaction.

* **Time-off planning** — In addition to displaying current time-off balances, some systems feature an interactive screen to allow employees to calculate future balances based on their own attendance plan accrual rules. Typically, the employee selects a plan (such as vacation or sick) and a future date from a drop-down calendar. The system displays the future balance as of the selected date using the plan accrual rules set up in the payroll system. This tool is especially convenient for employees making vacation and other time-off plans. It also eliminates many routine phone calls to supervisory, HR, and payroll staff.

* **Paperless paycheck distribution** — After becoming comfortable with employee online access to pay history, many companies move on to use direct deposit and ESS to reduce or eliminate the distribution of paper paychecks and pay stubs. Paperless pay stubs can be especially valuable for companies with a significant num-

ber of employees using a direct deposit service. Payroll managers spend a great deal of time preparing, printing, and distributing employee direct deposit advices (DDAs). With a basic ESS system in place, payroll managers can eliminate DDAs, saving time and money.

* **Timesheet monitoring and alerts** — Another time-consuming but important payroll responsibility is ensuring that timesheets are completed, approved, and submitted to the payroll department before each pay run. Typically a manual process, it involves printing reports and phoning or e-mailing tardy employees and managers.

Some E-Payroll systems offer automatic e-mail alerts, allowing the payroll manager to set up an alert to monitor the database and take action when the timesheet due date approaches. For example, a payroll manager can have the payroll system watch for timesheets not entered by February 2 (three days before the due date), or by February 5 (the due date). Employees with missing timesheets are automatically sent a reminder e-mail. An e-mail can also be sent to the employees' supervisors and the payroll manager.

Timesheet alerts are flexible and easy to set up. The payroll system monitors employee timesheet records against the selected dates, automatically populates an e-mail with custom text, and sends the e-mail using addresses contained in the employee and supervisor database records.

Other Functions of E-Payroll

Paperless paycheck distribution, time-off planning, improved employee access, and timesheet monitoring are just a few ways companies can improve payroll processes, reduce costs, and increase employee satisfaction using E-Payroll. Other E-Payroll functions include benefit enrollments/deductions, W-2 communications, W-4 processing, and remote time entry via the Internet.

Coming in Next Month's EPX: ESS for Mid-Sized Business, Part 2: Reaping the Benefits of E-Payroll

Tom Tillman is a product director for **Best Software's Abra HR/payroll product line**. <http://www.bestsoftware.com/> He often writes about employee self-service technology for small to mid-sized businesses.

Payroll ESS for Mid-Sized Business: Adoption Trends and Benefits

Part two of a two-part article

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http://www.americanpayroll.org/epayx/feature3_0303.html

ESS Must Be the Right Choice for *Your* Company

Employees come and go, and their situations change. They get promoted, get married, have children, and so on. Payroll changes resulting from these life events must be managed quickly and easily. E-Payroll is flexible and allows employees to make changes in a timely fashion, at a low cost to the payroll department.

Truliant Federal Credit Union, a Winston-Salem, NC-based financial institution serving more than 170,000 members, implemented ESS to offer a better way for its employees to view their compensation information. According to Payroll Manager Ann Ballard, "ESS was the right choice based on its flexibility and security provisions."

Reducing Transaction Costs and Administrative Overhead

All Truliant employees use direct deposit. With the addition of ESS, Ballard estimates the payroll department saves at least four hours per pay period, plus production costs, by eliminating the need to print and distribute DDAs. Additionally, the ability to securely post pay details and paycheck histories online has significantly reduced the time Truliant's payroll staff spends answering employee questions.

ESS and e-mail alerts can streamline and automate payroll processes by partially (or completely) replacing the deluge of paperwork underlying the processes, reducing transaction costs and administrative overhead. E-Payroll can also significantly reduce or eliminate the physical transaction costs associated with processing paychecks, including printing, copying, routing, and filing costs.

The largest savings from E-Payroll often comes in the form of labor reduction (i.e., the time spent by employees, managers, and administrators completing each process). According to a survey by the research firm Towers Perrin, businesses automating workflow processes have experienced a 50% reduction in associated labor costs. Those same businesses also reported as much as a 100% improvement in timeliness and a 38% improvement in information accuracy.

Improved Data Integrity, Quality, and Timeliness

Payroll and HR administrators commonly process routine record changes. When an employee moves, changes marital status, or makes a change in a benefits election, someone on the payroll staff must manually enter new information into the system. By allowing employees to enter routine information updates, the quality, timeliness, and integrity of the information often improves, and the HR and payroll staffs gain time to spend on more strategic business activities.

Many companies consider the ability to interface their payroll and HR systems when evaluating their E-Payroll options — integration of data with the HR system is usually a prime concern. Companies want deductions to be automatically calculated against benefit changes made in HR systems, and attendance plan accruals that can be automatically flagged during the payroll time entry process. They also want their payroll data to feed other sources of company information, such as budgeting and general ledger systems.

Intellution, a Foxboro, MA-based manufacturer of industrial automation software with more than 300 employees, uses ESS solutions to automate work it used to do manually. “Having an employee’s eyes on his or her own record is so helpful [because] people are so quick to spot errors or out-of-date information,” said John Somatican, the company’s Director of Compensation and Benefits.

The Bottom Line: Empowering Employees and Improving Service

Companies are not implementing E-Payroll solutions just to cut costs. They also want to enhance employee communications and improve service levels to both employees and managers. Self-service applications help create the work environment employees expect — instant access to information, little bureaucracy, career empowerment, and a feeling of connection with the business. Great employers allow employees to participate more directly in payroll processes via E-Payroll, leading to improved productivity, job satisfaction, and retention.

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