Moving Your Employees to a Paperless Payroll:

How UltiPro® Workforce Management Can Ease the Process
Table of Contents

INTRODUCTION: MOVING TO A PAPERLESS PAYROLL CAN SAVE YOUR BUSINESS BOTH TIME AND MONEY………………………………………..1
WHAT IS PAPERLESS PAYROLL?.............................................................1
PAPERLESS PAYROLL’S PAYBACK………………………………………….2
MAKING THE CHANGE.................................................................3
CONCLUSION/ABOUT ULTIPRO ................................................................. 5
Introduction: Moving to a Paperless Payroll Can Save Your Business Both Time and Money

Companies spend almost $33 billion each year on printing, sorting, and mailing checks.\(^1\) And, although the U.S. banking system is secure, more opportunities exist for fraud, whether through alteration, mutilation, reproduction, or forgery, as checks move through the economic system prior to their deposit.\(^2\) According to one report, total check fraud losses in this country can run as high as $50 billion annually, with 1.2 million worthless checks in the banking system each day.\(^3\)

A simpler, more cost-effective, and safer method for paying employees is available, and a significant number of companies are turning to paperless payroll through electronic distribution. In fact, the Electronic Payments Association states that in 2004 more than 60% of consumers had their salaries and other payments direct deposited into a bank account, up more than 4% from 2003.\(^4\)

These deposits saved businesses anywhere from $1,000 a month to more than $15,000 a month, depending on the size and infrastructure of a company.\(^5\) That translates into annual savings of $12,000 to $180,000. Savings occur by eliminating check processing fees, including bank charges, forms purchasing and shipping, and lost employee time managing paper-based payroll printing systems.

In fact, according to the results of one study of payroll professionals, the average paper savings experienced by moving to a paperless payroll was 34.5% with about 1 in 5 respondents affirming at least a 90% reduction in paper.\(^6\)

This report discusses the benefits of paperless payroll and explains how UltiPro Workforce Management is helping businesses save money, while empowering their employees, through electronic pay stubs.

What Is Paperless Payroll?

A true paperless pay environment exists when a company uses technology to digitally distribute W-2s to employees and to receive W-4s from employees; manage direct deductions for charities, 401(k)s, and stock purchase plans; handle time reports; and take advantage of tools that let employees analyze different deduction options.

When the American Payroll Association (APA) conducted its 2003 survey, “Getting Paid in America,” it asked respondents how they would feel if their company went to a paperless payroll with the ability to view pay stubs online and print them as needed. With 14,061 individuals responding, more than 70% of them said that they’d be pleased by such an event.\(^7\)

So why are some companies resistant to a paperless pay environment, especially when problems occur 20 times more frequently with paper than with direct deposit?\(^8\) The answer most often boils down to three reasons:

1) the perception that many of their employees do not have Web access
2) legal concerns\(^8\)
3) maintenance of employees’ direct deposit data
Web Access to Paychecks
Many companies whose workforces may not routinely have access to the Web during the course of their regular workday—such as manufacturing plants—are overcoming that roadblock by letting employees view their paychecks through an intranet using PCs or kiosks set up on the plant floor.

The approximate cost of depositing a paycheck in person to a financial institution is $8.44, which comprises time spent traveling to and from the bank, round-trip travel expenses, and time spent waiting in line, not to mention the fact that consumers spend more than three workdays each year going to a bank. In addition, some employees who do not have bank accounts incur check cashing costs. Other companies offer computer discount programs or matching funds to encourage the purchase of a home computer.

Legal Concerns
In June 2000, President Bill Clinton signed into law the Electronic Signature in Global and National Commerce Act (E-SIGN), eliminating barriers to the use of electronic signatures and records, while also providing consumers with specific protections. With E-SIGN, employees cannot be required to receive electronic paychecks, they must affirmatively consent to their use, they must receive notice of their rights in advance, and their affirmative consent must be made electronically to demonstrate that the employee has access to his or her data.

Electronic pay statements must include all of the information required by state labor codes and must be available to employees by payday. While employers cannot force workers to switch to paperless paychecks, companies in some states can require that new workers accept direct deposit and paperless stubs.

Maintenance of Employees’ Direct Deposit Data
Increasingly, companies are simplifying the upkeep of their workforce’s personal data by allowing their employees to take care of their own direct deposit accounts via a workforce management solution’s employee self-service feature. This functionality offers important business value by improving employee satisfaction while also reducing the administrative workload for HR/payroll staff. Employees have immediate security-protected access to view their paycheck details and pay histories and change their direct deposit accounts. Employees often can create numerous accounts for direct deposit and can select to deposit a fixed amount, percentage amount, or available balance to a designated account.

Paperless Payroll’s Payback
Companies that migrate to a paperless payroll environment are discovering significant monetary and time savings. Businesses using electronic pay distribution save $1.02 per check. While at face value that may not seem like a hefty sum, consider this: For a company with 1,000 employees, printing checks on a biweekly basis costs $27,802 annually. Moving to a paperless payroll would reduce that cost to $1,300 a year. A 5,000-person payroll costs a business $139,010 annually with paper checks, whereas paperless payroll dramatically decreases that expense to only $6,500.
In addition, companies save time through electronic distribution when they no longer handle forms or rekey information. They also save on labor and equipment because printing and delivery of paper takes time and effort, while generating documents digitally is nearly instantaneous via the Internet. In addition, businesses avoid spending time and money replacing lost or stolen paper.

A business’s payroll department benefits as well, as it becomes more strategic by eliminating tactical duties. The payroll staff provides a higher level of service to employees and gains greater control through the effectiveness and speed of an electronic audit trail. Through paperless payroll, errors are typically reduced because real-time access to accurate data requires employees to validate and verify transactions and inquiries. Employees can view their payroll histories at any time throughout the year, reducing routine calls to the payroll department. The HR team gains a better understanding of groups of employees, giving the group insight into the best ways to structure pay and benefits. The department can use its payroll portal to publish payroll policies and handbooks.

Employees who travel for business, work from remote locations, transfer between departments with some regularity, or take vacation time find direct deposit a more reliable payment method and have easy access to their paychecks, with pay stub information available online 24-7 as soon as payroll is posted. Electronic payroll empowers employees by offering easy access to benefits and payroll history.

Most companies using paperless payroll or looking to move to a paperless environment will want to employ an HR/payroll solution that allows workers to check several years of consecutive pay stubs, as well as yearly summaries online.

**Making the Change**

Without a doubt, creating a paperless environment requires an adjustment in cultural mindset. While some employees will embrace the change without hesitation, it’s important to educate and train employees about the benefits of electronic distribution. But before you make a move, you’ll first want to consider several important steps:

1. Define your overall business objectives
2. Analyze your current environment
3. Identify the stakeholders within your organization
4. Prioritize the company’s goals
5. Identify key measures
6. Implement in phases
7. Define your communication plan

---

*Define Your Overall Business Objectives*

Identify your company’s objectives in moving to a paperless environment. Determine where you expect your greatest savings—in terms of both money and time—will be. Certainly you can expect to save on storage space, paper and equipment, and the costs associated with paper checks such as stuffing/preparation and distribution/delivery. But don’t forget to include the benefits from automating your processes, eliminating various transactions, reducing errors, and using workflow to speed processes.
Analyze Your Current Environment
Make sure you're completely familiar with the processes, workflow, and environment currently supported by your current payroll system. This will help you identify and clarify your business rules, approval process, and reporting procedures. This information will help you choose the features and setup you'll need for workflow and security.

Identify the Stakeholders within Your Organization
To garner support from internal executives, address any concerns quickly and completely. The likelihood of success depends on their endorsement of this process, so be sure to emphasize the financial benefits of the move and explain how you can make the change without a disruption to the business. If you have a spreadsheet from your initial study of business objectives, you may want to share that or a high-level overview of your analysis. Getting input from your company's leadership will help eliminate the possibility of overlooking steps and may allow you to clear up any potential obstacles before they become problems.

Prioritize the Company's Goals
Early on in the process, identify the features that will foster the greatest benefits to your business and focus on implementing those successfully. Although it's easy to get excited about lots of new bells and whistles, begin with areas that demonstrate a clear financial benefit to your company. This prioritization process will bring about a greater sense of acceptance among managers, especially if they are not bombarded with features that seemingly don't apply to them.

Identify Key Measures
Companies need to consider a few factors before they get started: data storage expenses for keeping documents and payroll data online for years, security costs, the need for a data recovery plan, as well as 24/7 accessibility if the company is making itself the employee's primary source for payroll history by eliminating physical check stubs.

Other production and distribution expenses to keep in mind include: paychecks; handbooks; personnel forms; letters and other communications; reports; and storage. Also keep in mind your administration costs, such as cycle times and accuracy. And don't forget to factor in turnover/retention and plan participation.

Implement in Phases
Even the most willing audience will need some time to adjust to changes in technology, so devise a step-by-step approach to the rollout, listing the most easily achieved benefit first, and don't feel the need to rush through any plans. Remember that, even though this may seem like a boon for your workforce and company, employees may need extra time to recognize those benefits and therefore may be slower to jump on board. Therefore, don't overestimate the program's initial success and cost savings. Some companies begin by establishing electronic delivery and printing nonnegotiable paper copies for employees. They then transition into no copies.

Define Your Communication and Training Plans
Once your executives are on board, begin communicating with your company's managers. Clearly describe the benefits for employees and the
business. As the concept gains acceptance from the managers, let your employees know about the plan, how it will be implemented, its impact on them, and when changes will begin to take place. Be sure to keep them apprised of new developments as they occur before, during, and after the rollout to reinforce the value of the move to a paperless environment. Provide training and online tutorials to get people acquainted with the program, and discuss the benefits of a paperless environment in meetings, through employee portals and newsletters, and during one-on-one conversations. By doing this, you will ensure a smoother and more positive transition.

How UltiPro Can Help Your Company Switch to a Paperless Payroll

Using Ultimate Software’s UltiPro Workforce Management to move your organization to a paperless payroll means that your company will no longer need to print hard copies of paychecks because pay statements are available via the UltiPro portal. Employees can simply access their current pay stubs online and print them, if they require a hard copy. They can also view their pay history and PTO balances, and print their own pay information for loan applications as needed.

Companies can elect to make advices and check stubs available online prior to pay date, and can provide for printer-friendly online stubs. Online pay statements are available to employees 24-7 from any location, with two years of year-to-date totals available. UltiPro features a payroll debit card identifier on direct deposit setup for those employers using payroll debit cards. And users have the option of suppressing the printing of direct deposit advices.

UltiPro Workforce Management generates the following types of NACHA files:

- Direct deposit from pay batches or from pay history
- Child Support ACH transmission file
- Pre-note file (outside the realm of normal payroll processing)

Conclusion

As companies continuously strive to cut nonessential costs, more and more businesses are coming to the realization that the time is right to eliminate paper paychecks. And those that make the change appreciate the fact that checks no longer require signing, the payroll department is freed from reissuing lost checks, and the number of off-cycle payments is significantly reduced.

An HRMS solution like Ultimate Software’s UltiPro Workforce Management can help companies transition to a paperless environment and position their HR/payroll departments down a more strategic path.

For more information about UltiPro, please call (800) 432-1729 or visit www.ultimatesoftware.com.
References

1 http://www.directdeposit.org/direct_deposit


4 http://www.plansponsor.com/pi_type10_print/0.1482,,00.html?RECORD_ID=25247


6 http://americanpayroll.org/pdfs/epayxpress/NPWsurvey03_results.pdf

7 Cutino, Pedro, Jr., CPP, “Paperless Payroll—Is It Really on the Way?”, American Payroll Association’s 22nd Annual Congress, Nashville, TN, April 25-29, 2004

8 “Paperless pay stubs: priorities, aims, methods,” An In-depth Study of How Large U.S. Employers are Eliminating Paper Pay Stubs in Favor of Electronic Delivery of Pay-Period Data, Paperle$$pay.org, April 2003.


10 http://www.directdeposit.org/direct_deposit


12 “Paperless paydays put money in the bank for large employers,” St. Louis Post-Dispatch, Jerri Stroud, 12/14/02.
