



THE COMPANY PAYROLL

Making It Work for Everyone

By Curtis Rist

With the operating budgets for payroll departments continuing to rise, the corporate payroll process has become a focus for innovation and cost-saving measures. The smooth functioning of payroll operations has also become linked to employee satisfaction, and government demands for timely payment are more urgent than ever.

For companies willing to change their traditional methods of managing the payroll, the cost savings and increased efficiencies can be enormous. “We’ve seen companies achieve substantial cost savings and increase employee satisfaction just by focusing on what is all too often overlooked as an insignificant cost of doing business,” says Dan Maddux, executive director of the American Payroll Association.

To focus awareness on the payroll process and its importance in the economy, the APA is celebrating National Payroll Week from Sept. 4 through Sept. 8.

“National Payroll Week helps employees learn about their paychecks and tells them how to put the most money in their pockets each payday, by using pretax payroll deductions and employer-provided benefit programs,” says Maddux. “Through our ‘Getting Paid In America’ survey, conducted each year at www.nationalpayrollweek.com and available through September 8, we also uncover important data that helps the payroll industry and employers improve their payroll processes.”



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Executive Director
American Payroll Association

OUTSOURCING FOR EFFICIENCY

With rising costs, many companies find that managing payroll tax compliance internally has become too complicated and costly. Direct costs include operation of the payroll tax reporting function, while indirect costs include administrative personnel connected with a company’s structure. For these companies, outsourcing payroll may prove the most efficient solution.

This can be as simple as turning over the payroll operations to a third party, or in the case of Ensemble Workforce Solutions, Inc., taking this to a new level. For certain clients, Ensemble literally becomes the Employer of Record. “We don’t just cut the checks for the employees, they actually become employees of Ensemble,” says company President Michael Werblun. “We free companies by taking on all tax liabilities, employer risk and administration tasks, as well as insurance and workers comp.” This is a particular advantage to companies that need to have a flexible workforce.

One company, for instance, turned to Ensemble to hire 1,000 contract employees it needed to tackle a six-month project. Another company wanted to expand quickly by establishing an office in Dubai — an office that is entirely staffed by Ensemble. A third hired a raft of summer interns, all technically employed by Ensemble, rather than becoming entangled in the company’s own payroll operations.

Ensemble now operates in more than 20 countries. “What differentiates us is that we have the size and the financial stability to take on large numbers of employees,” says Werblun. In addition, the company has a suite of tech-

nology services that helps clients understand all aspects of their workforce. “We are an enterprise solution provider and can help clients understand how much they’re spending, where they’re spending it, and where their savings can be, which in most cases is very dramatic.”

While outsourcing can provide cost savings, keeping payroll in-house can also be cost-effective and provide a level of control that is appealing to many companies. “When it comes to in-house versus outsourcing, no single solution is correct for everyone,” says APA’s Maddux. “The best solution will be based on the company’s individual requirements, access to technical support and other internal resources, and a desire to control their processes.”

In addition, companies don’t need to outsource all payroll functions in order to get the most value. Many service providers will work with companies that want to retain specific functions in-house, while outsourcing areas that present significant challenges or require specific expertise. According to APA surveys, approximately 54% of companies handle all payroll processing functions in-house.

CUTTING COSTS WITH PAY CARDS

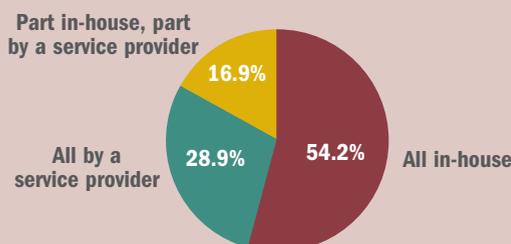
The payroll industry has been fundamentally changed by the emergence of the payroll card, which replaces the paper paycheck and the costs and inefficiencies associated with it. One recent study shows that companies can reduce their payroll costs by up to 40% when they switch from printed checks to electronic pay.

“Some of the industries that benefit most from pay cards include retail, hospitality, restaurant, temporary staffing and health care,” says Carole Ford, vice president of payment services at Comdata® Corporation. “These industries experience some of the highest turnover among their hourly employee bases, which means that some of the administrative efforts, such as the pre-note requirements, can make traditional direct deposit overwhelming.” The pay card streamlines the administration process, and also allows employees without bank accounts to access their earnings without resorting to expensive check cashing facilities. “It’s a win-win situation for everyone.”

Comdata is one of the leading pay card providers, and pioneered the concept nearly 15 years ago. “Over the course of the last seven years, Comdata has found a niche in working with some of the country’s largest retailers, movie



How Companies Handle Payroll



Source: APA’s 2005 Survey of Salaries & the Payroll Profession.
The results are +/- 4.8 %.



theater chains, restaurants, and temporary staffing agencies, each of which has a large base of employees who do not necessarily have traditional bank accounts. Those industries have always wanted to fill in the direct deposit 'gap' left by non-banked employees — Comdata's pay card has enabled them to do just that."

The cost savings of the pay card are evident. The cost to issue and deliver a paper check can be up to \$2, according to the U.S. Office of the Comptroller of the Currency, says Ford, which includes processing, distribution and bank charges. "Factor into that lost and stolen checks and the potential for fraud, and the cost is much higher," she says. By replacing paper, these costs and risks can be contained. Comdata not only provides an electronic delivery mechanism for an employee's net pay, it also enables companies to place an employee's pay statement on the Web, truly eliminating the need to distribute any paper.

Implementing an electronic pay program doesn't have to be difficult. "An organization with a true commitment to replacing paper can work with an experienced partner who can lead the way with marketing tools and employee training to make the transition to electronic pay easier," says Ford. "With the pay card, everybody wins." ●

National Payroll Week

(NPW) is a public awareness campaign celebrating paychecks and the people who make payday happen. Starting on Labor Day, NPW educates workers and high school students about the payroll withholding system and explains how they can take advantage of payroll-driven benefits. Currently enjoying its 10-year anniversary, National Payroll Week also celebrates the fact that payroll collects 67% (more than \$1.5 trillion) of the U.S. Treasury's revenue, keeping our nation strong. This fact is the inspiration for the NPW slogan: America Works Because We're Working For America®. More information and resources are available at www.nationalpayrollweek.com.

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