

The Evolution of Paperless Payroll,

Benefits and Beyond



Paperless, Web-based technologies are commonplace in today's business world. From online banking to Webinars, organizations of all types have realized the value of reducing dependence on traditional paper-based processes. While paperless may be the standard now, the transition was gradual, beginning in the 1970s with the introduction of direct deposit.

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Direct deposit was one of the first instances of automated, paperless payroll. Instead of getting a paycheck in the mail, the employer would deposit an employee's net income directly into his/her bank account through the automated clearinghouse. Direct deposit is now so common that the Federal Reserve Board reduced paper check handling by 50 percent since 2003, and, in February, announced plans to halt paper check processing altogether by 2010.

Although this marks a significant shift in the world of payroll and human resources, direct deposit was merely the first step. The adoption of paperless grew tremendously with the introduction of online pay statements, payroll cards and Web-based benefits management.

ONLINE PAY STATEMENTS

Direct deposit eliminates the need for a paycheck, but employees still need a record of their income and deductions each pay period. In the past, this meant distributing paper pay stubs. Now many employers offer online pay statements. Employees simply log on to the company portal with their personal ID and password to view and print out, if they choose, their pay information.

One example of a solution is iPay by ADP, which is an Internet payroll information solution that provides employees with secure instant access to wage and salary data. When the product was first introduced, many companies found it challenging to persuade employees to adopt this online payroll solution, although, today, the product has become ubiquitous in client companies of all types and sizes.

PAYROLL CARDS

Paperless payroll was well on its way with direct deposit and online pay statements, but to round out the market, we needed a solution for employees without a bank account. Payroll cards emerged as a paperless solution for workers without bank accounts.

With a payroll debit card, an employer loads the entire amount of an employee's pay on the card each pay period. Depending on the employer's offering, employees also may be able to load just a portion of net pay on the card with the balance either deposited in a bank account or paid via check. Like the debit cards issued by banks, payroll debit cards can be used to make purchases, get cash back at retailers and even withdraw money from ATM machines. Best of all, if the card is lost or stolen, the personal identification number-protected card can be easily replaced, and the money remains safe.

Thanks to advances in technology, an increasing number of employers offer a payroll debit card, and employees are taking advantage. In 2006, ADP issued nearly

305,000 TotalPay payroll debit cards to employers, a 121-percent increase from the previous year.

WEB-BASED BENEFITS MANAGEMENT

With a complete solution for paperless payroll in place, let's now look at the industry's solution for benefits administration. Web-based technology was adapted to allow employees to independently manage their payroll and benefits information online. Again, by logging onto the company portal, employees can enroll in opt-in benefit programs, like flexible spending accounts or update address, tax status or any type of personal information.

Employers also implemented Web tools for annual open enrollment. In the early 1990s, open enrollment was an arduous and costly process for HR that required submitting paper forms, which then needed to be manually entered into the employer's system and fed on paper printouts into the supplier's system. To effectively manage the large quantity of necessary data entry, organizations made substantial investments of time and money, hiring temporary workers, asking for overtime from regular employees, or both.

By the mid-1990s, interactive voice response technology provided a simpler option for open enrollment. Using IVR technology, employees could call a recorded line and, after presenting identification, were prompted through their benefit elections. This was more efficient than the previous manually driven system, but certainly not ideal.

Then by 1998, Web sites were developed that allowed employees to review benefits plan information, calculate what plan is best suited for their needs and enroll online. The enrollment information is transferred electronically to the carrier's system. Web access allows employees to check benefits

information 24/7, which is convenient for the busy professional who may want to review benefits information with a spouse and/or enroll in the evening or over a weekend. With that added convenience, employee adoption has been extremely positive. Using ADP's last open enrollment period as an example, approximately 50 percent of employees elected benefits outside of normal work hours.

Web-based benefits management also minimizes errors in income tax and benefits withholdings as well as many other employee-controlled elections. Providing individual employees access to personal information and data also reduces inquiries to payroll and HR departments, allowing them to dedicate more time to the development and execution of strategic initiatives.

WIRELESS TECHNOLOGY


Looking ahead, the industry is beginning to discuss how mobile technology can play a role in paperless payroll and HR management.

As mobile saturation increases around the world, and the work force becomes more adept with the use of mobile devices, employers may begin offering payroll and HR updates as well as deliverables directly to an employee's mobile device—cellular or digital phone or personal digital assistant.

Wireless technology can help streamline a host of payroll and benefits solutions, such as the distribution of pay stubs and benefits information, or submission of timesheet data and business expense reports from just about anywhere in the world.

CONCLUSION

Time will tell when and how employers will decide to implement technology into the portfolio of paperless solutions. However, what is clear is that paperless options will continue to evolve with new tools and processes to aid both the employer and employees in payroll and HR administration.

This evolution is a natural process as new technologies and employee habits come to light. Outsourcing providers should remain current with the technology landscape, and how they can/will tie into the payroll and HR industry. While the processes may change, the objectives remain the same—create efficiencies and reduce costs so that employers can decrease time spent on administrative tasks, and employees feel empowered to take charge of their personnel information. 

Wireless technology can help streamline a host of payroll and benefits solutions, such as the distribution of pay stubs and benefits information, or submission of timesheet data and business expense reports from just about anywhere in the world.