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Out With Paper

When Bob Schmidt worked as a pin setter at the old Lincoln Arcade in the 1950s, his pay came in a small manila envelope containing bills and coins, with deductions handwritten in ink on a small tab.

"There were probably even pennies in there," Schmidt recalled last week.

When he got a full-time job, his pay came by check. Then, about a decade ago, the money was transferred electronically to his bank account, with Schmidt getting just a computer-generated paper stub telling him his earnings.

About two years ago, the stub disappeared. Now, he must use a password to enter a Web site to check his pay deductions.

Schmidt, 63, and about 600 other employees at HK Systems Inc. in New Berlin are at the beginning of a wave that experts say is about to crash through the business landscape.

To save time and money, more companies are using Web sites to stop using paper in their payrolls. Even the State of Wisconsin is considering such a system.

Paperless payrolls "are the buzz word of the future," said Cindy Cichosz, president of the Greater Milwaukee Chapter of the American Payroll Association. "It is going to be exploding in the next couple of years."

There are no good figures on how many companies have switched to paperless payrolls, but industry experts agree they are growing.

From 5% to 10% of the members of her organization – "people on the cutting edge" – are paperless to some degree, said Cichosz. She thinks the number will approximately double in the next few years.

A recent survey by the Management Association of Illinois found that 3% of members had entirely paperless payrolls, with 8% using the system in some form.

Those numbers are consistent with the experience of Steve Sarowitz, president of Paylocity Corporation in Elk Grove Village, Ill., who sells such systems. About 10% of his clients are now paperless, up from about 3% a year ago, he said.

Paperless saves money

One of those clients is Anew Health Systems Inc. in Wauwatosa. It pays about 1,300 people weekly, said Christina Bielby, director of human resources. By going paperless, the company saves several thousand dollars a year.

Employees with access to the Internet can get their payroll information any time, Bielby said. They also can change their address, deductions and other information.

For workers who don't have computers, Anew has set up a kiosk in its headquarters, available during working hours, to let employees check their pay and print out information.

Such arrangements are needed to help employees and also satisfy the state.

Totally paperless payrolls are such a new development that "there is no statute on it," according to Jim Chiolino, labor standards section chief for the state Department of Workforce Development. There are, however, laws dictating when and how employees receive information about their pay.

The department has interpreted the law to mean that if an employer wants to pay workers electronically, then the information, including all deductions, "has to be available to the employee on the payday, and they have to have access to a computer," Chiolino said.

"They have to be able to print it if they want to," he said.

No national standards

Nationally, there are no uniform standards because states traditionally have regulated such things, said Andrew McDevitt, manager of government relations for the American Payroll Association in Washington, D.C. He said Wisconsin's solution is among the better nationwide.

One way to avoid the requirements of providing a computer and printer is to have a paperless payroll as the option, but not require it. That is the situation at HK, according to Sharion Walsh, the company's payroll manager.

About 200 of the company's workers still get paper of some type. Some are in departments without easy access to computers, and others either cannot get a bank account or do not trust financial institutions.

There are some "unbankable" employees at Anew also, Bielby said. The company offers them debit cards that can be used at ATMs or at a point of purchase terminal.

That, too, is legal in Wisconsin, as long as employees can get the entire amount put onto the debit card on payday and do not have to pay a fee. Chiolino suggests that, because ATMs don't dispense coins, employers round up the pay to the smallest amount available from such machines.

Bielby said that Anew has not had any complaints about that from employees who receive the card.

Another option is to make arrangements with banks to provide cash to employees paid with debit cards, said Diane Rambo, vice president for human resource services operations at Paychex Inc. in Rochester, N.Y. Paychex, a payroll services firm, offers its clients such a card. But it has not yet entered the paperless payroll industry. Its clients average 14 employees and have small costs of administering payroll, she said.

Savings vary

The savings of going paperless vary among companies, but mostly involve not paying postage or someone to sort and distribute paychecks by hand. There have been estimates of savings of \$20 a year per employee by eliminating paper, according to Michelle Ganzer, payroll manager at Briggs & Stratton Corp. in Wauwatosa.

To reap such savings, Briggs is considering going to a paperless payroll for its salaried employees, she said.

The University of Wisconsin-Milwaukee also hopes to use a paperless system to pay its part-time student employees within the next year, said Cathy Kroeger, payroll manager.

As for state employees, "we are at a talking stage," said Elaine Gerber, chief of central payroll for the state Department of Administration. "We don't have programming done to accomplish that."

Furthermore, the state work force is so diverse, it would be difficult to make sure everyone had access to a computer with a printer.

Gerber also said she is not sure how much the state would save.

"People are getting stubs right now," she said. In a paperless system, "the first thing they are going to do is print it off, so the time savings are not too much."

But that is not how Schmidt, who has gone from spotting pins to administering contracts at HK Systems, sees it.

When the paperless system first started, "I was kind of suspicious, and said, 'When will it fail?' Well, it hasn't failed. Now, I find I don't need that piece of paper. Occasionally I print one out, just to keep up to speed."