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ESS: The Next Big Thing In Payroll Services

A small but growing number of Chicago area companies are using the Internet to change the way that employees interact with their payroll and HR departments.

According to a recent survey by the The Management Association of Illinois, 8 percent of the companies surveyed used some form of electronic access to pay stubs for their employees. A smaller percentage of companies (3 percent) offered their employees only electronic access to pay information.

These numbers are small, but, they represent a growing trend towards offering employee self-service or ESS. Although ESS has been talked about for many years, with the exception of very large employers, it has only recently begun getting more traction in the marketplace.

Increasingly forward-thinking employers are posting their employees' payroll and HR information online, using private, interactive Web sites that save time and money, allowing firms unprecedented flexibility and control.

There are many different flavors of ESS. Some companies offer very basic self-service products where employees can view their pay stubs online versus receiving a paper check. Even this most basic form of ESS saves employers time and money: there's no paper to print no checks to distribute.

In more advanced ESS systems employees can edit their demographic and basic HR information streamlining the data entry process. Employees may also be able to edit their direct deposit information and tax exemptions. Some ESS programs also allow employees to view their time-off accrual balances and retrieve W2s online.

In some systems, in addition to the employees' own payroll information firms can post employee manuals, directories and forms online, where they are accessed and maintained. Online enrollment is also becoming more popular, although it is often not yet linked to a company's payroll system.

There are huge benefits to employers who use ESS which can save companies an average of \$214 per employee per year in data input and printing costs according to research by The Hunter Group, an IT consulting firm. The Hunter Group's 2000 Human Resource Self Service Survey reports, with ESS companies were able to increase employee satisfaction by up to 50 percent and reduce employee inquiries by up to 50 percent and average cost per transaction by 60 percent. Employers report a 100 percent ROI in just one year.

For example, RELO, an industry association based in Chicago, has benefited greatly from ESS. According to controller Alan Cazzato, RELO has reduced payroll and hour processing time significantly by switching to ESS.

"It's a joy to do payroll without having to worry about distributing checks," said Cazzato.

ESS also represents a new paradigm in the way that employers interact with their payroll service. Payroll service providers first came into prominence in the 1970s, offering employers shared time on mainframe systems that were prohibitively expensive to most mid-sized companies.

At the time firms were calculating payroll manually or using devices such as a comptometer, an American-style abacus.

Initially all data resided on the payroll services' mainframes. Clients either phoned in their data or delivered completed worksheets via courier. The payroll services owned the information. Employers had no access to their own data and special reports produced by the payroll services were limited and expensive.

Around 1990, payroll services began introducing PC-based input systems, which allowed corporate clients to key in their own data. The first basic systems were designed to save payroll services money by reducing keying expenses and to help clients achieve greater accuracy.

By the mid-1990s however a new breed of DOS-based PC input systems allowed firms to view and report on their own data and even create custom reports.

In the mid-'90s, Windows-based PC input was introduced. The first Windows-based payroll systems were slower and less robust than their DOS counterparts. By the late 1990s, Windows-based PC input had surpassed the old DOS systems and allowed users to do more advanced custom reporting and data manipulation and to better integrate payroll and human resource functions.

ESS represents the latest advancement in payroll services with the access to data now shifted to employees. Although most Web-based payroll systems are not yet as robust as their Windows counterparts, they are rapidly improving. ESS, in particular frees up employers to use their time in more productive ways such as keeping up with increasingly complex HR needs.

My own company, Paylocity, a payroll service, has utilized an in-house ESS system for nearly three years. Our 90+ employees give it very high marks. Our HR people love ESS because it saves them a tremendous amount of data input time as well as putting our forms, manual and directory online to disseminate HR information much more effectively.