



Making Payroll Work for You

Outsourcing and technology are helping payroll departments cope with the challenges of a tough economy.

Paying employees accurately and on time seems to be getting harder every day. One reason has been the dramatic legislative changes that have been enacted in recent months. The American Recovery and Reinvestment Act of 2009, which impacts everything from COBRA eligibility and income tax withholding to tax-free commuter benefits and the Earned Income Tax Credit, is requiring payroll departments to make the necessary changes in a short period of time.

To complicate matters, the changes in withholding may mean employees will find out they didn't have enough tax withheld when they file their 2009 income tax returns. "The Making Work Pay tax credit was implemented at the end of February by reducing income tax withholding," says Dan Maddux, executive director of the American Payroll Association, "but it covers the entire year. Payroll departments need to make employees aware they may not be having enough tax withheld."

Fortunately, payroll departments have two options to help them meet this challenge: technology and outsourcing. Thanks to automation and new online tools, organizations are able to quickly send information to employees and easily engage them in updating their personal information. Rather than fill out paper forms that must make their way through a manual approval process, employees can now go online to change their address should they move or change benefits elections if their family status changes. Similarly, managers who authorize a pay increase can update

In choosing a service provider, it's important to start by asking tough questions:

Does the solution allow for seamless integration with other employer-related systems, including human resources, benefits, and time and attendance?

Is the provider flexible? If your business expands via acquisitions or grows globally, can the vendor provide more robust solutions?

Is customer service available at all times? What level of support is guaranteed?

How long has the service provider been offering payroll solutions?

Does the vendor focus on any particular business types or sizes?

the employee files themselves, trusting that the automated workflow procedure will make it all happen. "Technology has enabled payroll professionals to refocus their skills from transaction processing to more analytic functions," says Maddux.

Outsourcing payroll and HR functions to service providers is also playing a key role in making businesses more efficient while improving accuracy and timeliness, according to Automatic Data Processing Inc. (ADP). Roughly 25% of large American companies (10,000 or more employees) outsource portions or their entire payroll function these days, and nearly half of companies with fewer than 500 employees outsource all, says the American Payroll Association.

Many companies are not only outsourcing payroll functions but are also contracting with a single vendor to administer HR services, including the administration of benefits and the manning of call centers. ADP, a market leader in payroll, HR, and benefits outsourcing, has created a scalable menu of these functions, offering clients everything from the simple printing and distributing of payroll checks to multi-process outsourcing; the latter can include functions such as talent management, benefits administration, pre-employment screening, and retirement planning.

"Businesses around the globe are undergoing tough times as a result of the challenging economic situation and a rapidly changing regulatory environment," says Gary Butler, president and CEO of ADP. "Our solutions enable innovative and entrepreneurial organizations of all sizes to focus on growth and their core business." —Sharon Kahn



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