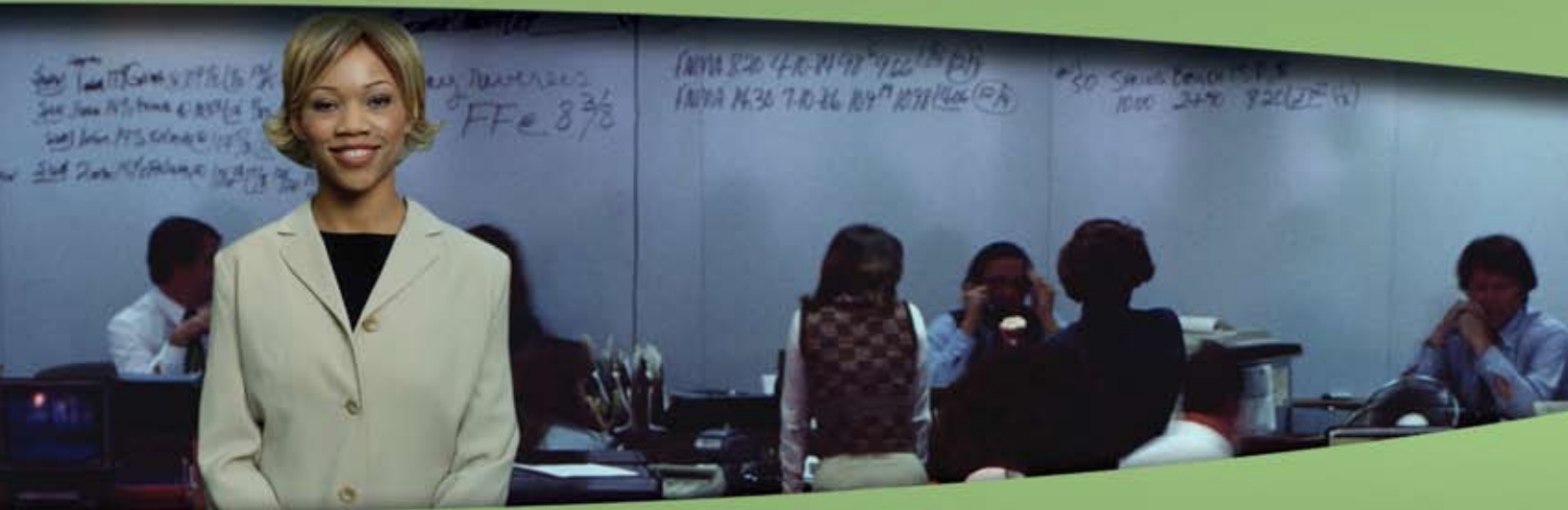


# The Bottom Line on HR Technology: Improving Results and Lowering Costs with a Human Resource Management System



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Welcome! For more than twenty years, Sage Software has been helping mid-sized businesses in all industries choose and implement Sage Abra Human Resource Management Systems (HRMS). Our experience has taught us that business owners and executives need more than just product information to successfully select and deploy HR technology in their businesses. That's what this white paper is all about.

We've distilled what we've learned from our many successful Abra customers and have structured it to help you answer the following questions:

- What does a Human Resource Management System do?
- What bottom-line value can it bring to your company?
- How does an HRMS help to meet top business challenges such as recruiting and benefits management?

Why would a software company write a paper that doesn't promote its own products? Because we've discovered that the more people know about HR technology, the more likely they are to choose HRMS products from Sage Software.

## Introduction

A well-run business needs a strong, talented workforce. Business owners face a range of human resources challenges, from competition for top talent to spiraling benefits costs. Globalization is increasing the competitive pressures on businesses while rapid advances in technology require new skills and accelerated development of the workforce.

The changing business environment is putting more pressure on business owners to address human resources as a key part of the strategic competitive plan. Business planning must address the following human resources challenges as a key factor to overall success:

### Human Capital Management –

A key to your company's success is the ability to attract, retain, and develop talented employees. As the Baby Boom generation retires, an estimated 70 million employees will leave the workforce over the next twenty years. Shortages of executives, senior managers, and other leaders will be acute, and competition for talent in many fields will become fierce.

### Escalating benefits costs –

The cost of health insurance premiums rose 74% from 2000 to 2006, compared to total inflation of less than 20%.<sup>1</sup> Year after year of spiraling employee benefits costs have left business owners scrambling for cost containment options.

1 Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits 2006 Annual Survey, p 12.

## **Compliance and risk of litigation –**

Compliance with governmental regulations requires a great deal of specialized reporting, and mistakes can risk costly fines and other governmental actions. Employee lawsuits create another significant business risk.

## **Limited HR resources –**

Many small and midsized businesses have limited staff and resources to manage the many aspects of human resources. In a typical company, HR must spend more time on routine administrative tasks than strategic objectives.

A recent survey by Saratoga discovered that employee compensation, including benefits, accounts for 35% of operating expenses in a typical organization.<sup>2</sup> With so many company resources dedicated to maintaining the workforce, it is necessary to identify ways to improve results, increase efficiency, and lower costs. A Human Resource Management System (HRMS) helps organizations find such opportunities and capitalize on them.

## **The role of HRMS technology**

A Human Resource Management System (HRMS) provides an integrated software solution for automating and managing your organization's core workforce administration and transactions, including:

- Compliance
- Employee Benefits
- Time and Attendance
- Payroll
- Recruitment
- Employee Development, Compensation, and Retention
- Planning, Analysis, and Reporting

A well-planned HRMS can:

- Drive costs out of your business by automating core HR, benefits, and payroll processes for increased efficiency and productivity.
- Help contain and reduce the spiraling costs of employee benefits.
- Increase retention by providing a high level of service to employees while controlling the cost of providing it.
- Make the best possible decisions regarding your workforce with accurate, timely reporting and analysis.
- Reduce the cost of compliance and risks associated with increasingly complex and burdensome regulations, including the avoidance of fines, penalties, and costly litigation.
- Improve processes for recruiting, developing, and retaining people with the required skills and aptitudes to meet current and future organizational needs.
- Reduce routine administration and paperwork, enabling you to focus more on workforce and business strategy.

<sup>2</sup> "Compensation and Benefit Results from 2005/2006 Saratoga U.S. Human Capital Effectiveness Report," The Saratoga Review, PriceWaterhouseCoopers, August 2005, p 2.

## **Core HR Administration**

To achieve productivity gains in HR, business owners must eliminate as many routine administrative tasks as possible. Administration consumes the HR department. Forrester Research found that, on average, over 50% of a human resource department's time is spent processing employee information and answering questions.

Implementing an HRMS eliminates much of the routine paperwork associated with HR. An HRMS automates the most manual and time-consuming human resource functions: payroll, recruiting, new hire processing, benefits and compensation management, employee development, internal analysis, and government reporting.

Prior to implementing an HRMS, most small and midsized businesses rely on paper to manage employee processes. Most employee information is tracked via a combination of homegrown spreadsheets and office file cabinets. Hiring information, payroll records, benefit plan elections, and training certifications for a single employee might be stored in four or more different locations. This invites errors, as well as lost and outdated information. Each change to an employee's data needs to be replicated across the variety of files and record-keeping tools. Paper files and non-integrated software tools also make it tedious, if not impossible, to create timely reports and analysis.

An HRMS centralizes employee and payroll data and helps to formalize the processes. This improves accuracy, and helps to improve efficiency. Because the data in an HRMS system is centralized, there is no need to duplicate data in order to use it for multiple HR tasks. HRMS provides executives and HR managers with access to timely and comprehensive reports and analyses to make more informed decisions about the workforce.

## **Compliance Management**

Government laws and regulations form an increasingly burdensome and complex compliance environment for many midsized businesses. While the following is not a comprehensive list, important legislation that may pertain to your workforce includes:

Most of the regulations above involve significant reporting requirements. Mistakes can lead to penalties and fines from the government, as well as expose your company to risk of costly employee lawsuits. An HRMS will help you determine which employment laws apply to your company and track the necessary information to comply with record keeping requirements. Regular legislative and compliance updates from your HRMS vendor help keep your organization in compliance with changing tax and employment laws.

Americans with Disabilities Act (ADA)	<i>Prohibits employers from discriminating against persons with disabilities.</i>
Title VII of the Civil Rights Act of 1964	<i>Prohibits discrimination on the basis of race, religion, gender, or nationality.</i>
Equal Employment Opportunity Act (EEO)	<i>Sets reporting and record keeping requirements for employers to demonstrate compliance with EEO</i>
Fair Labor Standards Act of 1938 (FLSA)	<i>Requires employers to maintain records of employment and earnings.</i>
Family and Medical Leave Act (FMLA)	<i>Requires documentation to track employee FMLA requests.</i>
Occupational Safety and Health Act (OSHA)	<i>Requires employers to maintain records for all workplace accidents, injuries, and illnesses.</i>
Equal Pay Act	<i>Prohibits sexual discrimination in compensation.</i>
Age Discrimination in Employment Act (ADEA)	<i>Prohibits age-based discrimination towards workers or applicants over the age of 40.</i>
Federal Unemployment Tax Act (FUTA)	<i>Requires record keeping and reporting of timely payments for unemployment taxes.</i>
Federal Insurance Contributions Act (FICA)	<i>Mandates reporting and payment of payroll tax for Social Security and Medicare.</i>

## Employee Self-Service

Employee Self-Service (ESS) solutions provide an opportunity to re-engineer workflows in order to reduce the routine administrative tasks in the HR department. ESS alleviates part of the burden of administration by giving employees and managers online access to their benefits, personnel, and paycheck information. Employees view, create, and maintain information using a Web browser over the Internet or the company intranet.

These time-consuming HR tasks are perfectly suited for employee self-service technology:

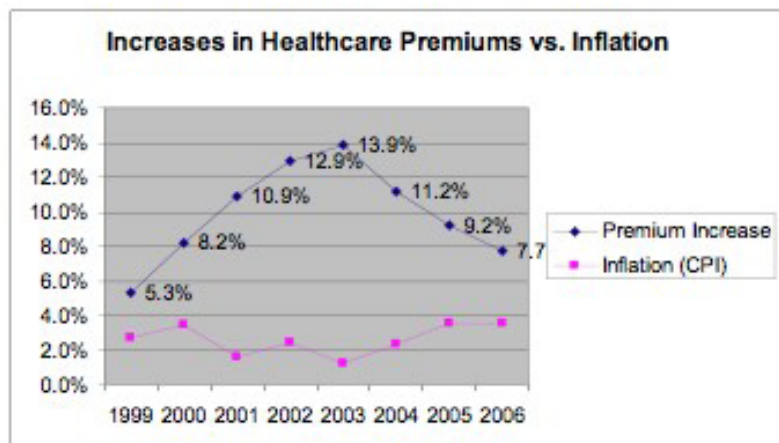
- Payroll distribution
- Benefits enrollment
- Time entry
- New employee “onboarding”
- Employee information updates
- Manager notifications
- Employee notes

- Performance reviews
- Job and pay information
- W-4 elections
- Training
- Company communications
- Recruiting

ESS produces productivity gains, lowers transaction costs, and improves the level of service to employees. It reduces the paperwork burden on the HR department, while retaining the ability to control and approve processes. Self-service is far from a burden to employees—in fact, surveys show that employee satisfaction increases with access to ESS.

## Benefits Management

For most of the past decade, the cost of employee benefits, and particularly the cost of health insurance, has risen at a staggering rate. Year after year of 8% to 14% increases in premium costs have caused employers to implement a number of cost containment strategies. Recently, the increases in health insurance premiums have been slowing, but continue to run well above the rate of inflation.



*Kaiser Family Foundation and Health Research and Educational Trust<sup>3</sup>*

In pursuing strategies to contain costs, most employers pass a larger share of premium increases to employees, and many plan for further increases. In 2006, 75% of employers with over 200 employees reported they were “very likely” or “somewhat likely” to raise the amount that employees pay for health insurance in the coming year.<sup>4</sup>

Changing carriers is probably the most frequently used cost containment strategy for midsized businesses. Benefits managers shop comparatively for affordable insurance plans. To win new business,

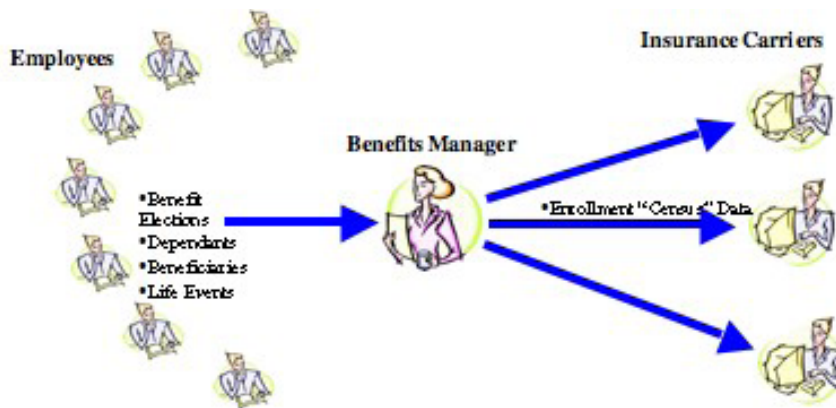
<sup>3</sup> Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits 2006 Annual Survey, 2006, p 12.  
<sup>4</sup> Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits 2006 Annual Survey, 2006, p 153.

carriers usually underprice the first-year premium. But renewal quotes raise premiums substantially, often by 25-35%.<sup>5</sup>

It is no wonder that HR spends up to 30% of its time on routine benefits administration activities. Nothing generates more employee questions and requests to HR than benefits. Most employers offer multiple benefits such as health, life, and disability insurance. This requires multiple insurance carriers, often offering several plans within each package. Each individual plan must be set-up and administered by HR, and each plan requires an employee enrollment with transmission of census data to the benefits carrier.

Providing employees with satisfying benefits packages may increase success in recruiting and retention efforts. In a 2005 survey by MetLife, almost one-third of employees reported that benefits were an important reason why they accepted their current job.<sup>6</sup> In fact, more than half of employees surveyed by the American Payroll Association said that health benefits were more important than higher wages.<sup>7</sup>

Benefits management software can automate each step of the benefits management process. These solutions eliminate paper-based processes, improve efficiency and accuracy, and greatly reduce routine administration. Benefits management solutions lower the overall cost of providing services to your employees while helping address the fastest-growing source of rising costs.



**Online Benefits Enrollment** enables employees to self-enroll in benefit programs, review their benefits data, and report life event changes over the Internet or a company network. The system prompts employees to choose plans based on eligibility criteria and helps them compare costs and coverage of previous elections against new offerings. HR staff can check the status of the enrollment in real-time. As soon as the enrollment is over, integration between the online benefits enrollment and core HRMS system produces detailed reports projecting the cost of employee benefits.

<sup>5</sup> Robert Young, "Group Health Insurance Bid Rates: How They Can Be So Enticing That First Year And What HR Professionals Can Do To Strengthen Their Roles in the Process," SHRM White Paper, May 2006.

<sup>6</sup> Robert Young, "Group Health Insurance Bid Rates: How They Can Be So Enticing That First Year And What HR Professionals Can Do To Strengthen Their Roles in the Process," SHRM White Paper, May 2006.

<sup>7</sup> American Payroll Association, "National Payroll Week 2006 Survey: Getting Paid in America," 2006.

Adding online benefits enrollment to your HRMS strategy can:

- **Shorten the Enrollment Cycle by up to 50%** –The open enrollment process takes 2-3 weeks instead of 6-8 weeks in a paper-based system.
- **Eliminate costs of distributing and collecting paper enrollment packets – Save cost of paper, printing, personnel, and postage—** an average of \$27.50 per employee.
- **Reduce data errors** –Employees enter their own information with more accuracy, avoiding costly and time-consuming mistakes. Reports also enable HR to catch billing errors.
- **Save 90% of the benefits administrator’s time during enrollment—** Paper-based systems require about ten minutes of data entry per employee, while online enrollment enables review and approval in as little as one minute per employee.
- **Reduce calls to HR—** Employees have access to complete information that helps them answer most of their own benefits questions.

**Carrier Connectivity Services** create formatted electronic files that automate the submission of your employee benefits data to your benefits providers. Automating the data submission process increases accuracy, which can lower your benefits costs. Manual communication with carriers can result in error rates of up to 40%, but carrier connectivity solutions typically reduce these errors to less than 5%.

Individual insurance carriers require different file formats, making it difficult for a small HR staff to keep up with, especially if they have little access to IT help. A carrier connectivity solution allows you to submit your benefits data electronically without HR or IT resources. Pulling the necessary information directly from your HRMS, the carrier connectivity service properly formats the data according to each carrier’s requirements, and submits your files electronically based on each carrier’s schedule requirements. After submitting your initial census file, regular change files keep your carrier updated on your employees’ life event changes, new hires, and terminations.

## Talent Management

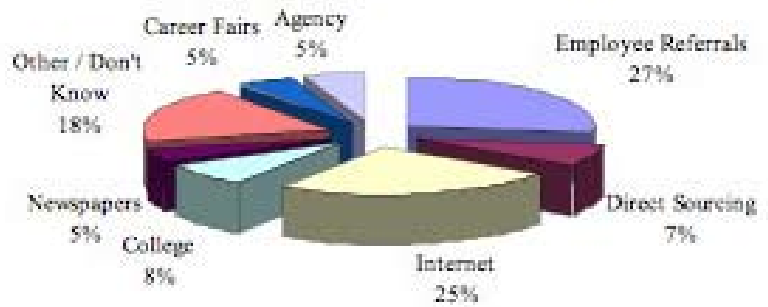
“Talent management” refers to the processes for recruiting, hiring, developing, and retaining the employees that are fundamental to the success of your business. Recruiting is one of the most complex processes in most companies. There are many stakeholders involved in each hiring decision (internal and external applicants, hiring managers, HR, external recruiters, executives), creating slow and cumbersome paper processes. And a large percentage of talented applicants are conducting their job searches online—an area not well addressed by paper-based processes. Eliminating routine administration and paper-based processes with talent management software can achieve more timely hires with lower recruiting costs. Recruiting solutions automate recruiting and new hire “onboarding”. Training solutions facilitate planning and management of employee skills development.

**Recruiting solutions** optimize recruiting processes by automating the workflow and more accurately tracking sources of hire, enabling recruiters to better analyze which efforts produce the best results. Self-service technology enables all recruiting participants (recruiters, HR managers, hiring managers, and applicants) to interact with the software at appropriate stages of the recruitment processes. With an automated recruiting solution, you can:

- Streamline hiring procedures to reduce the amount of time positions are unfilled.
- Create requisitions and match them to candidates by defining desired qualifications.
- Integrate online recruiting tactics, including Internet job boards.
- Reduce cost-per-hire.
- Analyze the effectiveness and cost of different recruitment activities.
- Maintain a comprehensive database of previous applicants and current employees.
- Allow your existing employees to apply for open jobs.
- Speed applicant-to-new hire (“onboarding”) process.

A recruiting solution will help you integrate traditional recruiting tactics with the most advanced and effective online recruiting methods. Online recruiting has become an important part of the talent wars, providing nearly one in three new hires. Companies seeking top talent must be able to easily post job openings on Internet job sites, accept online employment applications and resumes, and accurately track online sources of hire.

CAREERXROADS 5th Annual Sources of Hire Survey



**Training solutions** help HR and management to plan skills development that creates a competitive advantage for your organization. Approximately one-third of job requisitions are filled by the promotion or transfer of a current employee. Of these, more than half are exempt employees—those with salaried positions.<sup>8</sup> It is less costly to recruit from within your ranks, and promotions encourage retention of your best talent.

Because your current workforce is such an important source of future leaders for your business, it is essential that your HRMS system helps you plan for and manage training. A training solution enables you to plan, track, and report on the career development of each employee. When you include training management functionality in your HRMS strategy, you can:

- Centralize job requirements to determine which employees need training.
- Create, schedule, and enroll employees in training.
- Track the training and job skills of each employee for maximum strategic development.
- Ensure that employees maintain key certifications.
- Generate reports that demonstrate compliance with government regulations.
- Perform training cost analysis.

## Impact of HRMS to the Bottom Line

The cost savings associated with HRMS reach into many areas of the business. The savings can be defined and measured. It is possible to realize a quick return on your HRMS investment, often in less than fifteen months.

HRMS positively impacts the bottom line through:

- **Increased productivity** – The time and effort saved through enhanced efficiency and the reduction of routine administration and elimination of duplicate data entry.

8 Gerry Crispin and Mark Mehler, "CAREERXROADS 5th Annual Sources of Hire Survey," February 23, 2006, p 5. Accessed online January 11, 2007 at [www.careerxroads.com](http://www.careerxroads.com)

- **Direct cost savings** –The savings associated with the costs of printing, mailing, and faxing, as well as avoiding costly errors through increased accuracy.
- **Better compliance** – Avoiding fines, penalties, and costly litigation.
- **More strategic opportunity** –The better alignment of HR and corporate objectives, achieved by your staff having more time to focus on what matters most.

***Core HRMS automation raises productivity throughout the organization.***

Your HR staff will spend much less time on data entry, routine administration, and reporting. Employee self-service functionality reduces the volume of employee questions and requests to the HR staff. As your business grows, these efficiency gains can allow you to deliver a high level of service to your workforce without adding HR staff.

***Eliminating cumbersome, time-consuming paper processes achieves direct cost savings.***

Online benefits enrollment saves the paper, printing, and postage expenditures associated with a paper-based enrollment. SHRM estimates the paper costs associated with benefits enrollment at \$27.50 per employee. Online benefits enrollment shortens the open enrollment process by up to 50%. Improved data accuracy and reporting helps catch billing errors from benefit providers.

***Recruiting solutions shorten the time that open positions go unfilled.***

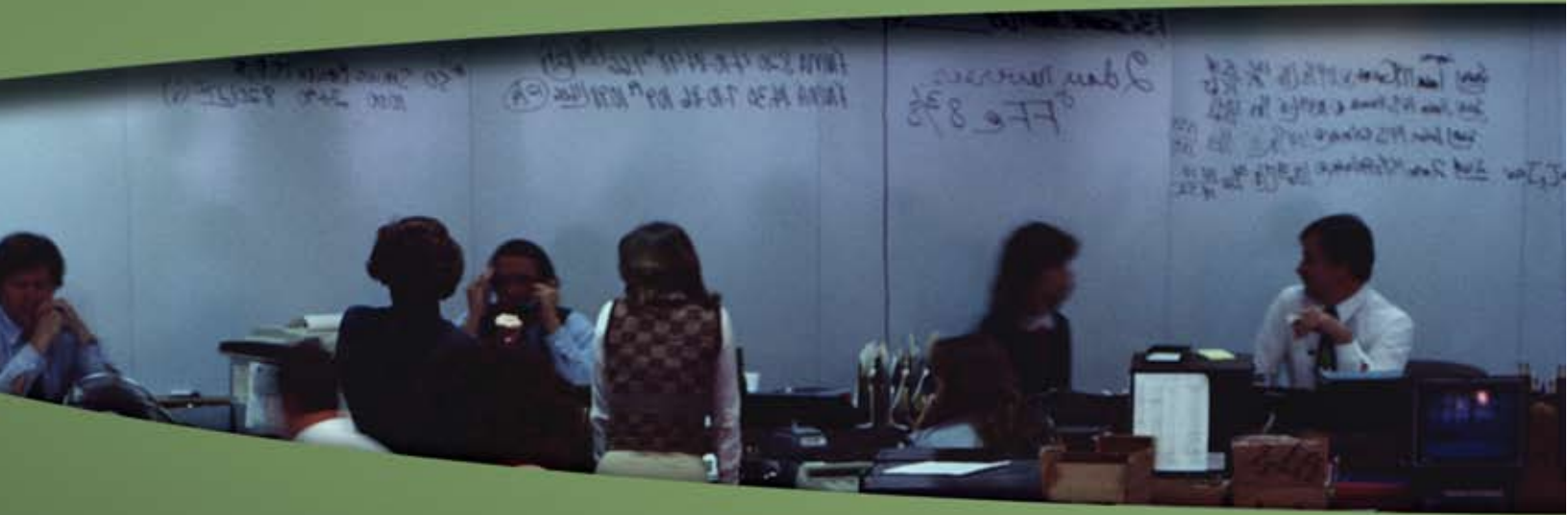
They also provide easy integration of online recruiting methods, which can reduce your organization's cost-per-hire. A SHRM study found the cost-per-hire using Internet recruiting averaged \$377 while advertising in a metropolitan newspaper averaged \$3,295 per hire. An efficient recruiting process also enables HR to conduct more candidate searches in-house, lowering external recruiting costs.

***HRMS helps your company achieve compliance and avoid lawsuits.***

Regular legislative updates, automated record keeping, and specialized reporting help your company stay compliant with government regulations. By ensuring organized, centralized data and thorough record keeping, an HRMS helps avoid fines, penalties, and threats of lawsuits.

***HRMS frees your HR staff to focus on strategic objectives.***

The time saved with an HRMS will enable your staff to deliver higher levels of service to employees. You'll benefit from timely reports that help you forecast and plan for an optimized workforce. And smooth, efficient processes allow HR to spend more time focusing on strategies that secure the long-term success of the organization.



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