

Payroll Hot Off the Presses

Processing payroll is never an easy chore, but add in union rules, and the complications multiply. Outsourcing helped to make this newspaper business' HR more strategic and efficient.

By Fred Lehman, Human Resources Director, Philadelphia Media Holdings

You've heard the tale before: a company is sold and needs to develop a payroll system from the ground up. Throw in 13 labor unions and a 3,400-person workforce dispersed over three states, and you can see the challenges faced by Philadelphia Media Holdings.

DEDUCTIONS EVERYWHERE

Philadelphia Media Holdings operates five companies, including the *Philadelphia Inquirer* and *Philadelphia Daily News*. When our company was sold in June 2006 by Knight Ridder, we had six weeks to implement a new, complex payroll system for the entire organization. With only 500, or 15 percent, of employees salaried, we needed a system that would accommodate hourly and, more importantly, commission-based pay for the vast majority of the sales staff.

Also, with 13 labor unions, we administer three to four times the amount of payroll deductions than a non-unionized industry. With a unique pay code for each union, Philadelphia Media Holdings is required to hand deliver paychecks, process payroll on a weekly basis, pre-pay vacation time, and track fees into union funds such as pension and health and welfare accounts.

When unions are involved, payroll can be a much more time-consuming and burdensome task. All of the special deductions and processes ultimately translate into more risk of regulatory liability and processing errors, which require more internal resources.

A FLEXIBLE SOLUTION

To alleviate this burden, Philadelphia Media Holdings outsourced to ADP. In six weeks, our payroll transferred without a hitch. Through a three-step process, ADP was able to get us up and running in record time with accurate payroll from day one.

In the first step, ADP came on site to determine how we had handled payroll to plan for transitions and determine areas for improvement. Step two was data conversion; for us, that meant converting data from multiple systems. To assist us with this monumental data conversion, we used a local HRIS resource, Business Partners Inc. And then came testing. ADP performs two kinds of testing to ensure that payroll will function properly the day the new system goes live. We went live on-time, with

very few manual checks needed.

Obviously, we still had all of the same union rules and deductions, but through outsourcing we were able to alleviate the burden completely and feel confident that employees are getting paid accurately every time. For example, one union rule mandates that paychecks cannot be mailed, which used to translate into extensive mailing costs. Now, ADP mails checks directly to each location so that they can be hand delivered. Employees receive their paychecks a day earlier since we don't need time for shipping.

Almost immediately, our internal payroll staff benefited from the new efficiencies. The new system is more user friendly and leaves very little chance of data entry errors. If we need a manual check—for example, if an employee goes on vacation—it can be processed the same day it is requested. Therefore, the 20 hours a week that we used to spend fixing problems due to inaccurate paychecks was redirected to new initiatives, such as accounting and finance.

Based on this success, we decided to take on additional services through ADP. We migrated to its Comprehensive Outsourcing Services (COS), a full-service BPO offering, to handle both the back- and front-office payroll administration, in addition to unemployment services and COBRA administration.

When the provider began handling the front office—both phone and online customer support—it worked with us to develop internal communications materials to help employees adjust to the new services.

After evaluating inquiries coming into the call center, we quickly realized that our new self-service functionality was confusing to end users, who needed formal education on its use. Together, we worked to develop a brochure on how to enroll and the benefits of employee self-service. Ultimately, employee inquiries into the call center dropped nearly 80 percent, and the calls being received were primarily non-issue related.

We've had a great implementation experience. With a lot of other vendors it was: Take the functionality available or don't. However, our current solution offers flexible tools and options. Furthermore, ADP worked with us to develop service level agreements (SLAs) to help make Philadelphia Media Holdings' HR department more strategic. That means a lot to me and the organization. 