

# Focus on Your Direct Deposit Program Pays Dividends

By Susan J. Sarty

Some time ago, your company probably made a business decision that promised to improve the bottom line with minimal investment of time and money. The decision was quickly implemented, but no one has monitored results since. So, no one in your company knows whether the project is a success or failure. You are confident that money is being left on the table. The question to ask is how much money.

Top executives rightfully focus the bulk of their time on decisions and resulting projects offering the greatest opportunities for improving their profits and competitiveness. Consequently, small projects may go unmonitored for years after their initial implementation, even though brief high-level attention can regularly ratchet up the benefits. Direct deposit of payroll checks is a case in point. It's one of those easy-to-make, easily forgotten decisions that need to be revisited from time to time.

Direct deposit stands in stark contrast to the higher-profile and higher-payoff, yet riskier, projects that absorb most of management's attention. The cost of implementation is low. Beyond announcing the direct deposit option, explaining it, signing up employees, and maintaining an ongoing positive communications program, there is little more to do. Direct deposit is an opportunity where you can find significant savings at virtually no cost and no risk. In addition, you can continue to realize these savings for as long as the program is effectively managed and promoted.

Let's recall the benefits that you found attractive in the first place. A direct deposit payroll system slashes the costs, inefficiencies, and paperwork associated with payday. It minimizes lost checks, stop payments, and escheatment. It dramatically reduces reconciliation time and delivery costs to outlying offices. The savings represents approximately \$2.50 per check, per pay period, and that's before factoring the efficiencies of online pay stubs into the equation, not to mention how the program benefits your employees. The savings are considerable and go directly to your bottom line. While larger, longer, more resource-intensive projects carry bigger potential benefits, direct deposit is truly low-hanging fruit waiting to be picked.

What will you find when you take a fresh look at your company's direct deposit program? Chances are you'll find a hidden profit center, quietly languishing, waiting for just a modest dose of management attention to blossom into its full potential. Although you expect to find a program where everyone is benefiting because the company is saving money and the employees don't have to rush off to the bank every payday, You'll instead find a program where everyone is **not** benefiting because many are not participating! That's the downside of what you'll find. In this article, however, you'll discover new ways to significantly expand program participation and realize additional savings.

## What went wrong?

When direct deposit was first launched, you expected 100% participation. Actual participation has always been far less than 100%. Why? Here are the probable root causes:

1. When direct deposit was introduced, the company presented the program to stable employees who have established banking relationships. The "unbanked," many of whom are temporary workers, interns, recent graduates, or people with bad credit, were ignored.

2. Since the initial sign-up, the company has promoted direct deposit only to new employees. Those who turned it down previously were never re-solicited.
3. Direct deposit is presented to new employees as a take-it-or-leave-it option with little selling.
4. Since implementation, top executives have not monitored the ongoing operation or the participation rate of the program to determine if additional attention is necessary.

## Participation = Savings

There is no question you would love to discover an area where considerable savings are possible. That's exactly what the direct deposit program offers for most companies. For every employee not on direct deposit, the company is squandering money that could be going straight to the bottom line.

It's easy to pay lip service to the idea of having 100 percent participation in direct deposit. However, without a well-conceived approach to encourage participation, few organizations will exceed the 60% level.

## What can you do differently today?

1. **Become a program sponsor.** The benefits of a strong direct deposit may be small potatoes compared to other things on management's plate, but few corporate initiatives offer such a fast, easily-achieved ROI. Here's a small niche where a well-planned enrollment process will translate directly into measurable bottom-line profits. Best of all, your CFO can capture these benefits for any employee, including those with no bank accounts, without buying or installing any software at all.
3. **Cast a broader net with your direct deposit program.** Encourage participation from all employees, not just the ones with bank accounts. Many of your employees may be among the 55 million adults in the U.S. who have never had a bank account, have been rejected by the traditional banking system, or simply don't feel comfortable with a traditional banking relationship. Now your company can give these employees the convenience, security, and flexibility with the Skylight paycard as a bank account alternative. The Skylight card may be used anywhere PIN-based debit transactions are accepted, so your employees can use their paycards to buy groceries, clothes, gasoline, and much more. After taking advantage of the free upgrade to a Visa-branded card, employees are able to sign for transactions at stores and restaurants and make purchases over the phone and online.
4. **Communicate the benefits.** Middle management, store management, factory supervisors, and employees all need to understand why the program is important to the company and to each employee personally. Use announcement letters, posters, placards, and envelope stuffers to describe the many benefits of direct deposit to employees. Everyone will appreciate the convenience and the fast availability of funds at any ATM without special trips to the bank or a check-cashing service. For the unbanked, the benefits are even greater because they will eliminate check-cashing fees and gain security and credit references they've never before had.
5. **Use incentives and disincentives.** Participation will soar if you use the right combination of carrots and sticks to encourage participation.

Examples of incentives: Absorb the one-time cost of the employee's paycard, plus a few of the transaction (ATM) costs for each pay period. Offer a \$10 enrollment bonus. You'll recoup it within a few months. Run contests for middle management, with enticing prizes for those with the largest increases in participation.

Examples of disincentives: Mail checks in batches to remote offices instead of using express shipments. Require employees to sign an acknowledgment form if they decline participation. Mail checks to declining employees' homes. Let decliners know that it will take up to four weeks to re-issue lost checks.

- 6. Expand the program's scope.** Use paycards as an alternative way to manage the requirements of expense account advances and reimbursements, commissions, termination payments, bonuses, and vacation pay. Don't stop after eliminating paper checks. Your company can easily eliminate pay stubs as well by giving employees secure access via Internet, phone, or kiosk to electronic pay statements.

## **A great head start to boosting 2010 profits**

If you're looking for an easy way to save money that starts paying bottom-line dividends, it's time to re-examine direct deposit of employee paychecks. It's a hidden profit center that will flourish with reasonable management attention.

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