



White Paper

The Resource Squeeze: How to Flourish During the Economic Recovery

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Executive Summary

Do you have to do more with less? Looking for better ways of managing your HR processes? How do you decide which processes to deliver through shared services and which to automate or outsource? Stop doing non/low value HRM work. Focus on what matters. Take the CEO perspective and consider what drives business outcomes. Automate or outsource what doesn't. This white paper will show you best practices on how to improve your HR/payroll department processes so as to deliver higher service levels, become more productive, all while lowering your costs and reducing risk, freeing HR for what matters most.

HR/payroll organizations are facing difficult challenges. Some are contending with across-the-board budget cuts while others are facing reduced budgets for the coming year. Staffs have been reduced due to the current economic situation, at the same time that they are seeing an increase in the requests for services they are expected to provide. The result in many cases is increased overtime, overworked and stressed staff, complaints of poor service and a decline in the company's employment image.

Most companies outsource background checks, but have you considered the other side, the interruptions to your staff to handle those incoming requests for current and past employment verifications from mortgage brokers, car dealers, landlords and background screening companies? What about the lost productivity, cost and risk of your staff attending to these requests? The time spent addressing these incoming employment verification requests, along with the lost productivity, costs US companies approximately \$1.5 billion for current employees and approximately \$940 million for past employees. Both costs are expected to rise significantly in the coming years due to changes in the financial system and as employment (temp, full and part) improve.

Let's face facts, confirming someone used to work at your company does not add value to the company's bottom line. Why not use an automated web service to handle those requests.

There is a new and fully automated, self-serve approach called "ECO" (Employment Confirmations Online) that eliminates those interruptions to your staff. With a unique business model you can implement ECO to deal with these employment confirmation requests, using a fully automated, secure self-serve website **at virtually no cost to you.**

The result is an organization that now has:

- Improved productivity
- Improved quality and speed of service
- Reduced risk of releasing inaccurate information
- Reduced risk of releasing information to those without Permissible Purpose
- Automation and Elimination of non-value added processes
- Improved Employment Brand image
- Greater focus on what matters most

Challenges facing HR/Payroll departments

Today many companies do not measure the number of requests for “Personnel Confirmation” they receive for both current & past employment. Without measurement they are unable to capture the amount of resources expended, or the number of interruptions, to the daily operation of their organization. The recent economic events that have taken place, in the US as well as the rest of the world, will have a significant impact on the HR/Payroll department as well as the level and quality of service it will be able to provide as the number of verification requests is projected to rise due to the following conditions;

- The global deleveraging of consumers and the significant reduction in residential property values will result in a significant increase in the refinancing of existing mortgages. There will also be an increase in new mortgages as some homeowners will be forced to downsize to live within their means.
- The profound changes in the banking industry, in the way it conducts business, especially related to mortgages. Gone are the days of “no-doc” and “subprime” mortgages tied to rising home values. Banks are being forced to be more thorough in their lending practices and requiring proof, not only of employment, but income.

Companies should expect to see an increase in the number of requests their HR or payroll departments receive to confirm current employment.

- Economists are now saying that businesses over-corrected during the recent economic downturn. One aspect was the large number of staff being laid off (including HR and Payroll departments). Now the question is, what will happen with all these people? While businesses are still hesitant to hire people back as regular full-time employees, they will need additional resources to make up for the over-correction and inevitable growth. As all of these people find new employment, whether it be full-time, part-time, permanent or temporary/contract/consulting, most will undergo some sort of background check resulting in an increase in the number of verification requests to companies.
- HR and Finance executives believe that people who are currently employed will also be changing employers after the bounce due to their heightened levels of stress, long hours, and loss of trust and loyalty to employers who "over-corrected". The result will again be an increase in the number of verification requests to companies.

Companies should expect to receive an increase in the number of requests to HR or payroll to confirm past employment.

- Very few organizations also verify the identity of the person making the request and make the assumption that if they have personally identifiable information that it came from the employee. Even if you have the Requestor fax or email the request, you still have not verified their identity. The result can sometimes be the release of information to parties that are not authorized to have it, and that can be costly.

The time spent addressing these requests, looking up the information, returning the results and ramping back up after interruptions costs companies. Today, in the U.S. this cost is approximately \$1.5 billion for current employees and approximately \$940 million for past employees. These costs are expected to rise.

Do you know what it costs you?

Key Issues a company must face

Let's face some facts. Confirming that someone used to work at your company has the lowest priority, while confirming that someone currently works for you, has the second lowest priority. If the staff member who handles these requests has to address a higher priority task, most likely that day's confirmations will not get done, resulting in duplicate requests the following day. Also, neither activity adds value to the company's bottom line. These are non-value added business activities. A company could choose not to provide this service, but that would not eliminate the amount of external requests for this information and the interruptions would continue. And in reality it would most likely lead to unhappy current employees applying for loans, and aggravate former employees applying for jobs. Both situations result in heightened levels of poor morale and unnecessary employee relations issues, not to mention, many complaints of poor service or no service. The result will be a reduction in the company's "Employment Brand" image.

Today there are people who are able to gain access to information by pretending to be someone who they are not. Companies need to be on guard to identify who truly is requesting the information in order to prevent unauthorized access to sensitive employee information. Do you have a system in place to identify the true identity of the requestor, to prevent the release of information to unauthorized parties?

Overcoming the Issues to meet the Challenges

One solution would be to hand over this non-value added business activity. An even better solution would be to automate this activity at practically no cost to your company. Did you know there is a new company that offers this innovative new approach called "ECO" for only a small one-time setup fee and very small annual maintenance fee?

They do this by automating this business process with best practices and providing SaaS (software as a service) for the confirmation and verification of income and employment. It is done through a secure, self-service system for use by employees and outside parties. The system is used to eliminate interruptions to “your staff”, improve service levels and reduce risk while leaving them time to tackle mission critical issues!

How it works

The system is employee and requestor self-serve. Because security and privacy have always been the number one priority, the system has been designed with the latest security features from the beginning. Through a fully-automated secure data-feed, with the client company being the source of the data, the system acts as the third party administrator handling all the requests for “Personnel Confirmations”.

The first level of security requires that everyone using the system have a login and password. For outside requestors, their identity is validated by providing a valid credit card number, whereas unique accounts are setup for each employee and the client company’s HR department.

The second level of security is that the employees themselves control the release of a one-time use current employment report to a specific individual. This works very simply for current personnel confirmations. The employee, who knows that they are doing something which requires employment verification, such as refinancing or renting an apartment, would logon to the website. From the main menu they select “Prove Your Employment” (with or without salary). They then release a set of instructions for the requestor to use with a unique Report ID and Password. These instructions are then emailed, faxed or printed to a specific requesting person that the employee enters into the system. The process is completed in less than a minute. The requestor will receive the instructions which simply tell them to go to the website and login to access the report. Again, this whole process only takes one minute to complete and it is initiated by the requesting employee. There is no cost to the employee and they can generate as many requests as they need.

For past employment confirmation the process is slightly different.

The requestor will be directed to the website (from the company’s website or voice menu system, etc.) where they will login. From their main menu they will choose “Confirm Past Employment”. The only facts that can be confirmed are: employment at the company, title, start date, end date and full/part time status. Only the information entered by the requestor is considered for confirmation. It does not release any information to the requestor, only confirms the basics mentioned. There is also no direct access to the data-link or database from the website. All personally identifiable information is encrypted throughout the system. Only an authorized representative of the company has access to standard reports for their company with regards to the number and type of requests processed. This ensures that the system is secure and protects the privacy of all individuals.

Benefits to all

So what are the benefits to your department to eliminate this non-value added activity?

No more interruptions to HR/payroll staff for employment confirmations. You are now eliminating a non-value added service.

By using a fully-automated, secure, self-service website you are providing improved quality and speed of service for these requests. You now can reallocate your resources to value-added activities or to further reduce your cost or both.

This process also helps reduce your overall risk related to securing employment data.

There are also benefits for your employees. Since this service is fully automated and self-serve for the employee, this puts them in control of the “release” of their information. With a 24 hour a day website the employee easily and quickly manages the process for secure and accurate results.

External parties benefit as well. With online access, they are able to get accurate results faster and easier for which they are willing to pay a small fee.

ROI & Implementation

A positive Return On Investment (ROI) period is usually attained anywhere from one day to several months. The reason for the large range is that the return is directly proportional to the number of requests a company receives and the gains from no longer having to address those request themselves. The out of pocket investment costs are as follows; client companies are not charged for the service, only a small one time setup fee and annual maintenance fee (Max. \$300), so it's a very low investment. Employees are not charged, so it's free for them. The requestors (Mortgage broker, car dealer....) are charged a small transaction fee per request. The result is that the larger the number of confirmation and verification requests a company receives the faster the return.

The implementation is straightforward and usually only takes the IT organizations a few hours to set up and test the data link. By far the longest phase of implementation is the communication plan, which is broken up into two aspects - internal and external. Your company website would now direct requestors to www.theemploymentvault.com, your telephone voice menu, or company operator, could also direct them to the website, and faxes, emails and direct number voicemail would also be directed to the website. In addition, an internal message would explain to all employees how the new service works. Total time involved for setup is usually 1-3 months depending on how quickly the communications plan can be executed.

Conclusion

Managing your budget should be strategic, not an across-the-board cut. The focus should be on what drives business outcomes, taking the CEO perspective while simultaneously lowering costs. It really makes sense to take a look at non-valued added activities first and evaluate whether to automate or outsource, especially where one can get a great combination of cost/risk/results. Use the "great recession" and "new normal" as the burning platform to make real progress on eliminating non/low value processes. Upgrade your system for lower cost, agility, and intelligent use of self-service. Seize opportunities to include automating quickly and on the cheap. Make sure you have a list of HRM improvements that have an impact and get them done ASAP.

The result enables you to continue to improve your productivity and use your limited resources to deliver mission critical services. You can now focus on what matters most, like increasing employee engagement, improving employee productivity and decreasing turnover, all of which will positively impact the bottom line.

Please contact us below if you have any interest in learning more or have questions. Feel free to pass this White Paper along to fellow colleagues who may be interested in these future trends and the innovations available to address them.

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