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Shell's Secret to HR Success

How HRO helped streamline Shell's HR.

By Russ Banham

Paper is a bad word at Shell. The diversified energy company's Employee Services department (a division of HR) at its U.S. operations in Houston, Texas, has endeavored for the past decade to automate administrative functions like the issuance and delivery of W-2s, unemployment claims, and employment verification to employees. Employees can now receive their W-2s and pay information electronically by simply logging on at work or at home.

But Shell HR doesn't just take paper-intensive functions and automate them. The company outsources certain employment services to TALX, a St. Louis-based business process outsourcer focused on replacing slow, costly paper-based manual methods in the payroll and HR space. Shell began a relationship with TALX more than 10 years ago that served as the foundation for three additional HR outsourcing agreements, with another outsourcing opportunity possibly on the horizon. The overarching goal, aside from providing enhanced services to employees, is to rid Shell of paper and related manual processes. "We strategically review HR activities to determine which ones we want to do ourselves with our own staff and infrastructure" and which ones are best outsourced to others because of their staff expertise and supporting infrastructure, explains Sheila Carter, Shell manager of employee services.

TALX, a public company listed on the NASDAQ, first came to Shell HRs attention in 1993, when the department was looking to outsource the management of unemployment tax services. The two companies signed an agreement whereby TALX's UC eXpress service handles the unemployment claims administration process following the separation of Shell employees. Since then, the companies have inked three additional contracts, including the most recent, the implementation of the ePayroll paperless pay stub service that Shell calls ePay. The new service allows Shell employees to receive their pay stubs and other pay information electronically or via the telephone through a secure access, thereby removing the cost of printed pay stubs. "Paperless pay stubs are complementary to boosting direct deposit rates, which in turn saves an employer the time and money associated with printing checks," notes Mike Smith, TALX vice president of marketing.

Shell and TALX exemplify the importance of relationship development in the context of outsourcing HR functions. While many companies have opted for comprehensive soup to nuts HRO programs, where a broad spectrum of HR functions are outsourced on a relatively fast timetable to a single provider, other companies prefer to take their time, introducing the outsourced functions to employees over a longer-term horizon. "Change management is a critical consideration here when it comes to outsourcing, so we like to take a phased-in approach, outsourcing a single function in a part of the organization before we roll it out across the board," says Bill Fitzpatrick, vice president of HR for Shell Trading, the division of Shell that will first experience the new electronic pay concept.

Shell's approach to outsourcing also is favored by TALX. "Shell has a strategy of selective outsourcing, choosing to outsource the functions that it determines take them away from their core competencies," says Smith. "We believe this is prudent outsourcing in that it allows you to obtain best practices on a function-by-function basis. It also gives a company the opportunity to test the competency of the outsourcing service provider before moving forward in the relationship with other assignments."

BUILDING THE FOUNDATION

Shell's first go around with TALX in the unemployment claims administration area is a bona fide winner, saving the company a substantial amount of capital. When erroneous or inaccurate unemployment claims are discovered, TALX files appropriate protests and provides hearing preparation and representation for Shell. Annually, TALX has removed more than \$4 million in claims liability for Shell and recovered more than \$300,000 in state-charged errors. "In 2004, for example, we were able to remove \$4.4 million in liability that was not charged against the unemployment accounts nationwide," says Kelly Owens, TALX client relationship manager for Shell's UC eXpress account. "In addition, we found \$318,000 in overcharges, meaning people were collecting benefits they were not eligible for or that Shell tax accounts were charged erroneously. When combined, we were able to save Shell \$770,041 in actual tax payments for the year, marking a significant return on investment."

TALX handles unemployment claims electronically through a proprietary system that is an efficient paperless method for processing unemployment claims from all 50 states. "We manage the claims electronically and respond appropriately with information provided by our clients," says Smith. "Through this automated process, we've been able to increase the amount of disqualifications and charge credits coming from the states. Essentially, we're identifying things that had been overlooked when this was a paper-intensive process." The automated processes are streamlined for the client and are more efficient for TALX, as well. "Our unemployment team receives tens of thousands of unemployment claims on a daily basis on behalf of our clients, and we process all of them electronically," Smith adds.

The success of this initial outsourcing agreement encouraged Shell to implement TALX's automated employment and income verification service in August 2003. Known as The Work Number, this service benefits Shell by removing approximately 10,000 incoming requests from mortgage lenders, credit card agencies, social service agencies, and other entities that have a need to verify a Shell employee's income and employment status. "We're able to assist Shell by providing a faster response to a request, as well as reducing their liability and providing better overall service to employees," says Jeri Sims, TALX CRM manager.

"If an employee is getting a car loan and needs verification instantly, they don't have to wait for a response," Tom Fischer, manager of product marketing at TALX, adds in, "they simply call The Work Number and get instant verification. Our goal is to help the application process move faster. It is not uncommon when the verification is handled internally that employees can wait two weeks to a month to get a response."

The Work Number also protects the privacy of employment information and eliminates a particular concern at Shell that too much employee information or inaccurate information could be provided to agencies requesting this data. "Companies have a concern that remote managers are being put in compromising positions being asked to provide employment verification that might result in a slip, like saying that 'Tom works for us but he's out on recovery,' when the individual may no longer work for the firm," Smith explains. "They want to avoid that kind of liability and assure a consistent, accurate response all the time. Moreover, they don't want managers with screens up on their desktops containing private employee information that could create an identity theft risk. When TALX handles this work, their exposures in this regard are vastly reduced."

In 2004, Shell worked with TALX on another outsourcing assignment the outsourcing of Shells W-2 process. Rolled out at the end of last year, more than 7,800 Shell employees now receive their W-2 information electronically via TALX's W-2 eXpress service. "We also provide electronic reissues and corrections [to W-2s]," Sims notes. Each time an employee consents to receive the W-2 electronically, it translates into savings for Shell and additional convenience for employees. But, Fischer says the key to the success of the relationship is TALX's receptivity to Shell's priorities. "Employee sensitivity and satisfaction are always at the top of the mind at Shell," he says.

STUBBING OUT PAPER

Each of these outsourcing assignments boosted Shell's confidence to discuss other outsourcing strategies with TALX, culminating in the most recent agreement between the two companies paperless pay stub and pay information services. Implemented initially as a pilot program, this service will be rolled out to all Shell employees in the coming months, beginning with employees at Shell Trading." Employees will have 24 by 7 access to pay information, with deductions clearly explained and available via an Internet-based system," says Carter from Shell.

"Previously, we were printing paper copies of the pay advice for employees for each pay cycle and distributing these hard copies through the mail. You can imagine the manual labor," she notes. "We wanted to get out of the paper end of the pay business, with these funds deposited electronically or via pay cards and the pay stub information electronically available to employees, as well."

Shell talked to TALX and other service providers in building the business case for the electronic pay project. Ultimately, it determined TALX had the best product and a track record of consistently providing high level service. "We undertook a cost-benefit analysis of migrating to an electronic mechanism for payroll, as opposed to a human and mailing mechanism," says Fitzpatrick. "We estimate about \$500,000 in annual savings more than enough to go forward with this decision."

By giving employees 24-hour access to their pay information and providing pay cards as an additional option to employees, Shell greatly reduces the cost of printing checks, not to mention the problem of lost checks. Moreover, employees obtain immediate access to their income in a secure manner. "They don't have paychecks and associated pay information going through the U.S. mail," Carter explains.

Employees can not only obtain information about their pay from the Internet, but also have it faxed to them or receive it over the phone in English or Spanish. They're also able to access a greater degree of detail about their pay and related deductions, reducing the likelihood they will call HR for answers. "There's only so much information you can put on a paper pay stub," notes Carter.

At present, Shell employees continue to receive their pay information via traditional pay advices, although this information is now posted online as well. Shell has been encouraging employees to use the online tool as part of its preparatory work to transition fully to the TALX-provided system. On September 1, 2005, the company will stop printing and mailing pay stubs to approximately 1,000 Shell Trading employees. While 94 percent of Shell U.S. employees currently are paid on a direct deposit basis, Fitzpatrick is sanguine that the new electronic pay strategy will entice many other Shell employees to follow suit. "This is all about putting our W-2 process, employment verification, and pay information into an electronic, online format that has now been outsourced," he says.

TAKING IT SLOWLY

The gradual, phased-in outsourcing approach taken by Shell and TALX solidifies relations between the outsourcer and the outsourcing provider, and makes for an easier transition to the outsourcing model for employees. "We have found that when you are outsourcing functions that traditionally were handled by HR, it is best not to hit employees with too much at once," says Smith from TALX. "Our focus is on staging things to manage client success through each phase. It is much better, in our view, to start with one or two things than a whole plethora of services at once."

Even a gradual outsourcing approach will encounter some resistance. In introducing the new paperless pay stub to employees within Shell Trading, for example, Fitzpatrick and Carter concede there was some initial "noise," although this has quickly died down. "Just this morning, I got my staff together and asked about the hallway talk the issues and problems they were hearing about the new functionality and outsourcing strategy," says Fitzpatrick. "They said the noise had virtually disappeared now that the system is online. More than 500 employees have, in fact, logged on to ePay and started looking at their pay information online." Helping to ease the transition was Shells communications strategy about the new outsourcing endeavor. "We approach change management very seriously here, and I believe our constant flow of reminders through e-mails, posters, and newsletters that this was coming paved the way for a smoother introduction," says Carter. "I've heard that employees that have gone online and seen their paychecks were surprised about the level of detail accorded various deduction fields. They are now believers, which will help us as we roll it out across the rest of the organization." (In some U.S. locations, Shell employees are represented by organized labor, requiring the company to hold discussions with those groups before implementing the changes, Carter notes.)

Next on the drawing board for Shell and TALX is the possibility of automating Shells required I-9 forms. All U.S. employers are responsible for completion and retention of Form I-9 for each individual they hire for employment in the United States, including citizens and non-citizens. On the form, the employer must verify the employment eligibility and identity documents presented by the employee and record the document information on the form. Recently, the U.S. Congress passed a new law that allows the forms to be executed electronically. "We just did a presentation to Shell on the I-9 service, which our client advisory board identified as a major problem for employers," says Sims.

Carter comments: "We have no specific plans yet on the I-9 outsourcing concept, but we're definitely looking at it. TALX has been a terrific company to partner with, right from the beginning. "