

Cleveland Electric eliminates the shorts in its payday circuits

Snapshot

- Client:**
- Cleveland Electric Company, Atlanta, Georgia.
 - Provides electrical construction services for commercial and industrial accounts.
- Employees:** - 600
- Problems:**
- High cost of distributing paychecks to employees at 20 to 25 job sites.
 - How to achieve 100% direct deposit participation
- Solution:**
- Use payroll accounts from Skylight Financial as a cornerstone of new 100% direct deposit policy.
- Benefits:**
- No need for costly special trips by foremen to pick up checks
 - Greater productivity of job crews
 - Reduced complaints to payroll department
 - Estimated savings: \$2,000 per week

Productivity plummeted on paydays.

At Cleveland Electric Company, an Atlanta-based electrical construction company, about 480 of the company's 600 employees work at commercial and industrial job sites throughout the metropolitan area. Weekly paydays were costly:

- A supervisor or foreman from each job site drove a company vehicle to headquarters to pick up the crew's paychecks. Assuming an average total trip of 40 miles at an operating cost of \$0.40 per mile, the transportation costs per site averaged \$16.
- Assume a cost of \$20 for the supervisor's lost time.
- The crew's productivity suffered during the supervisor's absence. Then, when checks were distributed, work would cease while employees scrutinized the accuracy of their checks. Assume lost productivity of \$1 per worker, or \$20 for a crew of 20.

- Finally, factor in the extra time employees often needed to cash their checks during lunch hour. Assume three lost hours per site at an average hourly wage of \$15.

That amounts to a weekly paycheck distribution cost of \$101 per site. Considering that Cleveland Electric usually has at least 20 active job sites at any given time, the annual costs were about \$100,000. So it's easy to see why Bill Mellon, Cleveland's CFO, was eager to get all employees on a direct deposit system.

No bank account? No problem.

"We wanted 100% participation in order to get more productivity out of the field force," said Mellon. "Direct deposit would keep superintendents and foremen from having to leave the job sites, eliminate lost time when people reviewed their check stubs, cut unnecessary mileage costs, and avoid extended lunch breaks while employees cash their checks."

In 2004, the company's workforce accepted a new policy that direct deposit would become the company's new way to pay. There was only one obstacle: Some employees had no banking relationship.

"We didn't know that there was anything like Skylight Financial in the market," said Mellon, "so I went around to several banks trying to establish a central company account and then issue multiple ATM cards for different employees on that one account. The banks weren't interested in creating and providing that service."

One bank, however, found a solution. SunTrust, Cleveland's primary bank, partnered with Skylight Financial to offer an ATM-accessible payroll debit service to the bank's business customers. A representative of SunTrust's treasury management services department proposed the Skylight service at a meeting with Cleveland Electric executives.

"I guess she could see my eyes widen, because this was exactly what we had been looking for!" said Mellon.

Skylight opens banking doors for some employees.

Implementation of the direct deposit program went smoothly, according to Cindy Mistretta, Cleveland Electric's payroll manager. Each employee was offered the option of having pay checks deposited to his or her existing account or to a new Skylight Financial account. Signing up was as simple as faxing a signature card from the job site. Mistretta went to several sites to sign up groups of employees. "The very first guy I signed up is still working here and is still using Skylight," she said.

"I have nothing but great things to say about everyone I have ever dealt

with at Skylight,” Mistretta added. “They have always been extremely helpful. If I have an employee who has questions or difficulties, I can always reach someone who is able to look at account activity immediately and answer our questions. Skylight’s customer service team is a great group of people to work with.”

The construction industry has high turnover, Mellon noted. To maintain its workforce of 600, Cleveland must hire about 2,000 people every year. For many, the Skylight account serves as an introduction to banking that leads them to eventually establish accounts at local banks.

Skylight Financial, Mellon believes, was the catalyst that enabled Cleveland Electric to move to 100% direct deposit. The payroll department, he added, has seen a drop in complaints about payroll issues since the company stopped issuing paper checks.

“Skylight has become a routine part of our processing procedure. If someone comes to work here and needs a direct deposit alternative, they automatically get paid on a Skylight card,” he said. “All employees get their pay deposited electronically, and the pay stub is mailed to their homes. We have solved the paycheck pick-up problem.”