

How to Implement an Employee Payroll Deduction System

Step-by-Step Guide

Most hospital gift shops today offer Employee Payroll Deductions to hospital employees.

Benefits to Customers

Employee Payroll Deductions increase a hospital employee's buying power. Employees appreciate being able to take advantage of the convenience of buying without cash up front and interest free.

It can be considered an employee benefit yet it does not add significant costs to your hospital.

This is a great way to make your gift shop more employee-friendly. If employees know they can avoid a trip to the mall, it will make their lives easier and less stressful. This, in turn, will improve their job performance.

In many hospitals, payroll deductions are also available for purchasing uniforms, pharmacy prescriptions, cafeteria meals, parking, contributing to United Way and other pledging within the hospital.

Benefits to the Gift Shop

Your hospital gift shop can *increase annual sales by 30%-40%* by implementing an Employee Payroll Deduction program.

Requesting an Employee Payroll Deduction Program

Begin your request for this program by providing the necessary information to the decision makers in the hospital - usually a hospital administrator and/or the director of payroll.

- SAMPLE LETTER OF REQUEST -

TO: Hospital Administrator
FROM: The Auxiliary and Gift Shop Manager
SUBJECT: Employee Payroll Deduction Program for the Gift Shop

The gift shop would like to implement an Employee Payroll Deduction program.

This program would enable hospital employees the convenience of making purchases in the gift shop and having the amount deducted from their paycheck at the end of each month. We believe employees would appreciate being able to take advantage of the convenience of buying without cash up front and interest free.

Hospital gift shops across the country have realized a 30-40% increase in sales by offering employee payroll deduction programs. Employees make up 75% of the gift shops customer base.

A \$10 minimum and a \$200 maximum deduction transaction would be imposed.

This past year the gift shop gave \$_____ to the hospital for patient programs and equipment. That amount could be greatly increased if this convenient payment option were offered.

Thank you for your consideration.

Employee Payroll Deduction Options

There are many ways to set up an Employee Payroll Deduction system. They require a volunteer or shop staff person to maintain records either by hand or by entering the data into a file and emailing it to the Payroll Department. Either way, the shop is responsible for providing the Payroll Department with the information necessary to take the deductions from employees' paychecks. Recordkeeping can be done weekly or bi-weekly.

Shops that have a Point of Sale system that scans employee badges along with the purchase information can easily transmit electronically the data directly to the Payroll Department. Or, they can use a software like GemPay to process the operation.

When done manually, without a POS System, the following sample form can be used. Prepare a three-copy version: one for the gift shop, payroll, and customer/employee.

Employees must show their ID badge at time of transaction.

Form must be filled out by the cashier and signed by the employee.

- SAMPLE PAYROLL DEDUCTION FORM -

AUTHORIZATION for GIFT SHOP PAYROLL DEDUCTION

First Name _____ Initial ____ Last Name _____

Employee ID # _____ Work Phone _____

TOTAL DEDUCTION AMOUNT
\$ _____

Signature _____ Date _____

I authorize the following deduction and its remittance in accordance with schedules established by the Hospital. I acknowledge that if I resign or my employment is terminated, the existing balance of my account is to be deducted from my final payroll check. If the remaining due exceeds the amount of my final check, I agree that I will promptly remit to the Hospital any amount still due.

Employee Payroll Deductions eliminate the frustration of layaways where items might sit around and get damaged or misplaced. It also eliminates time spent repeatedly contacting customers who fail to pick up their merchandise. Often, they have changed their minds and don't want the items that have been held.

NOTE: The gift shop should provide a handout to address any questions from employees regarding their deductions.

Deduction Plans

There are several deduction plans or schedules to consider when designing your program:

- One deduction only where the entire purchase amount is taken out of the employee's next paycheck. This method involves the least amount of paperwork.
- One deduction only, unless the total of a single transaction is \$100 or higher, then the total amount can be split into two payments.
- One deduction for purchases under \$50 and two deductions for purchases over \$50.
- \$50 or more taken out of each paycheck (with a three-pay period limit).
- A stepped or graduating deduction plan as follows:

\$10 - \$25	1 deduction
\$26 - \$50	2 deductions
\$51 - \$75	3 deductions
\$76 +	4 deductions

Minimum and Maximum Purchases

The higher the minimum deduction, the less paperwork for both the shop and the payroll department. A \$5 minimum purchase amount is typical. A higher minimum will reduce sales using payroll deduction.

Many shops have a \$200 limit on purchases made through payroll deduction. A small number have no maximum for purchases. The range throughout the country for "maximum allowed purchases" is \$150 to \$300.

The employee must sign the payroll authorization form or have their employee badge scanned for each purchase.

Automated Payroll Deduction with a Point of Sale System (POS)

Automated payroll deduction systems use the magnetic strip or bar code on employee ID badges to process transactions. They are fairly common and your hospital may already be using them. Adding a payroll deduction capability to the system is ideal for gift shop purchases.

Typically, the employee must be a permanent and employed for at least six months. No LOA, temps, or supplemental employees. An employee ID badge is swiped at the register at the time of purchase.

Credit limits (minimum and maximum purchases) are built into the software.

The deducted amount is customizable based on the outstanding balance. The deductions can be calculated as follows, always based on the current balance:

EXAMPLE

\$0 - \$34.99	Full Deduction
\$35.00 - \$100.00	\$35.00
\$100.10 - \$150.00	\$55.00
\$150.01 - \$200.00	\$65.00
\$200.01 - \$250.00	\$75
250.01 - limit	\$100.00

Balances are indicated on the payroll deduction receipt, which is given at time of purchase. They may receive their balance amount at any time by having their badge swiped at the cash register. Their signature on the receipt authorizes the deduction. If termination occurs, the final balance will be deducted from their final paychecks.

- Customer signs receipt like a credit card.
- Shop gets one copy and customer gets other.
- System provides a report at end of pay-period for the payroll department.

Risks

There can be losses when an employee with a balance due quits without notice and cannot be located. But, the benefits of this program far exceed the losses. In the event that this happens, we've provided template language attempting to recover lost revenue. Send the following to an employee after they have been terminated.

- Recover Balance Due from Terminated Employee-

Dear _____

On (date), you purchased merchandise using your payroll deduction at the Hospital Gift Shop or one of their sponsored fundraisers.

Your employment was terminated before your obligation was complete.

Attached is a copy of the contract you signed in good faith for such purchases. Please remit the balance due to the Gift Shop by check or credit card using the form below. Failure to complete your contract will result in the matter being turned over to a collection agency.

If you have any questions, please contact me at ____-____-____

Sincerely,

Gift Shop Manager

Cardholder First Name _____ Initial ____ Last Name _____

Employee ID # _____ Phone _____

PAYMENT OPTIONS

☐ Visa ☐ Master Card

Credit Card # _____ Expires _____ CVV # _____

Amount \$ _____

Signature _____ Date _____

OR

Mail Check Payable To:

ATTN: Gift Shop Manager

Hospital Gift Shop

_____ (address)