

4 KEY PRINCIPLES OF HRMS PAYROLL MANAGEMENT

Four steps you can take to maximise returns on HRMS payroll integration

GUIDE HIGHLIGHTS



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"To make payroll software worth the investment, there's an awful lot of self-analysis your company will have to go through first"

Reading the marketing materials provided by payroll software providers, you'd think that managing payroll with your HRMS is the easiest thing in the world.

In some senses this is true.

With the right knowledge and the right software, it's easier than ever to combine payroll with your other HR functions - with fantastic results.

What vendor representatives won't tell you is that to get the most out of new software, you'll need to examine your payroll processes, map out current workflows and take a check on how engaged your employees are with your self-service functionality.

To make payroll software worth the investment, there's an awful lot of self-analysis your company will have to go through first. **This is the difficult bit.**

We've outlined four steps you can take to maximize the return you can get on HRMS-integrated payroll.



REVIEW YOUR EXISTING PAYROLL PROCESSES

The question, "Which came first?" may be relevant to chickens and eggs but there's little debate to be had concerning payroll software and payroll processes.

Any new software is an opportunity to review and examine the current processes for potential improvements and payroll is no exception.

However, if you select the software first, then any changes to processes and procedures will be driven and restricted by the capabilities of the technology.

Far better to assess your payroll processes beforehand, as part of researching and gathering the requirements before you go in search of the ideal software package. Let's examine the basic steps in reviewing your payroll processes.

PROCESS MAPPING

Take some time to **map out each payroll process** under review.

Track the information from action to action and from person to person. What you're looking for are bottlenecks - those steps which slow the flow of data - which can be ripe for a different way of doing things.

Furthermore, search for errors; some stages will cause more mistakes than others. Examine these for the causes of those mistakes; are they human, procedural or technical? How can they be avoided?

Finally, the mapping process should show up any redundancies, such as unnecessary checks and monitoring; what are the touchpoints for the data?

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BE CLEAR ABOUT WHAT YOU'RE AIMING FOR

Tempting as it is to fix mistakes and redundancies as soon as you spot them, be patient.

Now that you have all the information, take time to agree the strategic priorities for your review. No doubt you want a payroll process that is both faster and more accurate, but if faced with a process stage that can be tweaked for one or the other, which do you choose?

Knowing the organizational priorities upfront as they apply to payroll provides a clear framework to the review process. Consider the wider picture, including budgets, other ongoing organizational change projects, relevant legislation and your overarching business goals.

PROCESS DESIGN

Now you can start to change the processes, addressing the issues discovered earlier. Bear in mind the following constraints and opportunities:

- The differing roles and responsibilities in your organization
- Opportunities for building in self-service functionality
- Issues of risk and information security
- Possible access via mobile apps
- Compliance issues - legislation, regulations, reporting, etc
- Impact on other HR functions such as time and attendance, and benefits administration
- Employee reaction. However good your changes, they have to be fully adopted by the workforce to be of benefit.

Finally, to return to the chicken and egg question... although you should ideally never allow the software to drive the process review, it is worth researching the market in general to know what automation is broadly possible, and what isn't.

Reviewing payroll processes is an essential step prior to selecting and implementing a new system.

The potential cost of not doing so is that you attempt to automate processes that are cumbersome, inefficient, out of date, or just simply broken. Even the best software can't fix that.



ENSURE PAYROLL AND SELF-SERVICE CAN WORK IN-SYNC

Self-service functions are great for engaging the workforce more directly in HR practices, and is often essential for your payroll processes to function properly.

Common self-service payroll functions include online payslips, access to tax reports and other deduction statements, and easy changing of personal details and payment methods. If your employees don't use these then your accounts department will run chaotically, regardless of how good your software is.

There are a number of hurdles to getting your employees to engage with your self-service module, and these should be considered when implementing or updating your payroll package.

You'll have to deal with the following:

TRAINING

If they can't use it, they won't use it. Proper training is essential if you want your employees to make best use of payroll self-service. The drawback here is the amount of time needed to design, deliver and evaluate training, potentially to everybody in the organization.

RESOURCE ISSUES

New software is rarely cheap. The TCO includes many more factors than the price in the vendor's brochure, potentially including maintenance, support, and the 'hidden' costs of staff time, especially during implementation training.

Selecting and implementing a new HRMS or payroll package requires time and money, and the more self-service functionality you expect people to use, the more time and money the implementation will take.

USER ADOPTION

Once the dust of implementation has settled, what proportion of your workforce are using the new self-service features?

The best answer is, of course, 100% but the reality can be very different. You can drive up usage by de-emphasizing the old processes, yet **for every user who avoids using the system to its full capacity, your ROI is reduced.**

These are good reasons for caution and not diving straight into an over-ambitious set of self-service functions. Self-service can be a big culture leap for a workforce. If they've been used to calling or visiting their HR representative and receiving personal service then you can understand why they may not initially see the benefit of the DIY approach.

When deciding which HRMS self-service functions to implement, consider:

- **Stakeholder needs:** what's in it for them; features that meet these needs are easy to sell and will generate a higher initial adoption rate which you can use to leverage better use of the features you introduce at a later date.
- **Access:** put simply, how easy is it for your users to access the system? In an organization in which everyone has their own PC, tablet, smartphone or other internet-enabled device, no problem. However, in a different environment (e.g. a more industrial manufacturing setup) you may need to provide multi-user access via kiosks or something similar.
- **Cost:** look at the true cost of your self-service package and the expected benefits and returns. Be very clear that there is a business case for each feature you want to introduce.

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INTEGRATE PAYROLL WITH YOUR MAIN HRMS

Payroll does not function in isolation, especially technologically speaking.

Getting your people paid on time depends on data from and links to your accounting software and time and attendance system. Then consider the overlap with benefits enrollment and management, plus using salary and tax data for cost reporting and HCM analytics.

The need to connect with other business intelligence systems and HR modules is clear, and this is largely why **payroll is increasingly integrated with other HRMS functions**.

Let's lay out the specific benefits of exploring the various HRMS integration opportunities for payroll:

SINGLE DATA ENTRY

This one may be obvious but it also has arguably the biggest impact. If everything is working from a single database – or at least, a combined database with shared access to data between systems on a sort of 'exchange' basis – then updates and changes are made once and once only, vastly reducing the likelihood of errors and mistakes later on.

LESS PAPERWORK

Assuming you still have some paper processes, with your HR, accounting, and payroll information all in the same or combined database, you'll be saving both time and trees. For example, changes to benefits are automatically reflected in your HRMS' payroll operation so there's no need to set up a new deduction by hand.

BETTER QUALITY REPORTING

As the importance of analytics continues to grow, the expectation of management and leadership is that sophisticated data-driven insights into the workforce will lead to yet more efficiencies and boosts to productivity.

Unless the reporting software and number-crunchers can integrate payroll, a significant dataset will be missing from the output.

SAVING TIME WITH SMOOTHER TEAMWORK

Even if payroll is handled within the HR department, the likelihood is that the function is carried out by a separate dedicated team within the larger HR family. Again, if everybody is accessing the same database via the same system – your HRMS – then the odds of a payroll error are minimized; especially compared to the days when the information needed for a payroll run was handed over manually and then re-input.

SEAMLESS ACCOUNTING

Employee compensation might be your biggest expense but it's still only one budget heading among many. The finance or accounts department take a bigger picture view of organizational finances and rely on accurate data from all teams, including HR and payroll.

The right payroll software with the right API will interface with the most common accounting software packages, such as QuickBooks or Xero, keeping your accounts department happy.

Finally, when it comes to HRMS payroll integration, perhaps the most basic driver is that the majority of businesses are doing it, integrating payroll functionality with ERP, accounting, and other HR software.

Possibly the most persuasive argument of all is, you don't want to be left behind by your competitors.



AUTOMATE YOUR PAYROLL COMPLIANCE

One of the major benefits of automating your HRMS payroll processes is not having to worry about legal and legislative requirements.

Whatever territory or country you're in, the appropriate payroll software should take much of the burden of compliance from your organizational shoulders.

Before you dive in, take the time to do things properly. Here are a couple of areas to think about before you start:

INTEGRATE PAYROLL WITH TIME AND ATTENDANCE FOR BEST RESULTS

Starting at the beginning of the process, accurate payroll and payment of salaries depend on accurate records of the time worked by each employee. Any error will result in an over- or underpayment (the latter may occasion a quicker complaint).

Furthermore, different rates for hours worked over and above an employee's contract are often determined by legislation - for example, in the US, this is covered by the Fair Labor Standards Act.

Any errors affect payment and cause administrative headaches, especially in the event of an audit, but the appropriate software integrated with your time and attendance data will go a long way to preventing problems.

BE AWARE OF MULTI-STATE (OR MULTI-COUNTRY) PAYROLL ISSUES

Perhaps your organization employs people in several countries or states.

If so, they will be subject to differing employment legislation and labor law, including minimum wage rates, tax withholding requirements, and so on. You may have separate HRMS payroll software for each country, or you may opt for a global payroll system that is sophisticated enough to manage the whole workforce.

On an individual level, there are other issues, including misclassified employees and garnishment or attachment of earnings. Depending on the status of an individual providing services to your organization, that individual may not legally be an employee – independent contractors, temporary

employees, freelancers, all are treated differently for purposes of benefits, and tax withholding, and have different requirements for compliance reporting.

Garnishment or attachment is a very specific issue that arises when a court directs an employee to deduct a regular amount from an employee's paycheck (usually to pay off a court order or debt). This requires additional administrative time which can be minimized using the right technology.

Finally, as part of your research prior to selecting and implementing HRMS payroll software, you should ensure you are fully aware of all legislation that impacts on your payroll and/or requires you to report on associated matters. For example, in the US, the key federal legislation is:

- Fair Labor Standards Act (FLSA)
- Equal Pay Act
- Federal Insurance Contributions Act (FICA)
- Federal Unemployment Tax Act (FUTA)

Every country will have a similar list. Hopefully, you already have this knowledge in-house because you are already administering your payroll. However, it's worth bearing in mind that the law changes regularly and new software is an opportunity to review and renew your knowledge of the legislation.

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