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MAXIMIZING TIME AND CREATING VALUE IN PAYROLL

How to improve three core areas within payroll to yield powerful results

> **Time is more valuable than money. You can get more money, but you cannot get more time.**
>
> **JIM ROHN,**
> American entrepreneur, author, and motivational speaker

When it comes to time, there never seems to be enough. Just ask any administrative employee — once you finish processing one payroll cycle another one starts. There's year-end processing and balancing; quarterly and annual reporting for a variety of federal, state, and local agencies; compliance updates and risk management; employee inquiries — and the list goes on.

As if administrative staff didn't have enough on their plates, they are increasingly fielding requests from business leaders who want actionable reports and data for better decision-making. As organizations look to data to help drive strategic decisions in pursuit of business goals, how does that impact payroll? What's needed for payroll to successfully meet these new expectations while still delivering on day-to-day activities? And can they meet expectations with already-lean staff and resources?

These time constraints are nothing new, but what is new is how administrative staff are tackling the challenge. They are discovering how to strategically leverage today's best-of-breed human capital management (HCM) technology to better manage the expectations and demands placed on today's admin teams to achieve greater business results. By investing in an HCM solution as an integral part of their workforce management strategy, businesses can align and create efficiencies within three core areas of payroll — compliance, processes, and data visibility. This will free up time for an already-over-burdened admin team to take on company-driven projects that can add value and improve bottom-line results for the organization.

Payroll Today

In a recent Brandon Hall Group survey ranking HR priorities, leveraging HCM as part of an overall workforce management strategy ranked high at 41 percent — second only to regulatory compliance at 51 percent.[1] Since payroll is a key component of an effective human capital management strategy, how can payroll help HR meet its goals and objectives? If your admin team is already understaffed and overburdened, requesting that they find time for high-level projects may be overly ambitious at best, or extremely shortsighted.

Results from the Mercer Payroll Benchmarking Survey 2015 found that payroll professionals spend much of their time on day-to-day activities,[2] such as:

- Data entry tasks — 18% (also the highest in error-prone activities at 35%)
- Oversight/management — 17%

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[1] Brandon Hall Research Team, HCM Outlook 2016: Top Priorities, Brandon Hall Group (January 13, 2016), found at https://membership.brandonhall.com/posts/1093692-hcm-outlook-2016-top-priorities.

[2] Virginia McMorrow, Mercer Payroll Benchmarking Survey 2015, Payroll Operations Country Survey United States, Mercer LLC (2016), at 15, 22. [3] Ibid at 8.

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When looking at processes and systems, 33 percent of respondents from the Mercer survey indicated that they have fully automated integrations between time management and payroll systems, yet nearly a quarter (23 percent) still process payroll using manual file uploads.[3] This statistic highlights an important — and costly — gap: many organizations are still choosing to manually upload data, even when they have access to fully automated integration technology. Manual processing of employee data unnecessarily introduces the potential for error, exposing the business not only to direct errors in payroll, but also to unintentional compliance issues.

Admin teams still using manual processes or disparate systems are faced with an inevitable question: "Isn't there a better way to use my time?"

The answer is "yes!" A single-source platform for payroll and time and attendance can impact day-to-day operations and free up time for the admin team to focus on higher-level activities. We'll examine three key areas of payroll:

1. Minimizing compliance risk — in a rapidly changing environment

2. Improving productivity — with tight budgets and limited staffing/resources

3. Increasing data visibility — easy access and a single source of truth

1. Minimizing Compliance Risk

In 2015, Fair Labor Standards Act (FLSA) wage suits hit an all-time high, totaling 8,781.[4] The Department of Labor's Wage and Hour Division uncovered more than $246 million in back wages for more than 240,000 workers in fiscal year 2015.[5] Given the recent flood of changes in federal, state, and local regulations, the trend of escalating wage suits is unlikely to abate any time soon.

Staying abreast of changes in regulation is challenging — and often costly. For instance, the recent Mercer survey shows that, on average, an organization has almost five tax and/or compliance audits annually (both internally and externally) and pays $4.36 per employee annually in penalties.[6] For a company of 1,000 employees (5 audits per year x 1,000 employees x $4.36 penalty per employee), that adds up to over $21,000 per year just in penalties.

Unfortunately, many companies simply do not have expertise in every legal and tax change that admin teams and systems need to process payroll appropriately. As administrative leaders address developments in the law, they will need to consider how new rules affect payroll and their organization, as well as how the organization ought to plan to update its systems to stay compliant.

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[3] Ibid at 8.

[4] Aaron Vehling, Wage Suits Hit Record High Amid Focus On Worker Rights, Law 360 (November 25, 2015), found at https://www.law360.com/articles/731018/wage-suits-hit-record-high-amid-focus-on-worker-rights

[5] Working for a Fair Day's Pay, United States Department of Labor (March 9, 2016), found at www.dol.gov/whd/statistics.

[6] Virginia McMorrow, at 38.

As seen with the changing regulations in 2015 (e.g., DOL overtime, state sick leave plans, and ACA reporting requirements), managing workforce compliance will continue to become more complex and difficult to handle manually. Staying ahead of the curve and ensuring that smooth, streamlined processes are in place to automatically receive software compliance updates can be challenging. When software is only partially auto-mated, there is risk that the required updates to stay compliant may be outdated before you have had a chance to implement them. This puts the organization at risk for inaccurate paycheck calculations and audit and compliance liability.

Administrative leaders should review the following:

- Do you have the time to keep up with the constant stream of regulatory updates?
- How much time is spent trying to ensure your systems have the most up-to-date regulations?
- How often do you need a system upgrade or custom development to stay current with regulations?

In order to navigate compliance with confidence and assurance, payroll teams need to have trust in their technology solution and services. Ideally, payroll technology solutions should have automatic regulatory and compliance updates pushed to their systems regularly or on demand as needed. This in turn reduces efforts needed to maintain or even customize the payroll system. Moving from a manual, semi-automated or dispa-rate solution to leveraging a fully integrated single platform for payroll and timekeeping can help your company meet regulatory compliance and minimize risk.

2. Improving Productivity — Doing More with Less

Many organizations are faced with a "do more with less" mandate, which extends to their staffing. Tight budgets are getting even tighter and staffing and resources are being impacted, which can affect the retention of administrative personnel. The expectation is that admin teams can still produce the same quality (or better) and the same volume of work with fewer resources. Under these circumstances, payroll is being pushed toward streamlined processes, fewer manual processes, and less data entry — changes that are necessary to accomplish routine activities and crucial if payroll is to contribute to the company's goals and objectives.

Finding efficiencies in those mandatory payroll processes is the key to uncovering pockets of time that can be repurposed. On average, the weekly payroll cycle takes 1.9 days to process, and the more common biweekly payroll cycle takes 4.6 days.[7] In addition to the routine payroll process, most companies will process an off-cycle payment for a variety of reasons, which can add an additional 1.4 days to the payroll week.[8] Automating and outsourcing payroll processes can streamline tasks and alle-viate staff to focus on more important initiatives.

[7] Virginia McMorrow, at 19.
[8] Ibid.

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The responsibility of the admin professional doesn't end when the payroll checks are cut. Research and metrics of payroll operations found that:

- Roughly 1.5 admin staffers are responsible for 1000 employees[9]
- On average, for every 100 employees there are 79 inquiries annually[10]
- The average resolution time for a payroll inquiry is 24 to 48 hours[11]
- The most common inquiry is related to pay slip questions, at 25%, followed closely by missing pay, at 22%[12]

Based on this data, the admin team has little or no time to spare. The challenge becomes how to find time for the extra demands being made of payroll. As business leaders tackle the issue of uncovering more time for the administrative department, they should consider these operational issues:

- Are there still manual processes that could be automated?
- Do processes have unnecessary steps due to system limitations?
- Is data entered in multiple places?
- Are older systems slowing down the processing time?

According to a CedarCrestone report on the practices of top-performing organizations, more than 80 percent of top performers' staff have access to self-service administrative applications, such as basic data changes, payroll, and benefits.[13] By providing employees with self-service and mobile capabilities for basic tasks that would normally involve an admin professional (e.g., tax changes, direct deposit forms, and address changes), there is less paper and manual data entry for the admin professional. This can significantly reduce the amount of time administrators spend on daily routine tasks, thus freeing up time to focus on projects and other initiatives that help drive business goals.

Outsourcing and streamlining processes help admin professionals do their jobs by reducing manual effort and increasing productivity. For every payroll cycle processed, standard checklists are used, many times on slips of paper or Excel spreadsheets. When these hard-copy pieces of paper or spreadsheets are used, they can be lost and are hard to use when multiple users all need access to process the pay. Using a single-platform solution, admin professionals can utilize native process flows and configurable checklists with audit reporting capability directly in the software. Simplifying day-to-day processing can also help increase job satisfaction and reduce administrative employee turnover and associated costs.

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[9] *Bloomberg BNA, Payroll Department Benchmarks and Analysis 2015-2016 (2015), at 51.*

[10] *Ibid at 209.*

[11] *Ibid at 188.*

[12] *Virginia McMorrow, at 39.*

[13] *CedarCrestone, The Seven Practices of Top Performing Organizations, Highlights and Recommendations Taken from CedarCrestone 2012-2013 HR Systems Survey White Paper (2012), at 7.*

3. Increasing Data Visibility to Drive Business Decisions

In today's competitive environment, business leaders are looking for more actionable data analysis, configurable dashboards, and consolidated reporting. More often, payroll is being flooded with data requests — not only at year-end so business leaders can view historical performance, but throughout the year so they can gauge performance in real time.

Standard reports are no longer sufficient to meet the needs of the organization. In fact, according to the recent APA Survey of Salaries 2015, Functions Performed by Payroll Staff, there was a 10.5 percent increase in ad-hoc report requests from 2013 to 2015, jumping to nearly 70 percent of all payroll report requests.[14]

Much of the data being requested is stored in systems that administrators manage and operate daily. When an organization uses multiple and/or disparate systems, there is no single source of truth to provide business leaders with consolidated data. This presents a time-consuming and frustrating problem for admin staff when faced with:

- More frequent requests for reports
- A higher number of reports wanted with each request
- Requests for the same data compiled in different views to highlight specific trends

These days, rows and columns of numbers don't tell the story — data must be visual, easily understood, and easy to access. When multiple systems are only integrated, the process of linking data points in each system is manual, laborious, and prone to errors, with little opportunity to improve day-to-day processes. Integration may be more effectual than using spreadsheets and manual paper processes, but it is not streamlined, simplified, or efficient. Real integration requires organizations to move to a single solution for payroll and timekeeping to improve data accuracy and to be truly effective.

Technology solutions that are natively integrated ensure the data is accurate and defensible, without multiple sources of the "truth." Reports that are pulled from a single system into a useable and data-rich format provide business leaders with insights to manage costs and grow the organization, such as detecting performance highs and lows so they can be more agile and responsive in their operations.

Making the Move Toward A Single-Source Payroll Solution

The goal is not to just replicate existing manual processes with a slick integrated applications and data approach. Sure, it might deliver some value and cost savings, but it doesn't provide a comprehensive approach to creating efficiencies. Truly effective HCM solutions, such as those provided by us, are built on a unified platform and utilize a single source for payroll and timekeeping to deliver the improvements needed for end-to-end processing and creating real efficiencies with lasting value. As noted in Figure 1, when key improvements are made, beneficial business results can be achieved.

[14] *American Payroll Association, 2015 APA Survey of Salaries and the Payroll Profession (2015), at 46.*

Figure 1: Improvements Made and Benefits Realized

AREA OF FOCUS	IMPROVEMENT MADE	BENEFIT REALIZED
Process Improvement	Using checklists and workflows within the payroll technology	*Increases productivity, provides consistency, and is completely auditable*
Mobile/Self-Service	Reduces calls and time spent on customer service requests; reduces manual paper processes	*Increases efficiencies; improves employee satisfaction and engagement*
Simplified Reporting	Better management of requests and output	*Increases accuracy and efficiencies with less time and effort*
Synchronized Compliance Updates	Automatically delivered by the vendor (not manually entered by users)	*Minimizes risks and potential wage suits; reduces time and effort so admin staff can focus on providing insight to business leaders*

When using a single-platform solution for payroll and timekeeping, organizations are able to realize improved net value. An SMB Group study showed that midsize organizations using (cloud-based) workforce management solutions saw improvement in these key performance indicators (KPIs).[15]

- 40–60% increase in utilization of staff resources
- 20–40% improvement in enabling company growth with same or reduced staff/resources
- 4–6% increase in overall company productivity
- 3–5% improved net impact on company profitability

While the numbers above make a compelling case for investing in new or updated payroll technology, small to midsize businesses may still be reluctant to make the shift. They can often feel intimidated by the challenge of figuring out which technology best meets the needs of their organization. The other hesitation is often cost — in which case administrative leaders may be asking: "What is the cost of doing nothing?"

In a world of constantly changing regulations, ever-advancing technologies, increased business expectations, and data-driven demands, a more pertinent question may be: "How long can I hold off doing nothing? And what is it costing me to delay the inevitable?"

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[15] *Sanjeev Aggarwal, Laurie McCabe, and Dwight Davis (SMB Group), Research Study: Cloud-Based Workforce Management Powers Midsized Organizations (September 2015), at 6 (Sponsored by Kronos).*

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The Key to Powerful Results

At its core, the responsibilities of payroll are to manage compliance risk, improve productivity with reduced resources, and increase data visibility. Without alignment in these three areas, it can be quite challenging for admin staff to manage the day-to-day activities and still undertake projects assigned to meet the objectives of the company.

Our solution provides a single-platform HCM system that works for your entire workforce — and across all of your workforce management needs — from time and attendance to payroll, HR, and more. Our HCM solution links your payroll and time and attendance data to help your organization find efficiencies within the areas of compliance, processes, and data visibility. In turn, your admin team can be freed up to assist business leaders by delivering actionable real-time data and executing on your company's projects and objectives that can impact organizational goals and improve bottom-line results.