

# PAYROLL - *future tense*

In the first of a series of analytical and provocative articles **Yvette Lamidey, Director of Paris & Parks Consulting**, looks at the future of payroll

**I**n addition to looking at the future of payroll, the series of articles will look at payroll's relationship with HR, outsourcing and the ownership of data. Thoughts from a range of people in payroll and HR will be reflected within the series as will thoughts from some major providers who have an interest across the piece and to an extent are not only reacting to what's happening with payroll but also developing models and strategies which will influence the future of payroll.

Some of the comments made will be controversial and some will hopefully be thought provoking. Furthermore, it is entirely possible that by the end of the series I may revise my own comments and thoughts as I gather more evidence. And if it provokes comments from members and readers, then so much the better.

## What is payroll?

To put the series into context we are focusing on payroll as a function and as a profession.

Whilst there is in excess of 1.4m employers the number of employers who have someone whose sole role is payroll (let alone have a payroll department) represents only a fraction of those 1.4m employers and that is because – whilst there is a requirement to pay people, and manage that payment with all the associated legislation – employers will not require a resource that is solely dedicated to payroll until they become a 'large' employer. And then of course many people have chosen to outsource payroll so that they do not have to worry about anything re payroll other than providing the data to the provider whether a book-keeper, accountant, a small payroll agent or one of the mainstream providers.

So as a function it is mainly the larger employer we are considering and as a profession encompassing anyone who works within a payroll function – be that in the employer's own payroll department or within an agency/outsourcer provider – for whom payroll is their main or sole role.

This then begs the question of where does shared services fit in? And at this point of the article (let alone the series) I am not sure. This will develop during the series and in talking to others over the coming weeks.

## What influences payroll?

Technology is one of the biggest influencers. It allows providers to improve and automate and so make the functionality rich within their systems, even for the systems aimed at the smaller

employer.

Clearly legislation has a great impact. One could argue that if it was not for legislation the payroll function would be quite different, the functionality required within systems would be much less and perhaps payroll would not have anywhere as near the significant role that it has now. Nor would it have the standing as a profession that it has.

HR strategy/policy influences payroll since it will dictate how calculations of pay elements are undertaken and the data that is needed to be captured and reported on. Depending on industry sector this may be quite wide sweeping or nominal.

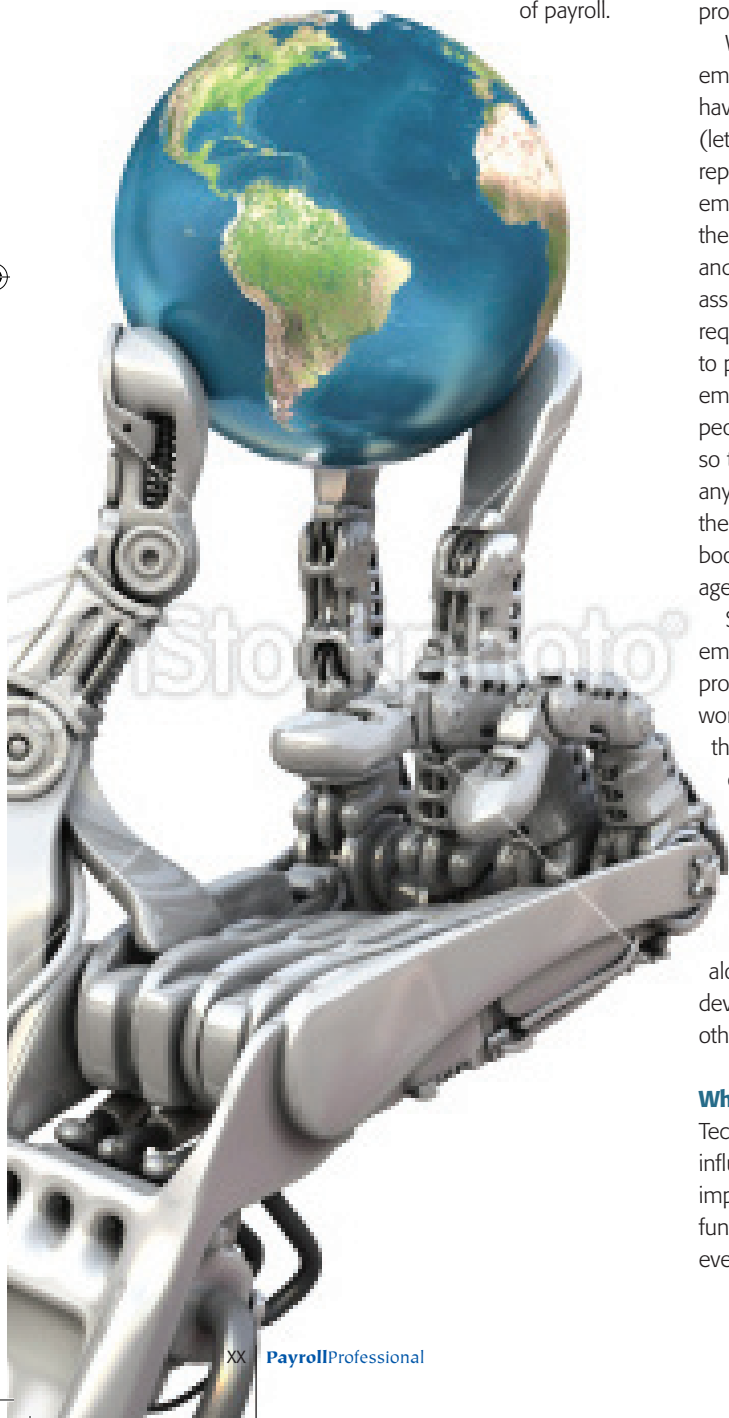
Shared service centres will have an influence and the impact will, in part, be dependent on the way the centre operates. In a large department one could anticipate there being a payroll expert whilst much of the transactional work is undertaken by perhaps more generalist people who do HR and payroll.

And of course outsourcing will have an influence since the resources required in an employer with a fully managed service will be different. Again, however, in a large organisation there may be some payroll expertise retained.

Whilst legislation is one the biggest influencers – requiring a breadth of knowledge across income tax, NICs, statutory payments and deductions, employment law and so on – in many ways technology could be said to have made this easier since we would generally expect the system to have the rules built in and do the work for us. It would be interesting to poll every person who 'does' payroll to discover if they can accurately work out tax and NICs manually, whether they understand exactly what comprises a tax code, or fully comprehend statutory payments and deductions.

## The future?

If so many employers were fully to outsource their payrolls or move to fully shared services centres would payroll as a function lose its identity? There is a





danger that this could happen but there are ways to ameliorate this as well. And that depends on the profession as a whole.

Many organisations see payroll as a purely transactional centre that receives data, processes it, makes payments to employees and third parties, provides some management information and completes some statutory returns. They do not see payroll adding any value. This would still be the case if there was a major glitch of some sort that jeopardised payment to staff but it was payroll that ensured that staff were paid. And because it is not deemed to add real value the budgets are continually being cut and staff are being asked to do more for less, and probably without the organisation fully understanding what it is that payroll has to deliver effectively and efficiently.

Payroll qualifications have made an impact on the perception of the profession both within organisations and amongst other professions. Will there be a day when payrolls can only be operated by licensed practitioners? Probably not, but it does not denigrate the qualifications or the need to train staff on a regular basis (e.g. continuing professional development). But again the number of people who have completed the qualifications across all levels compared to the number of people for whom payroll is their sole role is a smaller percentage.

#### **Where can payroll be an influencer?**

Providing payroll data is one of the tasks that people, whether they are managers or employees and to an extent HR, understand as a necessary 'evil'. Yet they do not give it the attention or the priority that it deserves given that if the data is incorrect it can have so many implications for the organisation. And of course the data can be incomplete, inaccurate, late or a combination thereof. Perhaps there are opportunities to look at how data can be collected more easily and more accurately so that it is not significantly adding to the task in payroll but more importantly is reducing effort if not the actual task for those who supply the data. Interestingly this may be contrary to the HR policies in many organisations that are using self-service to devolve more and more tasks and responsibilities to line managers. An interesting juxtaposition and one that I am still working through as I have long ad-

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vocated the devolvement to line managers e.g. completing forms online that then goes directly into the payroll/HR system as opposed to completing pieces of paper.

If payroll were to develop ways that provides savings and improves the service then this can only be a benefit to the organisation.

Perhaps it would be worthwhile finding out what the hurts are for the people who provide the information and look for how these hurts can be significantly reduced if not taken away? Or reframing the situation and demonstrating that there is a benefit to them and the (added) value.

I will explore being an influencer with HR in a later article but clearly if payroll is automatically included in early planning and discussions for new initiatives then they can influence discussions and show how they can have both an active and a proactive role which will enhance an initiative and also help with its success. Interestingly there has been much coverage in the press about the desire by HR to have a strategic role and the interest of business in them doing so, plus commentary around whether HR will survive as a separate entity. What are the implications for payroll?

If there is one area where payroll has been a great influencer over recent years it is with HMRC and other government departments. Yet there are times that as a profession we could be forgiven for feeling more valued by these departments than our own organisations.

#### **Where can payroll add value?**

Wherever payroll can be an influencer it can also add value. One of the biggest considerations for organisations currently is around human capital whether it is expressed in this way or not. People are 'assets' and also one of the most significant costs to an organisation. People cost money to be kept in employment and each time someone leaves and has to be replaced that too costs money. The payroll system holds a wealth of data that can assist with measuring/valuing the capital and understanding the costs.

Yes, costs are fed back with the general ledger interface each month but this only scratches the surface of what can be

achieved re management information.

How many reports do you provide for the business each month? Does it actually provide the data that people need? Do they have to do a lot of data manipulation to get the data they really want?

Several times when working with clients and talking to the payroll customers about the information they receive and the information they really want, we have identified that we can save several days of data manipulation by providing something different and perhaps in a different format. Now that is adding value but because the right conversations were not taking place the need and the solution had not been identified.

There are, of course, many metrics that people may want to start producing and analysing but are not aware that the data can be provided in part if not in full from payroll.

Organisations may or may not have schemes such as childcare vouchers, bike to work schemes but payroll can assist with the development of a project and the implementation and running of the scheme. Other organisations may not have realised the benefits of salary sacrifice for pensions and yet this is something that payroll can assist with and make a significant financial difference to the organisation. These are potentially short-lived arrangements but nevertheless they add value to the organisation for their lifetime.

Full utilisation of the functionality of the payroll (or payroll/HR) system can also add value. Implementation may have an associated cost but the return on investment and benefits realisation should be greater than that cost and so developing a business case in conjunction with the relevant stakeholders will be invaluable.

#### **A provocative comment?**

If payroll does not show that it can be an influencer and add value then it has every chance at best of becoming stagnant and at worst of being sidelined. This does not just rest with the people leading the department but the whole department. To be the most efficient and accurate transactional department may not save the day.