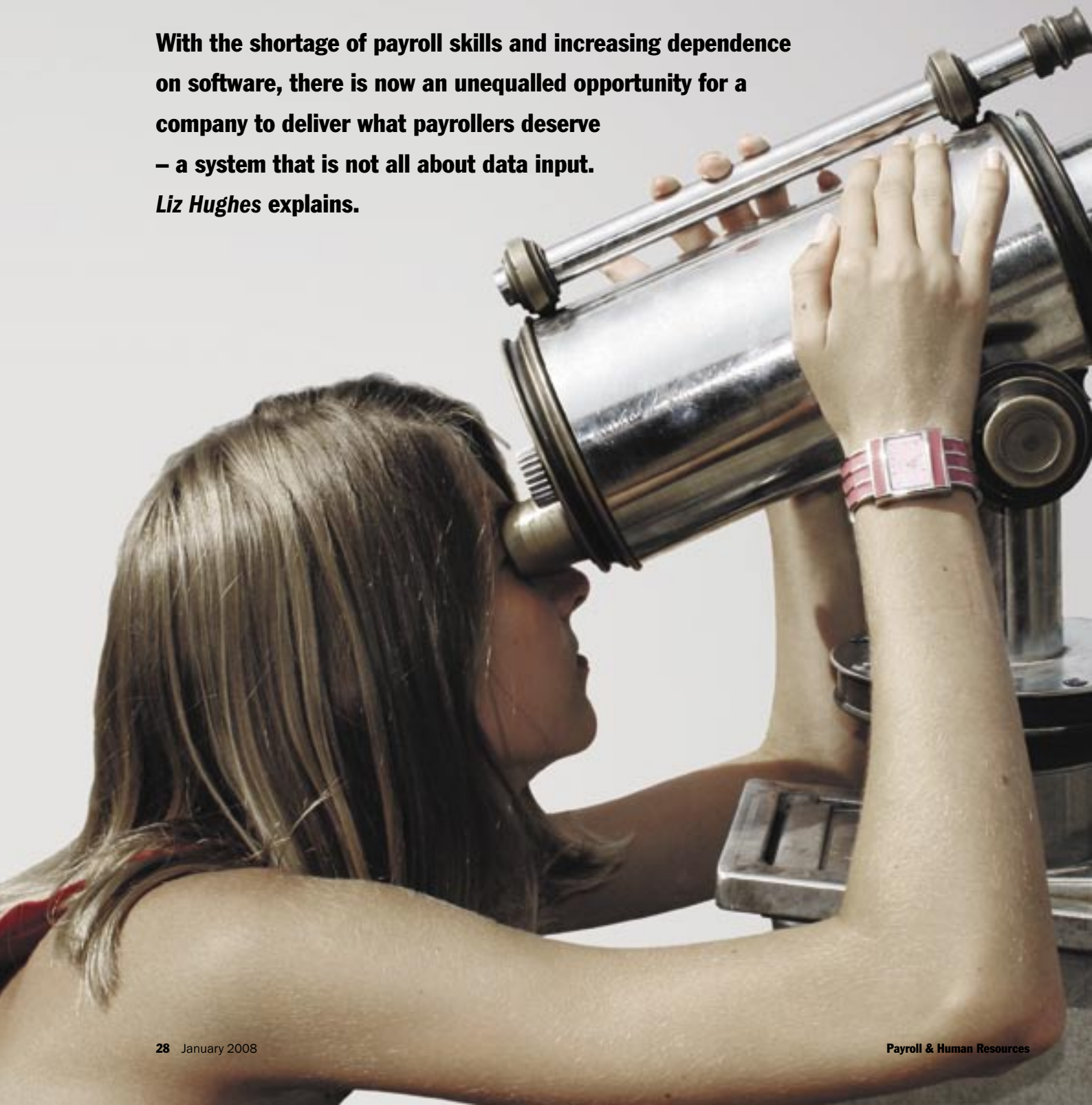


The search

With the shortage of payroll skills and increasing dependence on software, there is now an unequalled opportunity for a company to deliver what payrollers deserve – a system that is not all about data input. Liz Hughes explains.



for software

organisation runs more than one payroll, a system that provides adequate additional information on the processing rules of that payroll will be essential.

Input and guidance

Even today, payroll systems usually follow a rigid menu structure and force users to visit a number of screens to complete a task. Of course, a one-screen hit for every task is not realistic but you have to go a long way to find a system that feels as if it understands payroll processes. As an example, let's look at one high-risk payroll item – leavers.

A typical payroll system will have a screen dedicated to leavers, expecting the user to input a date of leaving and indicate if a payment is due this period. That is all very well, but paying a current or previous period leaver is one of the most complex activities a payroller undertakes. Get it wrong and at best there is an underpayment, at worst a large overpayment that requires a long recovery process with no guarantee of success.

The way a leaver is processed and what they are paid depends on the reason they are leaving, but a payroll system should ideally provide help, guidance and direction rather than rely on the knowledge and experience of the user, as most systems do. For example, a resignation will be different from a redundancy, a dismissal from a death in service. Each has special rules and regulations and yet a dynamic system that guides you through these processes or

provides intelligent support is almost impossible to find.

In fact, systems expect that the user will know everything before they use the system. However, this is 2008 and we need systems that help and guide, not ones that just open their screens and demand to be fed. Having examined systems over many years, I have rarely seen one that is giving something back to the user. Perhaps now is the time for systems to do so.

The burden of administration

Payroll administration rules seem to increase year on year, while regulatory compliance has come into sharper focus recently. The removal of Tax Credits through the payroll was a rare and welcome change – an actual reduction in the administrative burden. Back on my leaver's soapbox, there is the extra administration requirement to notify the Attachment of Earnings authority within 14 days that an employee with a live Attachment of Earnings order (AEO) has left? What about other information that could accompany the P45 sent to the leaver, ie information concerning pensions, their P60 or P11D at year end? You have probably gathered that this is just the tip of the iceberg and my colleagues and I feel passionate about the time that could be saved if only we had more appropriately designed user-supportive payroll systems.

Payroll management

It is important to consider what data your system gives up voluntarily for you, and whether the front screen gives you any useful information about the payroll(s) you are running. It should not be necessary to go hunting in order to provide your manager with up-to-the-minute information, and if you run multiple payrolls, it is important to

Even if you are not a highly experienced payroll professional, look at any up-to-date HR systems then examine your payroll system and I can guarantee you will spot the differences.

It is likely that from the very first view of the front screen, one will be cleaner, fresher, less cluttered, have easier navigation and be more informative – but more importantly, one is much more likely to function in line with the way the user works. Of course, some HR systems could be classified as the new kids on the block but why is it the payment of employees has become the poor relation to managing them? After all, the UK has been moving towards a service-based economy for decades now, and therefore the largest company cost factor is almost guaranteed to be the payroll.

The majority of payroll systems focus on input but we also need those that inform, help administration and assist with payroll management. If your

know where vital information is held. I worked with a client recently whose payroll department ran a number of payrolls. The person who had been running the department retired and had left behind a complete lack of information about each payroll's rules and requirements.

The client's belief was that they had lost 24 years of experience. We all know how valuable experience is, but much of the experience was in fact information that could and should be held with the payroll. In a short space of time I was able to leave them with a system that did this. They do not feel as vulnerable now, and what is more they know when to expect which payroll's input. At the very least, deadline dates should be held on your system.

Don't be surprised to hear your system can't do something – it might just be too hard to do

Processing and maintenance

I have taken it for granted that payroll systems calculate pay and produce payslips and reports. As this was where they started it is easy to understand how payroll system providers have been lulled into a false sense of security – history has played a large part. Payroll was a natural and obvious early candidate for computerisation years ago when the benefits of the then new technology focused on efficiency and the accuracy of any repetitive “number crunching” calculation routines. In fact, the growth of payroll bureau services has been one of the success stories of the past 30 years.

Much of the current software available, and certainly a number of the larger service providers, use systems built on architecture and the programming languages of those very early systems.

The introduction of Statutory Sick Pay, Statutory Maternity Pay, AEOs, additional pensions legislation, and online filing are just a few of the complex procedures that have had to be built in or “bolted on” to some widely used but essentially old, creaking systems.

Naturally this has been increasing the maintenance and support liability and is possibly limiting the resources available for system enhancements or rewrite. Don't be surprised to hear your system or service cannot do something – it might just be too hard to do because of the way it has been adapted over the years.

Migrating systems

If you have ever migrated a payroll from one system to another, you will have an insight into how complex this can be. Just try to imagine if you were a payroll system or service provider with several hundred, or several thousand clients using one system in many different ways and you wanted to move them all onto another system. Even with the benefit of conversion software, these projects are not for the faint-hearted. And, of course, the work on a large project such as this would have to be carried out in addition to normal workloads. Resources being what they are, the logistics alone would leave even the major service providers feeling daunted or at best cautious.

Defining successful payroll systems that could have the widest appeal requires a depth of understanding of the user's role as well as a breadth of knowledge across industry sectors. Fortunately the growth of the payroll service sector and in particular, fully managed payrolls, means that this knowledge and experience is now out there to be had. Formerly, broad and deep payroll knowledge tended to be much more difficult to find.

So, who is going to capitalise on the opportunity that is undoubtedly out there to corner the market of the future? It will be the provider of the software that meets the needs of today's users by supplying features, facilities and dynamic information we should have access to today who manages to keep things simple for the smaller, less complex payrolls and the user who is not a payroll specialist.

It would probably be too harsh to suggest that apathy or inertia have led us to where we are now and unrealistic to expect an overnight improvement in the status quo. The choices are not easy, the investment would be substantial and the execution of migrations a real challenge. Providers only have to look at some of the top selling payroll software to see

how much is currently paid by so many users for so little.

A learning curve

A high degree of knowledge and experience is a prerequisite to implement and use today's systems. This increases the learning curve for users.

We compromise, we do more workarounds, we do more manual calculations than should be necessary given what up-to-date systems could provide for us. And, in so doing, we use more of our valuable resources and our accuracy rate undoubtedly suffers. For example, does your system help or hinder the recalculations of past periods? This is a regular requirement and yet I have rarely seen a payroll system that provides comprehensive facilities for corrections. Payroll data is generally gathered from all parts of a company: where humans are involved mistakes occur. Payroll processing always requires the need for correction, adjustment and backdating.

If your system does not have these facilities, imagine what this means to service providers, especially if they are providing a fully managed service. They are likely to have to compromise too and their staff will be carrying out processes manually. Inevitably, their staff will be doing workarounds too which may be reflected in their error rate.

Payrollers' needs

I recently asked a number of payrollers with varying levels of experience what they would like to see in a payroll system. The responses ranged from wanting to be in control of the system to needing to input more quickly.

So, to all ambitious software developers out there, what is really needed is a system that is the prime source of information about the payroll(s) being run, is flexible and works with the user and reflects the way they work. The system also needs to prompt, inform and educate. A system that truly understands the full meaning of payroll processing, administration and management today will become the market leader.

Liz Hughes is Director of Independent Payroll Consultants Ltd; liz.hughes@payrollconsultants.co.uk