

# A VIEW FROM THE INSIDE

**Liz Hughes shares what it is like to be a payroll service provider and suggests ways to get the best out of yours.**

**D**o you outsource, or have you ever outsourced, your payroll? Have you ever been disappointed because an instruction you gave has been misinterpreted? Have you ever thought that your service provider's staff just don't see things from your point of view or understand your challenges? Well, things aren't easy for your provider either. The wrong instructions, unrealistic expectations or a lack of consideration for their deadlines can have an adverse affect on how they do their job. In turn, this could be detrimental to your company's payroll. Here are some examples of the common pitfalls – avoid them to keep your payrollers and staff happy.

#### **Clear instructions get the best results**

"She's back with her boyfriend" was a payroll instruction received from a client. It is true that we did encourage clients to keep their instructions concise but something was definitely missing from this one. We were not able to contact the client because he had faxed his input to us just before going away for a two-day golfing break during which he could not be reached. There was no other authorised contact and we wanted to ensure that the employee was paid. Of course, we did look back over the employee's pay history to enable us to make a reasonable assumption. Fortunately we made the right decision

– we changed her method of payment back to "bank transfer". That's what the client had meant to say – the employee and her boyfriend obviously had a joint bank account! Had we drawn the wrong conclusion there was a good chance the client would have felt we had not done enough.

This situation went on to be used as a hypothetical question during our recruitment process to illustrate one of the challenges faced by payroll services companies and also to assess a candidate's ability to think laterally – after all, they need to.

One moral of this story is, wherever possible, try to have two main points of contact in your office so that if the first contact is unavailable, someone else will be able to answer any queries.

#### **Payrollers have deadlines too**

A client with a 2,000-man monthly payroll regularly missed their 1pm final input deadlines (intended for a few last-minute adjustments) and persisted in sending large volumes of input at this time. No amount of polite reminders and coaxing seemed to make a difference and, during one such conversation, a member of staff let slip that we had an internal deadline of 3pm (which meant we were unable to process large volumes of input in that time). What an error of judgement. The client failed to appreciate the processes that had to be completed between 3pm and close of business and thought it meant items



could be sent up to that time, failing to realise the following had to be done:

- checking that all input has been received in full and is legible
- making a call/emailing to clarify omissions/quality issues
- waiting for missing items to be resubmitted
- checking those again
- correcting interpretation and entry of instructions
- processing the payroll on time
- checking the results
- printing output and sealing payslips
- creating and printing payroll reports
- collating and packing all payroll output carefully.

If you submit work three hours late this means that your service provider may have lost a significant proportion of processing time. But I expect you would not want them to cut out any of the above, vital processes, which are designed to get the best results for you and get your payroll delivered on time. At peak times, payroll services companies have many deadlines and priorities to manage, so every second counts. The record number of payrolls processed in a single day with a former employer was in excess of 620.

Your late submission could create additional pressure which, unsurprisingly, may increase the risk of you not getting the required results.

### **Utilising experts saves time and money**

An incorrect instruction we once received was: "Pay compensation for loss of office. The first £30,000 to be tax- and NI-free, and the remainder is fully taxable and NIable."

The client had been given this information by their solicitors, who were handling a delicate termination situation for a very senior member of staff. Many managed service providers will have an internal checking and signing-off procedure for large termination payments such as these. This instruction was queried with the client as NI was not due according to the prevailing HMRC rules, and it was suggested that the client double-checked with their solicitors. The client clearly did not want to do so and took some persuading but later acknowledged that the £5,760 saving in NI had made it very worthwhile.

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## **Much of the work carried out by your payroll service provider will go unnoticed**

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Payroll services company staff have a level of payroll knowledge and experience that is hard to beat simply because of the huge range of payrolls they process and situations they are exposed to. This means that, whenever you are considering changing anything on your payroll, you could benefit greatly from speaking to them. The chances are they have clients who have done the very thing you are contemplating, and they may have ideas on how you could implement your changes in a sweet, neat, painless and truly efficient way.

### **Expectations must be reasonable**

One client decided to merge their HR and payroll functions, outsource the payroll and make their payroll staff redundant. The payroll function became the responsibility of HR, however the person nominated to be the coordinator/contact within HR had no payroll experience whatsoever and no payroll staff had been retained for the changeover

to our managed payroll service. The two payrolls held a combined employee count of 1,600, which included multiple pension schemes and varying contractual terms.

Obtaining information to migrate the payrolls onto our systems was, understandably, a frustrating experience for all concerned. The coordinator, a highly respected member of the client's staff, could not supply information quickly enough to meet the project target dates and became increasingly stressed and unhappy. Our staff were frustrated too, as the implementation took several hours longer than it should have done.

### **A meeting can make all the difference**

It is good to talk and deal frankly with any issues that the involved parties have. Most service providers know and understand the value of building a relationship. The best results come out of the acceptance that an outsourced payroll service needs to be a "working partnership" with all parties committed to joint goals. All too often, payroll services staff remark that they feel the client just "expects us to do as we are told without question or discussion".

A working partnership will also ensure that you get all the benefits of enhancements and new services. Official notifications of service developments and changes may have been addressed to someone else within your organisation.

### **Errors, errors and more errors**

Most payroll service providers aim to attain an accuracy rate which is significantly higher than could be achieved within a payroll department and have checks built into their payroll systems and processes.

However, no matter how many employees are paid correctly or how good the level of service provided to clients, the number of payroll errors is still used as the definitive measurement for success or failure. I recall being summoned to a meeting with an unhappy client who had a 1,800-man monthly payroll on which we had made three errors (two human data entry errors, one ambiguous instruction). In the conversation that ensued, great tact

had to be used when pointing out the query raised on the same run regarding the client's incorrectly stated pay date (saving them from paying one day late) or the missing commission payments (250 employees) that we also alerted the client to. Much of the work carried out by your payroll service provider will go unnoticed.

The payroll services sector is a very challenging environment in which to work. Members of staff in the business work under pressure, put the client first and ensure payrolls are processed on time no matter what. At peak times of the month and the year (eg December and end of year) the pressure is intensified. In return, they often feel that some clients have unreasonable expectations and the only feedback they receive is negative and focused solely on errors. As long as humans are involved in producing payrolls, errors are unavoidable.

So, I hear you say, if it is so tough, why do payroll service providers stay? The truth is, they care about what they do; they care about doing a good job for the client and they care about getting it right. As in many challenging environments, they work as a united team with a shared workload, responsibility and aim to deliver the best service they can for you. All they want in return are reasonable expectations and co-operation!

When they do a good job, let them know you appreciate it. How many times have you sent an email just to say "thank you"? When these arrive, they are circulated and provide a boost for everyone in the team. Trust me, a simple "thanks" is worth its weight in gold.

Payroll is challenging for all involved and not just because employees' pay is a sensitive and personal issue. It's deadline driven and must be accurate, so great communication is essential. In a nutshell, clients and service providers should build a working partnership, so that those involved understand the challenges faced by all parties. Until we communicate by telepathy, talking is the key to a successful working relationship.

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