



**A Symatrix Whitepaper:
The Challenges Facing Payroll in 2018/19**

Introduction

Your people are your biggest asset and as such you need to engage, motivate, develop and retain them.

However, employee costs are the single greatest expense within most organisations so having a process driven, error free payroll is a key component to managing cost.

Payroll inaccuracies can not only have a hugely negative impact on employee satisfaction, but they can also cause significant damage to a company's reputation. Skills shortages have made it even more important that companies keep hold of their most talented professionals, so HR specialists need to ensure that levels of employee engagement are high and remain high. Employees will be aggrieved if their remuneration packages are not what they are expecting and payroll getting it wrong – even once – can erode trust and inspire doubt.

Historically payroll has been seen as a general, low level task, however, in our experience and the experience of our customers, this couldn't be further from the truth with payroll being a strategic enabler in many organisations. Running accurate and timely payroll consistently is a mandate, and the challenges surrounding it continue to sap the time of not only payroll but HR professionals and the wider organisation. Not getting the essential processes right only creates more stress and pressure. Understanding the key challenges and ensuring your organisation is properly prepared to deal with them - whether you make use of an in-house or outsourced payroll solution - is critical.

Whilst the last few years have produced significant hurdles for payroll teams (decommissioning of EDI and the introduction of GDPR to name a couple), 2018/19 seems set to cast a net of real challenges and perhaps also a few red herrings. This whitepaper will ponder and explore the challenges faced by modern payroll departments. From new compliance rules to the impact of Brexit, we will be providing information on key focus areas across Compliance, Accuracy, Complexity, Security and Cost.

Compliance

There are many issues to consider in the realms of compliance. Even more so as there are various changes coming into force in the near future that put further demand on payroll.

Gender Pay Gap Unveiling

The Gender Pay Gap Reporting, which applies to employers with 250 or more UK employees. This includes LLPs, partnerships, companies, unincorporated bodies or other types of employing entity and affects around 7,000 companies, covering just over 10 million employees. Source: Department for Business, Energy and Industrial Strategy (BEIS). The employee pay must be reported to demonstrate any differences between male and female pay. This includes a range of remuneration, including the mean and median pay gap figures, but there are some exceptions.

The unveiling of the latest results saw varying results and astonishingly revealed that almost 8 out of 10 companies and public sector bodies who submitted their results at the deadline paid men more than women¹

Regulations commenced from April 2017, from which point employers now have up to 12 months to publish this information. Virgin Money was just one of the companies who voluntarily published its gender pay gap data ahead of the publication date set by the government.

In April this year, around 9,000 UK firms, with 250 or more employees, started calculating their gender pay gaps and published the results on the government website. Despite reports emerging that 1,500 companies had missed submission deadline in August 2018 it was reported that 100% of UK employers identified as being in scope of Gender Pay Gap regulations, have published their data. Now some employers will find themselves with the task of remedying any issues that the report may have highlighted.

Itemised Pay Statement

Recently it has been announced that all employers paying their employees on hourly rates need to now show the numbers of hours that are being paid.

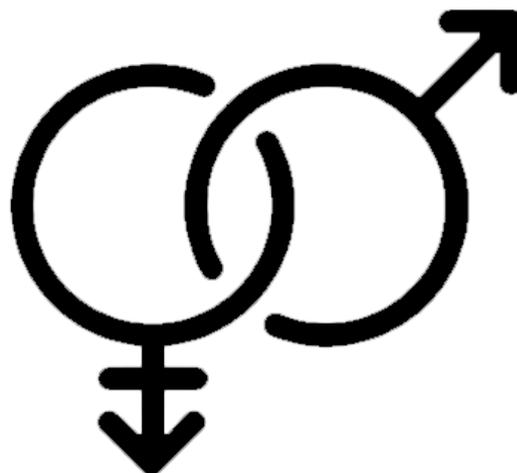
Every employee, regardless of their length of service, has the right to an itemised pay statement. This statement has to be given at, or before, the time at which the employee is normally paid.

The pay statement must be in writing and is required by law to contain the following information:

- Gross earnings.
- Net pay.
- Fixed and variable deductions from your gross pay.
- Where different parts of the net amount are paid in different ways, details must be provided of each amount and a way in which each part is paid.
- How holiday pay is calculated if this is included as part of your wages

As an employer if they fail to comply with these obligations, this matter can be referred to an employment tribunal.

It is possible for employers to issue a standing statement covering the fixed deductions from pay. Where this is the case, employers must re-issue this statement at least every 12 months.



GDPR

Under the new legislation, businesses must provide a lawful basis before they can process personal data, and this in turn affects an individual's rights. This is not painful but it is important for companies to consider how these rights will impact their HR data and how they go about obtaining consent to retain and process this data. The main concern for companies is the right to erasure, also known as 'the right to be forgotten'. It allows anyone to request that their personal data is deleted if there is no reason to keep it. Therefore, it is important to understand what information must be retained from a regulatory perspective and for how long. When it comes to payroll data here are the retention periods that must be adhered to:

Payroll documentation		
Document	Retention Period	Reason for Retention Period
Income tax records re employees leaving i.e P45	Six years plus current year	Taxes Management Act
Notice to employer of tax code (P6)	Six years plus current year	Taxes Management Act
Annual return of employees and directors expenses and benefits (P11D)	Six years plus current year	Taxes Management Act
Certificate of pay and tax deducted (P60)	Six years plus current year	Taxes Management Act
Notice of tax code change	Six years plus current year	Taxes Management Act
Annual return of taxable pay and tax deducted	Six years plus current year	Taxes Management Act
Records of pension deductions (including superannuation)	Six years plus current year	Pensions Act 1995
Clock cards	Two years after audit	Audit
Payroll and payroll control account	Six years plus current year	Companies Act/Charities Act and Taxes Management Act

Child Care Voucher Scheme

The employer-backed voucher scheme offering parents vouchers to help pay for childcare — had been due to close to new entrants on April 5. However, due to varying issues this has now been extended to October, though no exact date has been set. Parents can use the scheme to sacrifice the amount from their pre-tax salary and allocate it to pay for childcare.

Accuracy

The demand for accuracy in payroll is imperative. That's why balancing, auditing, and segregating of duties is critical. These steps ensure you minimise error rates which removes off-cycle payments. Manual workarounds and manual processes can lead to the need for rekeying of data and with the best will in the world, rekeying is manual administration and is the key area where errors can occur. Differing interfaces between the technologies used to carry out payroll calculations can also cause issues. The clue is somewhat in this title, Using a 'single system' will help overcome these challenges by removing the numerous points where data is keyed or rekeyed as it moves between email, excel, HR, T&A,...etc.

There have been numerous high profile examples of where data accuracy may have led to payments that were below the minimum wage. Even large companies are prone to mishaps when it comes to payroll. Earlier this year many companies were named and shamed by the Government for underpaying minimum wage workers, as it identified 179 employers that had to repay £1.1m to thousands of workers and fined them £1.3m (<https://www.personneltoday.com/hr/wagamama-failed-to-pay-national-minimum-wage-2018/>). However, the UK government too were placed in a very awkward position when it was recently revealed that a new website to promote summer work for young people had jobs advertised for less than the minimum wage.

Accurate and up to date record keeping is one of the most crucial elements of a successful business – no matter what size.

Complexity

When we consider all the elements that continually interact with payroll; the management of employee data, the process of calculating the payable salary and declarations to the government amongst others, should be accounted for. But what is it that really makes payroll so complex? Some would attribute this to the balance of managing internal specific policies whilst staying legislatively compliant.

With the ever increasing amount of new legislative requirements that impact the administrative volumes facing a payroll department, it can be very time consuming just getting to grips with the background, impact and application of the new rules not to mention the additional effort that is now required to produce new reports and perform

additional checks and calculations. Additionally, payroll teams need to be equipped with the right tools to provide the business intelligence needed to easily collate new data requirements; such as gender pay gap reporting. Multiple layers of policies and lack of flexibility on a payroll solution may result in the need to implement manual workarounds, making your payroll process an increasingly unwieldy task. This can be especially pertinent to organisations juggling legacy contracts with terms and conditions that need to be manually checked and validated, to ensure they do not breach new legislative criteria.

Another aspect that adds to the complexity is the amount of time it takes for payroll to be carried out due to the amount of collation and reconciliation that is required to ensure nothing falls through the cracks (or more often no one). Often, the payroll system is different to the HR system so the data itself is maintained in multiple places. Many organisations find that payroll ends up being their most accurate version of the truth when it comes to employee data as so much effort goes into ensuring an accurate payroll. Where HR and Payroll systems are on separate databases, companies need to attribute ample time for cut offs to compensate for the lack of synchronicity between systems and teams in order to minimise errors. Managing disparate systems can lead to manual interfaces, variances in data and in many cases double keying. Just consider, if your payroll was able to stay open for another 3 or 4 days each month what benefits would that bring to your organisation?

The amount of new legislation impacting payroll shows no signs of slowing and the management of this business critical function is becoming increasingly difficult without the right supporting resources, solution and processes.

As a payroll administrator, accuracy is of the utmost importance and if your role includes responsibilities such as liaising with the correct department to ensure that you have the correct payroll data; reviewing processes and procedures to ensure that they are as efficient as they can be; maintaining payroll data to ensure it includes temporary or contractor staff amongst many other demands – it is clear that you are not using a single HR and Payroll solution – and you probably spend more time checking and double-checking the data with long cut off times and battling to meet deadlines.

Security

Payroll information is one of the most sensitive data types alongside medical and banking details. As a mixture of a remuneration information, personnel files and bank details the security risks are significant if it end up in the wrong hands.

Confidentiality of employee payroll data is critical because a leak can result in discord among employees, adverse publicity and fines. One example of this was a disgruntled employee at a major supermarket that put employee names, addresses, bank account numbers and national insurance numbers, onto a web site. The site contained details of over 100,000 people, which was then highlighted to several journalists.

Identifying potential risks that your HR and Payroll departments are exposed to is vital to avoid the consequences of any critical information leakage.

- Potential threats may happen in the form of malicious software hacking
- Employee activities attaining to Security Policies
- Accidental leak of confidential payroll data, which includes human error such as incorrect processing of information or unintended disclosure of employee or payroll data
- Malfunctioning interfaces which prompt manual intervention, amongst others

Most companies are aware of the paramount importance of data security and that cyber-attacks are an increasing challenge. Hackers are often highly skilled and utilise sophisticated technology, having varying motives from simple identity theft to terrorism.

The recent introduction of GDPR has increased the penalties and importance of securing your HR and Payroll data so by using data leakage identification tools and having policies in place that will secure this as much as is possible will help to protect your information. Moreover, having a single database on a secure and robust platform will make it simpler to protect. Similarly, when considering outsourcing your payroll to an external supplier, you need to look out for their security accreditations and robustness (i.e. ISO standards).

Hacks, scams and leaks, be they intentional or not, are leading to more and more data breaches and the theft of sensitive data that can cause massive

reputational damage to the companies involved. Horror stories, such as those at Snapchat, Seagate, US Bank and Yodel, emphasise the need to be vigilant as such attacks exist and are growing in severity. The 2018 Cyber Security Breaches Survey found 19 per cent of charities and 43 per cent of businesses had reported cyber security breaches or attacks in the last 12 months.

Costs

When considering the cost, it is not just the financial cost of your payroll, the real cost is made up of a combination of hidden costs, running costs and inaccuracies which might lead to legal action or fines against your company, these will ultimately affect your reputation as an employer.

Hidden costs can be varied but must also be taken into consideration, specifically if it's triggered by a legislative change (i.e. IR35 for contractors, Apprenticeship Levy). Unfortunately the impact of new requirements isn't necessarily limited to financial costs associated with new legislation (e.g. pensions auto enrolment in recent years); there is also additional administration required such as collating and submitting new reports to governing bodies and in some cases investment in new technology to be able to address these additional activities.

In the event of a data breach, whether by the employer or a third-party service provider, the employer may be liable to pay the new fines to the Information Commissioner's Office (ICO), as outlined in the new GDPR guidelines, or pay compensation to the affected parties.

Organisations who implement modern cloud based HCM solutions that leverage a single database for both HR and Payroll see real efficiencies and cost savings, such as; reducing the need to maintain interfaces or double keying between HR and Payroll.

Payroll can be run in house or outsourced and this decision will vary between organisations and the maturity and experience of their Payroll departments. Outsourced Payroll provides the expertise together with the security accreditations and robustness, to allow organisations to focus on their core business activities, reduce risk and effectively manage the cost of running payroll.

However, not all payroll outsourced solutions provide the same depth and breadth of service, where export of data, manual workarounds and

off system calculations are required, organisations frequently see the cost/ benefits of outsourcing reduced.

Conclusion

Payroll is not a one-size-fits-all. In this paper we have reviewed legislative changes that impact payroll and we have sited accuracy issues that have had significant reputational impacts on companies in recent months.. Managing payroll has become a complex and compliance-driven territory that can have rippling effects on an organisation when things go wrong. Many companies make the decision to outsource some or all of their payroll, allowing their HR function to devote time to a strategic HR partnership with the organisation helping drive productivity, leadership, engagement and innovation. Regardless of whether you in-source or out-source or whether your function sits in HR or Finance, it's clear that payroll is only becoming more complex. With its apparent intrinsic links to employee engagement and reputation management, the coming years will challenge our payroll teams to contribute further to overall organisational performance.



How Symatrix Can Help

Deliver an Exceptional Service with Outstanding People for all Clients Looking for HR & Payroll Solutions

Symatrix enable our clients to create a competitive advantage with their talented people. We partner with our clients to enable the deployment of best practice human resources and payroll processes underpinned by industry leading HCM solutions, using Oracle.

Our knowledge and experience of HR, recruitment, talent, performance and learning management and payroll best practice has been developed over hundreds of projects delivered for some of the UK's largest organisations and we use it to help forward thinking businesses to get the most from their people. We'll challenge you, advise you and guide you as you deploy best practice processes on Oracle HCM Cloud. We'll support you, train you and guide you on your HCM Cloud journey. And we'll deliver exceptional service, care that you achieve your HR goals and make sure you get true value from your Oracle HCM investment.

Our knowledge and experience of HR, recruitment, talent, performance, learning management and payroll services has been developed over many years and many projects. We are able to support and provide unique, payroll services to our clients as we are the only company in the UK who have developed a BPO Managed Payroll Service using Oracle HCM Cloud And E-Business Suite. A fundamental key to our success is that our BPO Managed Payroll Service is embedded into your organisation, interacting with your business rather than an external third party who simply receives payroll data to process and then return the results back to you.

We are with you for your whole Cloud journey, from implementation to business as usual operations, ensuring that you are continually maximising the benefit you can achieve through your Cloud investment.

The success of Symatrix is down to our people, HCM expertise and our skills built up over 18 years since our formation. Our sole focus has been, and will continue to be, delivering an exceptional service with outstanding people for all clients looking for HR & Payroll solutions whether large or small.

All the Symatrix services are delivered from the UK, nothing is off-shored. We recognise the importance of data security, which is why we are both ISO27001 and BACs accredited.

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About Symatrix

Symatrix enable world-class businesses to create a competitive advantage from their biggest assets – their people.

We partner with our clients to enable the deployment of best practices underpinned by industry leading Oracle HCM solutions.

Our knowledge and experience of HR, recruitment, talent, performance and learning management and payroll best practice has been developed over hundreds of projects delivered for some of the UK's largest organisations. We use this to help forward thinking businesses to get the most from their people.

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