



Affinity's ultimate guide to  
payroll management

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# Introduction

## 3 Introduction



Managing payroll within your organisation can be complicated. Research has shown that outsourcing payroll duties is an economically sound choice enabling businesses to cut costs, reduce manual errors, and improve business efficiency.

Managed payroll solutions provide many benefits including long-term cost savings, improved business efficiency thanks to improved and streamlined processes, the removal of single points of failure, and consistent delivery of service.

For larger businesses in particular, outsourcing payroll support can play a key role in reducing and preventing human errors and making previously inaccessible data visible to decision-makers.

Outsourcing payroll support is ideal for HR managers. Moving from manual processes to automated, real-time data reporting provides greater visibility and supports the business in becoming more efficient.

For finance managers, managed payroll services cut costs and optimise workforces to improve productivity. Comprehensive payroll solutions achieve this by improving organisational efficiencies and refining management practices across the entire payroll operation.

By utilising new technology systems and removing the human variable, errors are reduced and processes are streamlined. These elements are crucial to the on-going success of growing organisations.

This guide will explore fully managed payroll and the benefits that can be achieved by outsourcing payroll operations.

# Tips to help you get payroll right



Payroll is often the single largest cost faced by an organisation. Having the right payroll process in place can maximise both your productivity and your ROI.

Here we explore seven tips to help you make the right long-term investment for your business.

## 1. Compliance

Payroll non-compliance can have far-reaching consequences. Heavy fines, backpay debt and long-term brand damage to name a few. Compliant payroll is non-negotiable. Choose a provider with a track record of delivering accurate, on-time payroll that complies with even the most complex employment legislation.

## 2. Real-time information

Your payroll database should contain the most up-to-date information about new hires, existing employees and terminations. It should be robust enough to support all internal processes and workflow — even under complex conditions.

The best payroll systems provide real-time information to help you calculate labour costs against daily budgets, so you can make informed decisions that help your organisation to succeed.

## 3. Integration

The days of multiple disparate platforms are over. Having a single point of data entry ensures data integrity and allows data-driven decision-making based on accurate information. Your payroll system should provide API integrations with other systems, such as Enterprise Resource Planning (ERP) systems and HRIS, for seamless transfer of information. Additionally, you should have the ability to export datasets into third-party Business Intelligence (BI) tools to provide unified reporting across all platforms.



# Tips to help you get payroll right



## 4. Self-service

Self-service dashboards not only reduce manual paperwork, but also empower employees to take ownership of updating their personal details. Accuracy is increased significantly when data such as address and bank account information is validated at the source, eliminating further manual checks. Self-service also allows employees and managers to submit and approve timesheets and leave applications all without payroll intervention, saving significant time and effort.

## 5. Data security

Protecting your employees' personal data is not to be taken lightly. Sensitive information such as bank accounts, salaries and contact details must be under your control at all times. Your payroll provider should meet stringent security standards by offering the most up-to-date data security protocols, conduct rigorous system testing, and have in place robust disaster recovery processes.

## 6. Configurability

To support the unique needs of your organisation, it's important to find a payroll solution that is highly configurable. The ability to easily configure your payroll system provides a level of flexibility that grows your organisation, and continues to deliver on productivity and accuracy.

## 7. Organisational growth

With the rise of agile teams, employees who hold multiple positions within a company are increasingly common. This adds an additional layer of complexity to payroll management, because multi-position employees have different pay conditions.

Consider also your need for scalability and seek a payroll provider that can handle your expected growth.

# Outsourcing vs managed payroll



Outsourcing and fully managed payroll services are essentially two names for the same thing and are often used interchangeably to describe the process by which an external specialist manages your business payroll functions.

An important difference between the two is that outsourcing sometimes suggests the ability to offload the larger, more demanding responsibilities to a third party, while keeping others in-house.

It is possible to keep some payroll tasks in-house, especially if the desire is to retain control over certain data or processes. But as with most things, outsourcing works best when a single entity has full responsibility for completing a task.

The difference between a fully managed payroll service and simply 'outsourcing' is in finding a group of professionals with good processes that can overcome any obstacle, and a third party that is allowed to do some payroll tasks but lacks access to other parts of the process.

A fully managed payroll service performs all the tedious — and complicated — work of running payroll checks, processing direct deposits and maintaining employee pay details. Payroll services can save you time and money, ensuring your employees are paid correctly while helping ensure they have adequate taxes withheld. No matter how large or small the business, specialist payroll services can alleviate a lot of pain.

The cost of payroll services depends on several factors: the number of employees, the number of pay periods every month, and the level of service required.

## Employee self-service

A professional payroll services company offers your organisation a single point of management for payroll processes. They often use the most advanced technologies such as RPA (robotic process automation), artificial intelligence, data analytics and IoT (Internet of Things) to manage their processes.

Most fully managed payroll providers will supply employees with a self-service portal which allows them to manage leave, review or print payslips, check their personal data, and make service requests from anywhere.

# Outsourcing vs managed payroll



If control over sensitive employee data is a concern, in both partial and fully managed outsourced payroll services, you can still oversee some things. For example, you can verify if certain statutory requirements are being met, and check if payments and reports are getting done on time.

A holistic payroll system provided by a fully managed service also takes care of employee record-keeping functions by using cutting-edge, cloud-based systems. An advanced cloud payroll system enables companies to pay salaries on time to each employee — regardless of their location.

## Why choose a fully managed payroll service?

The biggest advantage of a fully managed payroll service is that it helps reduce the pressure on managers, allowing them to make better use of their time in more productive parts of the business.

# What do managed payroll providers do?



Payroll providers do everything from calculating pay and deductions to transferring money into an employee's account. They even help file taxes. They can do all of this — and more — or they might just do part of the payroll job, depending on what a company needs.

Before making the decision to switch to managed payroll, there are a few things to consider.

## Payroll expertise

Payroll administration has become remarkably complex over the past few decades and technology has only partially offset the extra work.

While payroll skills can be taught, the expertise needed to assure quality, perform great customer service, configure software systems, navigate government regulations (and compliance) and a host of other tasks, is best put in the hands of a team to whom it's familiar territory.

A competent payroll provider will offer an entire ecosystem that understands payroll, the nuances of compliance, business structures, workforce agreements and everything in between. Rather than asking an in-house payroll team to re-engineer how they operate (they may not even know where to start with this) the provider's software systems will support the entire role right out of the gate.

## Don't just shift the problem

You don't need another set of hands — in effect a body shop. What you need is a set of specialists who can analyse, identify and solve root problems. Simply shifting responsibility to another team is passing the buck. You need problem solvers.

One way to tell the difference between real specialists and just another 'body shop' rests with the ownership of the software systems they use. Ask your prospective provider whether it owns the software that you will be subscribing to or licensing. If the provider is the equivalent of a body shop, then it might have all the right expertise and people, but it won't own the technology or the intellectual property.



# What do managed payroll providers do?



Body shops struggle to provide a tailored solution to a company's problems, leaving the customer not much better off than buying an off-the-shelf package.

## Change management

Outsourcing doesn't work when a company shifts its payroll inefficiencies and problems to someone else, a practise called 'lift and shift'.

A good transformation process requires the customer and the provider to create a partnership, rather than just supplying and buying a service. This more holistic view of a payroll service allows a provider to evolve with a company as it grows and changes.

Since transformation is the key to a good outsourcing experience, it's important to look for a payroll partner who can manage serious change in a company. The point of outsourcing payroll is that critical problems in how the role is performed can be fixed and stay fixed.

Payroll engineers are more than payroll managers. They can configure software to a customer's needs. But this requires a customer accepting that things will change under the new outsourcing protocols.

The first step for any payroll provider is to analyse all the payroll processes of a company. This will help them engineer new processes and tools that follow best practice. This re-engineering exercise removes as much risk and extra work as possible to maximise the efficiency of the customer's business while integrating the solution into how it operates.

## Identifying weaknesses

Before approaching an external payroll provider, it will be useful for you to pinpoint where you believe are the problems and frictions in the way your organisation performs payroll.

Normally, a company hoping to switch to outsourcing has a problem they want to solve regarding resourcing or performance. If you are growing fast, you will also likely want extra help to get to the next level.

# What do managed payroll providers do?



Other reasons for outsourcing might include merging teams, adopting different business systems, adding new software or even dealing with the demands of seasonal workforces.

It might be tough to locate all the specific problems you need to solve, but any information you can provide will help your payroll partner tailor their solution to your business.

Consider the following basic queries as a jumping-off exercise to uncover key issues:

- How does your payroll supplier stay up to date and compliant?
- How does the payroll provider presently ensure accuracy and timeliness of payroll?
- Are there any customers of the provider that might offer useful insights into preparing for the transition?
- Is your company suffering from under or overpayments?
- How can your company reduce risk and increase efficiency?
- Will outsourcing your payroll reduce your costs, compared with retaining an in-house team?

## Cost savings

A common motivation for outsourcing payroll is that the costs of keeping it in-house are too high, or likely to grow.

By running the numbers to compare the cost of performing payroll in-house with outsourcing to a managed payroll provider, it will become clear that a good amount of money can be saved.

## Do the maths

Find out how many hours your employees or contractors are spending on payroll-related activities such as calculations, using computer software, training, keeping up with legislative changes, managing new hires and reporting. By comparing these costs to the plans offered by payroll providers, it should be a no-brainer to make the switch.

# What do managed payroll providers do?



Cost reduction is certainly achievable with outsourcing. In fact, it is rare that the overall cost of payroll increases when shifting to a third party. If it does, ask why. If the provider is doing their job correctly with a larger team, they should be able to do it much more cheaply than an in-house team.

## It's not always about the money

Sometimes cost savings aren't as important as being in control of payroll data and information. The two most common fears among companies pondering a switch to outsourcing are losing control of data and not having access to payroll accounts.

While both might be considered by some to be too risky, ensuring access to payroll systems is usually not an issue for most providers. Clients are given full access through software portals and user-friendly interfaces and can integrate directly with the data.

And when it comes to confidential payroll data, outsourcing of payroll to an experienced provider can often be safer. Along with backups and multiple server locations, the provider will likely have access to a high-quality storage system for protecting data as part of its service.

Also, the fear of loss of control is generally mitigated by service level agreements outlining that the provider is simply working with the data, and neither owns it nor will pass it on to other entities. Ensuring the provider can be contacted after hours can also put a worried customer's mind at ease.

## Handover processes

Real outsourcing is a partnership, not a pass-the-buck exercise, and so it's important to make sure the handover is smooth and trouble-free.

The challenge here can be retaining current staff until the handover is completed. Business transformation can be tough on employee morale, so it's critical that the people currently responsible for payroll are included in the handover from the outset.

# What do managed payroll providers do?



Guarding against payroll people leaving the company too early before the new system goes live is critical. If they do leave prematurely, it may still be possible to bring in contractors to ensure continuity of supply.

Other common risks to mitigate include passing the provider bad or corrupted data and being unclear about expectations for an accurate payroll. Unforeseen problems during the handover are nearly impossible to plan for but getting the foundations right can go a long way in ensuring the project doesn't spin out of control.

The provider can help discover upfront what the issues might be — in particular regarding the quality of payroll data stored by an in-house team — and request a full analysis that identifies all the problems. The customer can then find out how the provider proposes to help resolve some of the issues, such as underpayments and overpayments that may have crept into the payroll system due to complexity.

The longer you leave a problem, the worse it gets and the more expensive and riskier it is to solve. But a lift and shift of your problems to a payroll provider that is nothing more than a body shop will literally be going from the frying pan into the fire. If you want an expert, well-resourced partner with a world-class technology solution, talk to us today about the best solution for your business.

# Benefits of managed payroll



Payroll is getting more and more complicated. It's time-consuming, costly and requires specialised skills to get it right. Here we explain the benefits that come when payroll processing is managed externally, letting you get on with the business of being in business.

## Accuracy & Accountability

When payroll is inaccurate, the impact can be far-reaching. Disgruntled employees, invalid reporting and the risk of compliance breaches, to name a few. Reliable and accurate payroll information that is always on hand and ready to report on is essential to cost management, forecasting and planning — not to mention staff morale.

Outsourcing payroll services to a provider with the people, technology and experience to do the job well lifts data quality, reduces costs and instills a sense of trust from your staff.

## Consistency of service

The ability of in-house payroll teams to process timely and accurate pays is impacted by staff absences, turnover and a general lack of expertise.

Building a relationship with a trusted payroll provider ensures consistent quality service — regardless of your staffing situation.

## Compliance

Fulfilling the critical legislative and statutory obligations of payroll can be a heavy lift for many organisations. Not only is it time-consuming, payroll staff need to maintain a high standard of industry knowledge to ensure they are not unwittingly putting the company at risk.

For an organisation, non-compliance can mean costly fines and loss of employee confidence. Managed payroll services are better staffed and better equipped to meet your compliance needs.



# Benefits of managed payroll



## Access to expertise

Depending on the size and resources of your organisation, you may or may not have access to the level of expertise required to efficiently manage the intricacies of your payroll system. Managed payroll gives you access to a team of experts highly trained in all aspects of payroll operations. They can provide the assistance you need to review award interpretations and ensure you remain compliant.

You benefit from added expertise, including the implementation of systems and processes that will deliver company-wide efficiency gains and increased productivity.

## Best-in-class technology

In-house payroll software is difficult and expensive to maintain. With a managed payroll provider, you won't have to maintain software internally. You'll instead benefit from their use of the most up-to-date technology and best practice.

This exclusive access allows your organisation to achieve greater data accuracy, automation of manual tasks and an enhanced employee experience.

## Value-added services

The size of your in-house payroll team, along with any additional HR and financial tasks they must undertake, can make it harder for them to do anything other than process pay.

Managed payroll providers can add value through the provision of real-time data, expertise and meaningful insights into employee performance and labour costing. This is further supported by manager dashboards and comprehensive reporting that drives better decision-making.

# Benefits of managed payroll



## The freedom to concentrate on core business

Managed payroll gives you the advantage of freeing up staff to focus on core activities. HR and finance professionals can support managers and employees in this regard, helping you to create a more efficient and competitive business.

## Cost savings

Managed payroll providers deliver significant cost savings. By using modern payroll software and utilising industry-leading expertise, your head count and capital costs go down and productivity goes up.

This partnership also leads to other opportunities, such as the ability to rapidly respond to changing workforce and market conditions.

## Lower risk of fraud

A professional payroll management company has the ability to operate within a strict framework of controlled system access, tight approvals and a high degree of accountability — eliminating opportunities for fraud.

# How to choose the right payroll provider



You've made the decision to outsource your payroll — great! Now you're wondering "what next?". Let's explore some key considerations you will need to make when picking the right provider for your business.

Payroll may well be the most sensitive business activity you undertake. Who you trust with your payroll is a decision not to be taken lightly.

## Payroll and employee data

One of the most common reasons why employers prefer to keep payroll in-house is that it deals with highly personal information. In addition, salary expenditure itself often accounts for more than 60% of a company's revenue, meaning that the consequences of getting payroll wrong can be huge.

Data sensitivity means the most important ingredient for outsourcing payroll is trust. Trust that the provider knows what they are doing, offers great customer service, understands the local legal environment and — most crucially — has the expertise to manage your account.

The trust factor also applies to protecting your company's precious data, such as employee tax numbers, home addresses and salary information. A good payroll provider will offer a high level of cybersecurity and use best practice when working with sensitive data. This will mitigate the chances of your data slipping through the cracks or walking out the door after a breach.

## Local regulatory compliance

In 2018, the European Union's GDPR (General Data Protection Regulation) added a layer of standardisation to security protocols by regulating how employee data should be stored. While the GDPR isn't a globally enforced law, it shows how seriously the matter is taken.

Local regulatory compliance is more important than global regulations. After all, local laws have real consequences if they are flouted. Your payroll outsourcing provider should know all the relevant and current regulations and have the expertise to comply with those laws not just in your home country, but in every jurisdiction to which you intend to expand.

# How to choose the right payroll provider



## Business growth

How fast does your business expect to grow? Will the mix of your staff continue to be part-time and full-time, or will you soon be hiring contractors? Do you expect to open new offices in different states and regions?

These questions are important to ask now because your payroll provider must be able to grow with your business. A smaller payroll outsourcer could be a cheap option when your business is in its infancy. But if that provider can't handle a quick jump in staff size or business complexity, then you may need to find a new outsourcer. And this could cost you more money than you've saved.

A good provider will offer a plug-and-play system to homogenise your payroll processes and avoid the need to reinvent the wheel — no matter your plans.

# Must-have features for your payroll system



<input type="checkbox"/>	Centralised documents	Easy access to electronically stored employee documentation.
<input type="checkbox"/>	Compliance	EBA, Employment Relations Act (AU) and New Zealand Holidays Act compliance.
<input type="checkbox"/>	Date-sensitive intelligence	Automated date sensitivity for new starters and terminations.
<input type="checkbox"/>	Employee self-service	Capture data and automate workflow.
<input type="checkbox"/>	End-of-year reporting	Automate end-of-year reporting and other requirements.
<input type="checkbox"/>	Flexible dashboards	Dashboards with drag-and-drop functionality that create customised screens and views.
<input type="checkbox"/>	GL mapping	Exportable information that interfaces direct to external finance systems.
<input type="checkbox"/>	Leave management	Automatic accruals, easy access to leave history records, intuitive employee and manager self-service.
<input type="checkbox"/>	Reporting	Information in any format, sharable with those who need it the most.
<input type="checkbox"/>	Single employee masterfile	One record for each employee, centralising all information in one place.
<input type="checkbox"/>	Taxation	Accurate reporting and timely payment.
<input type="checkbox"/>	Tax filing	Automated, secure electronic tax files sent direct to Government.
<input type="checkbox"/>	Time and cost management	Timesheets entered directly into the payroll system or via an ERP.
<input type="checkbox"/>	Workflows	Sophisticated online forms and workflow that replace tedious, manual processes.



## Transform your payroll today

At Affinity, we believe that great payroll happens when people, process and technology come together. We partner with Australian and New Zealand organisations with 200+ employees, helping them to transform their payroll from a cost to an asset.

Our managed payroll services take care of the whole payroll operation. Delivering accurate and compliant payroll is what we do.

[affinitypayroll.com](https://affinitypayroll.com)