

# Snuggling up with HR

In this second article in a series reviewing the current status of payroll and its future, **Yvette Lamidey, Director of Paris and Parks Consulting**, considers the relationship between payroll and HR and what opportunities there are to change and enhance this relationship

**D**iscussing the relationship between payroll and human resources (HR) can be contentious. Just as HR anecdotally appears to have a jaundiced view of payroll, so does payroll of HR.

Even at this year's IPP annual payroll conference there were many jibes about HR. These were predominantly about both their understanding of payroll as well as their understanding of accurate and timely data. To an extent this view seems to remain even where payroll reports into HR as opposed to the Finance department.

Payroll is seen, mainly by HR but also by Finance, as a transactional role providing financial information. Whereas HR is seen, perhaps more by themselves, as the provider of core data to payroll as part of a wider service and as decision makers.

There is no dispute that HR's remit is very wide but so is payroll's and some of the work that payroll provides is almost the

filling to a sandwich where HR is the bread. Ultimately the two functions are intrinsically linked and one cannot survive without the other – even where one or both of the functions have been outsourced.

## Integration and collaboration

I can remember many discussions on whether payroll should sit within Finance or HR or even stand-alone, and being castigated for expressing the view that payroll, in the long term, would have a better fit with HR. So it is interesting to note that over the last five years or so there seems to be a trend towards payroll being part of the HR function – albeit as a function within a function – with little evidence of payroll truly standing alone.

As Patty Taylor, Director of UK BPO and Global HR Outsourcing at Logica, commented that “the move towards integrated HR and payroll systems has

driven a different ownership of systems and this has pushed more of payroll into HR”.

Taylor also highlights the evolution of data and its importance to business decisions within the organisation and notes that “payroll is the touchpoint for employees within the organisation and is a reflection of the organisation's efficiency”. And this is where payroll will excel in the level of service provided including meticulous processing.

It is perhaps a moot point whether the usage of an integrated system is a significant enough reason for moving payroll into HR. But there is an argument that in order to achieve greatest collaboration between payroll and HR and provide a holistic/rounded/full service to all the customers and stakeholders, payroll would be better placed within HR.

In a group of companies with a group payroll department it may be that the group HR and group Finance functions are quite small, with very little data actually

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being received from group HR other than for group employees. This would require different levels of collaboration with the different HR teams (and Finance teams) that may have some quite disparate agendas, some requiring support from payroll. If there are discrete payroll functions then this adds even more to the complexity of providing an over-arching service.

### Optimisation

Doug Sawers, Managing director at Ceridian, recently said “To most organisations the largest cost area and the greatest asset is the workforce. It is vital therefore that HR leaders and organisations have an accurate grip on this. This knowledge leads to better decisions, improved performance, and to the attainment of organisational goals. Certainty over this base information comes from the strong anchor which accurate and efficient payroll management brings. Advanced and sophisticated identification for performance improvement can be seen where HR leaders have ensured payroll design is optimised. Nothing else ties cash-flow and profit so clearly to actual performance and activity as payroll data does.” (I couldn’t have put it better.)

Taking a step back from this it is paramount that:

- payroll design is optimised, and
- where collaboration between payroll and HR comes into play – as they each have a prime role in the process since it is an exchange of information – they work from common policies and legislation as well as more specific ones.

Whilst HR might be ultimately accountable it is for payroll to at least co-own the design.

### Reliability

Sawers went on to say: “The vital and accurate intelligence this precise information brings, allows HR professionals to display informed knowledge and help drive the others in a leadership team to the correct conclusions. At the other end of the scale, any doubt over reliability of the data will dilute the impact the HR leader can bring.”

Maybe this is where the jaundiced view of payroll has sometimes arisen because data has, at times, not been wholly reliable. This may in part be due to the way in which data is held and in part due to

## ...acquire some additional business skills and then support HR

the flexibility of reporting tools in legacy systems including the provision of real time data.

Sawers’ belief is that “In a well-structured payroll example, accuracy and time-critical measures can be easily identified. Added to this, payroll gives the insight into another critical area of efficiency – tax efficiency. Well-run organisations do not allow National Insurance, corporation tax or income tax levels to be sub-optimal.

“Working collaboratively is therefore essential. HR and payroll must also have a very close relationship with Finance. Very few decisions within an organisation do not involve people, costs of people, or value of ROI [return on investment] through people. We have found with our most successful clients that HR has recognised the absolute need to inform good decisions through a reputation for accuracy and the overt understanding of the key leverage points payroll brings. Furthermore, they respect and encourage those who provide this intelligence. The data anchor complements the more creative additional elements good HR brings to an organisation and gains the support of Finance. Through the exceptional business intelligence sophisticated payroll provides, Finance and HR together have the ‘pass go’ for leading organisations to the correct and most positive conclusions.”

### Understanding

So what else fuels this historical and anecdotal jaundiced view of payroll by HR and vice versa? A lack of understanding of the roles will impact on this but, more to the point, a lack of understanding regarding the impact of non-delivery or substandard delivery has a greater impact.

Payroll’s cry is usually that HR either does not provide all the required information or that the information is not accurate and so requires some sort of repair as part of the processing. Anecdotally payroll managers will often tell of HR requiring clarification on policies which they believe HR should both understand and control.

And for HR the cry is often that payroll is too rigid, they (payroll) do not fully comprehend the difficulty in getting data, and timescales are not reasonable.

So a greater understanding of each other’s map of the world would be helpful as will some agreements about data ownership.

Additionally if the roles are not fully understood it will potentially impact on the point at which or the level to which payroll is included in the planning of new initiatives.

Both CIPD (Chartered Institute of Personnel and Development) and IPP qualifications detail the respective roles but there is no greater way of understanding the roles and responsibilities of each function than shadowing their counterpart. This is something Lindsay Melvin, Chief executive of the IPP, advocates as part of the induction for all new payroll and HR team members – and this includes the HR director. Furthermore, Lindsay would also like to see this reciprocal agreement taking place on a regular basis and to be introduced for existing staff.

### Initiatives, agenda, contribution

Although many payroll managers will have discovered the way that works within their own organisation to ensure that they are included in the early stage planning process, others still struggle to achieve this.

Sometimes coming up within an initiative of your own, requiring close working between payroll and HR – which addresses some hurts for HR and other customers as well as payroll – can be a way of demonstrating an understanding of the business as well as providing some business orientated solutions that help achieve the organisation’s goals.

And collaboration should not be restricted to the management teams. It should be fully inclusive of everyone within the team: discussions at peer-to-peer level often make a real difference.

Both Sawers and Taylor recognise that payroll has an important role in supporting HR’s strategic agenda specifically when it comes to human capital management. Taylor clearly sees opportunities for payroll professionals who are generally “maths literate, analytical, process orientated and goal driven” to acquire some additional business skills and then support HR in the production and presentation of the critical and strategic data encompassing all aspects of human capital.